

**Summary:**

## Massachusetts Water Poll Abatement Trust; State Revolving Funds/Pools

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Credit Profile		
US\$454.165 mil state revolving funds bnds ser 15 subseries 15A & 15B (Taxable Build America Bnds) due 08/01/2040		
<i>Long Term Rating</i>	AAA/Stable	New
US\$41.945 mil state revolving funds rfdg bnds ser 2010A due 02/01/2026		
<i>Long Term Rating</i>	AAA/Stable	New
Massachusetts Wtr Poll Abatement Tr (Pool Ln Prog)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating, and stable outlook, to Massachusetts Water Pollution Abatement Trust's (MWPAT) state-revolving fund refunding bonds series 15A, series 15B, and series 2010A. At the same time, Standard & Poor's affirmed its 'AAA' long-term rating, with a stable outlook, on MWPAT's preexisting state-revolving fund pool program bonds.

The rating reflects our opinion of the revolving fund pool's credit strengths, including:

- The pool's strong cash flows and debt service reserves that allow the pool to meet Standard & Poor's default tolerance criteria at the 'AAA' level;
- A very large pool size, diversity, good borrower credit quality, and positive history of program management;
- The pool's very strong structural security features, including a state aid intercept, access to a deficiency fund, and a pool program reserve in addition to the program debt service reserve fund; and
- The commonwealth's (AA/Stable) general obligation (GO) pledge to make significant contract assistance payments on behalf of the borrowers.

Proceeds will be used to make loans for water or waste water projects to 85 borrowers and to refund a portion of the trust's series 1998A New Bedford state-revolving fund program bonds. The series 15B bonds will be issued as Build America Bonds, with the trust scheduled to receive an interest subsidy directly from the U.S. Treasury. The trust is obligated to make payments of the principal of and interest on the series 15B bonds whether or not it receives the interest subsidy payments.

The pool bonds are secured by revenues from borrower repayments, commonwealth assistance payments, and earnings on the reserve funds, along with the availability of series reserve funds. Excess earnings flow to a pool program reserve fund for senior-lien bonds and then to a deficiency fund available for senior and subordinate bonds. Some of MWPAT's refunding issues are paid on a subordinated basis from the payments by the related pool borrowers, but will also maintain the protections of the senior-lien debt with regard to availability to access revenues flowing into the deficiency fund. Therefore, no rating distinction is made for the subordinated pool bonds.

The trust administers the commonwealth's state-revolving fund programs to provide financial assistance to local

governments, public authorities, and certain private entities for water pollution abatement and drinking water projects. The trust is actively administered and has a proven history of originating and servicing loans to many Massachusetts communities. MWPAT works jointly with Massachusetts Department of Environmental Management and the Massachusetts Department of Health to identify projects for state-revolving fund loans. Due to regularly performed borrower monitoring and strong security provisions backing each loan agreement, the trust has not experienced loan defaults or delinquencies. Historically, the trust issues new-money bonds for the pool program annually.

MWPAT is an active program, and more than 235 of the commonwealth's 351 cities and towns have participated in MWPAT programs in the trust's 18-year history, with 28 other water and sewer districts also using the program. Following this issuance, more than 280 borrowers will have approximately \$3.8 billion of loans outstanding through the clean water and drinking water programs; a GO pledge backs about 70% of the loan portfolio with water or sewer revenue pledges backing the remainder of loans. The pool's largest borrower is Massachusetts Water Resources Authority (AA+/Stable). With this issue, loans to the authority will represent about 30% of all pool loans outstanding. This is not a credit concern given the authority's own credit strength.

The pool state-revolving fund bonds are secured by reserve funds held under applicable bond resolutions funded by state-revolving fund program funds, as well as a pool program reserve fund that receives the reserves deallocated from the series reserve funds and a deficiency fund that receives funds deallocated from the pool program reserve funds. The series reserve funds are sized between 33% and 50% of the original principal of the loans and are funded by the trust's equity funds. Assuming the receipt of all revenues, borrower repayments will account for 76% of pool revenues while commonwealth assistance will account for 10% and reserve funds investment earnings for 11%.

## Outlook

The stable outlook reflects Standard & Poor's view of the borrowers' strong and diverse credit profile and our expectation that the pool's strong performance will continue, allowing the pool to maintain its strong reserve profile.

## Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at [www.globalcreditportal.com](http://www.globalcreditportal.com) and RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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