

RatingsDirect®

Summary:

Massachusetts Clean Water Trust; State Revolving Funds/Pools

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Credit Profile

US\$88.11 mil st revolving bnds ser 2020 due 08/01/2042

Long Term Rating

AAA/Stable

New

Rating Action

S&P Global Ratings assigned its 'AAA' rating to the Massachusetts Clean Water Trust's series 2020 state revolving refunding (SRF) bonds. The outlook is stable.

The stable outlook reflects our expectation that pledged revenues will continue to provide strong debt service coverage consistent with the current rating, given historical trends. Based on those trends, the outlook also reflects our expectation that the trust will maintain a large equity position, and that direct loans making up equity funds will be amortized in a manner consistent with existing loans.

The trust plans to use the series 2020 bond proceeds to refinance bonds previously issued by the trust to achieve interest cost savings. The bonds are being issued pursuant to a master trust indenture. Pool SRF bonds are secured with revenues from borrower repayments, commonwealth assistance payments, and both earnings and principal on various reserve funds. Bonds issued under the master trust indenture are additionally secured by an equity fund. Revenues in the equity fund can also be used to cure defaults on the trust's other program bonds. Revenues deposited to the equity fund include excess revenues not needed to pay debt service on the trust's aggregate program and pool bonds.

Following mobility restrictions and closure of large segments of the economy due to COVID-19 and the swift onset of recession, all of S&P Global Ratings' sector outlooks in U.S. public finance are now negative. For long-term municipal pools, the majority of the underlying cash flows that are either pledged for repayment of bonds or guaranteed by the programs originate from U.S. public finance asset classes. While SRF programs benefit from additional over-collateralization and diversity, we believe that ratings on these programs could be negatively affected if the exceptionally low rate of loan delinquencies at or near 0% that we have typically observed balloons to significant levels for an extended period. However, the amount of excess cash flows well beyond what is needed to pay debt service on SRF bonds acts as a cushion to any downside pressure at this time.

For additional information on our rating please see the summary analysis on Massachusetts Clean Water Trust, published Sept. 20, 2019 on RatingsDirect.

Stable Outlook

We could lower the rating within the two-year outlook horizon if pledged assets become insufficient for the rating, in our view, or if any other program factors weaken the enterprise or financial risk profiles.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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