

Rating Action: Moody's assigns Aaa to MA Clean Water Trust SRF Refunding Bonds Series 2020; Outlook is stable

05 May 2020

New York, May 05, 2020 -- Moody's Investors Service has assigned a Aaa rating to approximately \$88.11 million of Massachusetts Clean Water Trust State Revolving Fund Refunding Bonds, Series 2020. Moody's maintains Aaa ratings and a stable outlook on all outstanding Master Trust Agreement (MTA), Pool Program senior and subordinate lien bonds, and all Massachusetts Water Resources Authority (MWRA) SRF senior and subordinate lien bonds.

RATINGS RATIONALE

The rating is based on the strong overall credit quality of the underlying loan portfolio and strong management of the program. The rating incorporates projected default tolerance of 50% for all of Massachusetts Clean Water Trust's indentures combined, as well as additional security from the deficiency fund and equity fund.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for the Massachusetts Clean Water Trust. However, the situation surrounding Coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Massachusetts Clean Water Trust changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The stable outlook on the bonds reflects Moody's expectation that the strong credit quality and diversity of the loan pool, cash flow projections and counterparty profile will remain relatively stable.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- A decrease in the available reserves and default tolerance levels or a material change in the credit quality of the pool or the investment providers could put downward pressure on the rating

LEGAL SECURITY

The bonds are special obligations of the Trust, payable solely from the funds pledged pursuant to the MTA including borrower payments, contract assistance payments, loans and financing agreements, and other funds held under the MTA including the Equity Fund.

USE OF PROCEEDS

The Series 2020 bonds are being issued to refund certain bonds previously issued by the Trust and to pay costs of issuance of the Bonds

PROFILE

The obligor is the Master Trust Agreement originally created in 2015. The purpose of the obligor is to provide financial assistance to local governments and other eligible borrowers in the Commonwealth under its State Revolving Fund programs.

METHODOLOGY

The principal methodology used in this rating was Public Sector Pool Programs and Financings Methodology published in April 2020 and available at <https://www.moody's.com/researchdocumentcontentpage.aspx?>

[docid=PBM_1171420](#). Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

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