



NEWS RELEASE

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Fitch Ratings Upgrades San Juan Water District's Credit Rating

Granite Bay, CA – In July 2020, in spite of the economic challenges presented by the pandemic, Fitch Ratings Services upgraded San Juan Water District's credit rating from AA to AA+. The upgrade reflects San Juan's strong financial and operating profiles including low operating costs, low rates, strong cash levels, low debt and strong financial management.

The coronavirus pandemic has created economic losses and uncertainty for business and government alike, including the water sector. Fitch is re-evaluating the credit worthiness of water agencies across the country against new criteria aimed at assessing an agency's financial strengths and resiliency during the pandemic. Credit ratings are a quantified assessment of an organization's ability to meet current and future debt and financial obligations.

Several years ago, in response to drought pressures, San Juan's Board of Directors approved necessary rate increases to its wholesale and retail operations. To help reduce the financial vulnerability to shifts in water use, the board modified the fixed component to better reflect the true cost of water treatment and delivery. The board will evaluate and, if needed, plan for potential new rate increases in fall 2021.

Despite recent rate increases, Fitch's analysis shows San Juan's retail water costs are affordable for a vast majority of customers due to a low cost-per-million-gallon price. Fitch also recognizes San Juan's ample, high-priority water rights to the American River and other sources and that water supplies and treatment capacity are well in excess of recent water demand.

San Juan's capital projects are primarily driven by upgrades to critical water supply infrastructure. The District projects near-term capital spending to increase due to several large and critical projects including replacing Hinkle Reservoir's cover and liner, replacing the Kokila Reservoir and upgrading major transmission lines and water mains. Although these projects will need to be supported by new debt, the increased bond rating could reduce the cost of additional debt putting downward pressure on San Juan's future water rates.

San Juan provides clean and reliable retail and wholesale water service to about 150,500 residents in a 46-square-mile suburban service area, including Citrus Heights, Fair Oaks, Orange Vale and a portion of the City of Folsom and Granite Bay. The District provides retail services to over 30,600 residents through 10,700 customer accounts, mostly within the Granite Bay area in northeast Sacramento County and the southwest Placer County region.

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