

**Rating Action: Moody's assigns Aa1 to MWRA's Sr. lien rev. bonds 2020 ser. B; outlook stable**

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30 Jul 2020

New York, July 30, 2020 -- Moody's Investors Service has assigned a Aa1 rating to the Massachusetts Water Resources Authority's \$160 million General Revenue Bonds, 2020 Series B. Moody's maintains the Aa1 rating on the authority's \$3 billion of outstanding senior lien general revenue bonds and Aa2 rating on the \$691.1 million of outstanding subordinate general revenue bonds. The outlook is stable.

**RATINGS RATIONALE**

The Aa1 rating reflects the strong credit profile of the authority's service area, very stable but slim debt service coverage, satisfactory liquidity for the rating category, strong management, well-funded pension plan and comprehensive fiscal and capital policies. The rating also incorporates MWRA's tested ability to intercept member municipalities' state aid in the event of non-payment of assessments to the authority. These credit strengths mitigate a highly leveraged debt position including a variable rate component subject to ongoing re-marketing.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The authority is not susceptible to immediate material credit risks related to coronavirus based on the stable nature of utility revenues and minimal impact reported by authority officials. The longer term impact will depend on both the severity and duration of the crisis. To date, MWRA has provided around \$100 million in financial relief to its member communities included a rate increase of only 1% for fiscal 2021 instead of the planned 3.6% increase. The authority is also allowing communities to defer payments on any local water pipeline and infiltration/inflow loans with repayments due to MWRA in fiscal 2020, 2021 and 2022. These measures will not materially impact the authority's financial position. The situation surrounding coronavirus is rapidly evolving. If our view of the credit quality of MWRA changes, we will update the rating and/or outlook at that time.

**RATING OUTLOOK**

The stable outlook reflects our expectation that financial operations will remain balanced over the near term with sufficient debt service coverage and liquidity due to manageable annual rate increases even after the authority adjusted the fiscal 2021 combined rate increase to 1% from 3.6%. The outlook also incorporates the credit strength of the service area and MWRA's conservative and comprehensive planning of long term capital needs.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Substantial decline in debt relative to assets
- Positive and sustained growth trend in annual coverage for senior and total debt service

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- Increase in the debt ratio
- Material increase in the amount of variable rate debt as a percent of total portfolio
- Narrowing of annual debt service coverage
- Failed remarketing leading to accelerated amortization of variable rate debt
- Deterioration of service area's credit profile

**LEGAL SECURITY**

The bonds are secured by a senior lien pledge of net system revenues under the terms of the authority's

general revenue bond resolution. Roughly 97% of MWRA's revenue is provided by a general obligation pledge of the member communities to make timely assessment payments to the authority. In addition, pursuant to a tested state aid intercept program, MWRA can intercept state aid payable to member communities in the event that they fail to make timely payment of assessments.

#### USE OF PROCEEDS

Bond proceeds will fund certain capital projects of the authority under its capital plan.

#### PROFILE

MWRA is a regional water and sewer enterprise system providing wholesale water and wastewater services to the Boston (Aaa stable) metro-area and water and/or wastewater services to surrounding communities in eastern and central Massachusetts (Aa1 stable).

#### METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in October 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1095545](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1095545) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://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](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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