

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades Lake Worth Beach, FL's utility revenue rating to A1; assigns A1 to utility revenue bonds

13 May 2025

New York, May 13, 2025 -- Moody's Ratings (Moody's) has assigned an A1 rating to the City of Lake Worth Beach, Florida's approximately \$51.5 million Consolidated Utility Revenue Bonds, Series 2025. Additionally, we have upgraded the rating on the city's outstanding utility revenue debt to A1 from A2. Inclusive of the current issuance the utility has approximately \$216 million in debt outstanding. The outlook for the City of Lake Worth Beach Utility, FL is stable.

RATINGS RATIONALE

The upgrade to A1 reflects Lake Worth Beach's combined utility's modestly growing user base, sufficient liquidity and strong debt service coverage. Through proactive rate management, the city has been able to increase rates for electric services while remaining competitive compared to other local and municipal providers. Customer concentration is very low among the largest customers, reflecting the mostly residential customer base.

Strong management helps to offset the pressures of relatively weak resident incomes (MHI equals approximately 70% of the US median). Environmental risks associated with a utility in southern coastal Florida, namely hurricanes, sea level rise and salt water intrusion, are also proactively addressed in the combined utility's capital plan through resiliency and remediation efforts.

RATING OUTLOOK

The stable outlook reflects management's commitment to growing revenues through rate increases to maintain adequate debt service coverage. The stable outlook also reflects the enterprise's position as a sole essential service provider without any local competition as well as ongoing investment in environmental resiliency that is incorporated into the city's capital planning.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improvement in service area incomes to levels consistent with more highly rated utilities
- Substantial growth in debt service coverage to above 2x
- Growth of system size, customer base and/or improvement to asset condition

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Contraction of local economy resulting in deterioration of resident incomes
- Declines in debt service coverage to below 1.25x or liquidity to below 250 days
- Significant delays in the reporting of financial audits

PROFILE

The City of Lake Worth Beach's electric enterprise provides energy to approximately 28,000 residential and commercial customers in the City of Lake Worth Beach (A1; about 72% of customers), the Village of Palm Springs, pursuant to a franchise agreement through 2033, as well as unincorporated portions of Palm Beach County (Aaa stable). The city has a territorial agreement, approved by the Florida Public Service Commission (PSC), with Florida Power & Light Company (FPL; A1 stable). The utility provides water and sewer services to approximately 13,900 and 12,200 residential and commercial customers, respectively.

METHODOLOGY

The principal methodology used in these ratings was US Public Power Electric Utilities with Generation Ownership Exposure published in January 2023 and available at <https://ratings.moodys.com/rmc-documents/398041>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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