

# RatingsDirect®

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**Summary:**

**Narragansett Bay Commission, Rhode  
Island  
Rhode Island Infrastructure Bank;  
Water/Sewer**

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## Summary:

# Narragansett Bay Commission, Rhode Island Rhode Island Infrastructure Bank; Water/Sewer

### Credit Profile

US\$75.0 mil st revolving fund rev bnds (Narragansett Bay Commission) ser 2024A due 09/01/2043

<i>Long Term Rating</i>	AA-/Stable	New
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US\$44.19 mil wastewtr rfdg rev bnds ser 2024B due 09/01/2034

<i>Long Term Rating</i>	AA-/Stable	New
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Narragansett Bay Comm swr

<i>Long Term Rating</i>	AA-/Stable	Affirmed
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### Credit Highlights

- S&P Global Ratings assigned its 'AA-' rating to the Rhode Island Infrastructure Bank's state revolving fund revenue bonds series 2024A issued on behalf of the Narragansett Bay Commission (NBC).
- S&P Global Ratings also assigned its 'AA-' rating to the NBC's series 2024B wastewater system refunding revenue bonds.
- Additionally, we affirmed our 'AA-' underlying rating on NBC's outstanding parity debt and Water Infrastructure Finance and Innovation Act (WIFIA) loans.
- The outlook is stable.

### Security

Debt service on all loans and outstanding bonds is payable from the net revenue of the commission. We consider bond provisions credit neutral. The \$75 million RIIB bonds will be used to fund portions of the capital program. The commission will have over \$1.18 billion in debt and committed loans outstanding after the issuance. It plans to issue another \$343 million before 2030.

### Credit overview

As NBC continues its trek through the capital program, mainly to deal with combined sewer overflow Phase III A-related projects, it remains paramount for rating maintenance that management remain vigilant with regard to getting sufficient rates approved by the Rhode Island Public Utilities Commission (PUC) as debt service levels will increase from \$44.7 million in fiscal 2025 and level out at around \$84.2 million in 2034.

The rating reflects our views of NBC's credit strengths as its:

- Service area participation in the broad and diverse Providence-Warwick metropolitan area serving 360,000 residents and 7,800 businesses in northeastern Rhode Island, primarily Providence and Pawtucket;
- Rates that we generally view as affordable, monthly-equivalent water and sewer rates are \$53.10 for 800 cubic feet

of usage, which is our standard benchmark for monthly consumption, or only 1.01% of median household effective buying income when annualized;

- Operational management practices and policies that we view as good;
- Financial metrics that include all-in debt service coverage of at least 1.5x the past three years and a days' cash equivalent of around 120-209 days' cash over the last four fiscal years; and
- Management practices and policies that we view as strong.

Challenges for the credit remain, as mentioned above:

- The system's high leverage, at a 62.9% debt-to-capitalization ratio at the end of fiscal 2023 and a mostly debt funded \$559 million capital program through 2030; and
- The successful maintenance of its currently good relationship with Rhode Island PUC to get rate increases approved to meet the rising debt service requirements, with its next rate case scheduled for having new rates in effect in 2026.

### **Environmental, social, and governance**

Environmental risk is also elevated as the system is under a consent agreement, although management has completed the planning and is well into the construction of the Phase III-A projects with expected completion in 2027. Also, governance risk factors are higher than those of similar sewer systems in that NBC must get rate approval from an outside entity, the PUC. This risk is somewhat mitigated as the commission has had a sound history of obtaining PUC rate approval.

## **Outlook**

The stable outlook on the underlying rating reflects our expectation that the financial performance should continue in a fashion consistent with historical trends, given a sound history of credit-supportive rate decisions by the PUC.

### **Downside scenario**

Should future rates not generate sufficient revenue to help maintain the consistent financial performance and support the large capital improvement plan, we could lower the rating.

### **Upside scenario**

If NBC's financial performance becomes significantly stronger compared to historical trends and we believe that these trends are sustainable, then the rating could improve. However, given the need for continued PUC support and ongoing debt and capital needs, we believe the likelihood for upward rating movement is probably well beyond the two-year outlook period.

## **Related Research**

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

*Summary: Narragansett Bay Commission, Rhode Island Rhode Island Infrastructure Bank; Water/Sewer*

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