

Research Update:

Massachusetts Water Resources Authority's Series 2025C-F Multimodal Subordinated Bonds Assigned Various Dual Ratings

October 17, 2025

Overview

- S&P Global Ratings assigned its 'AA/A-1+' dual rating to the [Massachusetts Water Resources Authority's](#) (MWRA) approximately \$55 million multi-modal subordinated general revenue refunding bonds series 2025C. The 'A-1+' short-term rating on the 2025C bonds is based on the providers of standby bond purchase agreements (SBPAs).
- At the same time, S&P Global Ratings assigned its 'AA/A-1' dual rating to the authority's approximately \$87 million multi-modal subordinated general revenue refunding bonds series E and F. The 'A-1' short-term rating on the 2025E and F bonds is based on the providers of SBPAs.
- We also assigned our 'AA+/A-1' dual rating and 'AA' underlying rating to MWRA's approximately \$42 million multi-modal subordinated general revenue refunding bonds series 2025D; the long-term component of the dual rating is based on the application of joint criteria between the long-term rating on MWRA's bonds and the liquidity provider. The 'A-1' short-term rating solely reflects the short-term rating on the liquidity provider.
- We also affirmed our ratings on numerous series of general revenue and refunding bonds issued by the authority, including our 'AA+' long-term rating and underlying rating (SPUR) on various series of MWRA's senior-lien debt, our 'AA' long-term rating and SPUR on various series of MWRA's subordinate-lien debt, our 'AA+/A-1' dual rating on subordinate-lien debt jointly secured by MWRA and a letter of credit provider, our 'AA/A-1+' dual rating on subordinate-lien debt where the short-term ratings are based on the short-term rating on the counterparty providing liquidity support, and our 'AA/A-1' dual rating on subordinate-lien debt where the short-term rating is based on the counterparty providing liquidity support.
- The outlook on the bond ratings is stable, where applicable, except for when joint criteria has been applied to the long-term rating on the issue, in which case the outlook is not meaningful.

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- After closing, we expect to withdraw our ratings on the series 2008 A-3 bonds because they are being refunded with the proceeds of the series 2025C bonds.

Rationale

Security

A senior-lien net revenue pledge secures the senior-lien bonds and a subordinate-lien net revenue pledge secures the subordinate-lien bonds. The authority pledges all revenues--defined as all income, revenue, receipts, and other funds derived by the authority from its ownership and operation of the systems, combined with any existing rights to receive the same in the future, other than certain grant receipts and other funds--as security for the bonds. Other provisions include a debt service reserve requirement for senior bonds is 50% of maximum annual debt service and a covenant to set rates such that net revenue is at least equal to 1.2x annual senior-lien debt service and subordinate-lien bonds equal to 1.1x.

The long-term ratings on MWRA's credit fundamentals reflect a system-oriented wholesale analysis that primarily reflects the large and diverse service base of 64 local bodies providing water and sewer services in and around the Boston metropolitan statistical area (MSA).

Our system analysis is supported by MWRA's rate structure that provides for additional collection mechanisms through both a state aid intercept and, ultimately, an ability to reallocate uncollected assessments through a joint and several ability to increase assessments on the other local bodies. If these mechanisms were needed to be used by MWRA, we believe their robust liquidity could serve as a bridge to cover debt service payments pending receipt of revenue from these mechanisms.

We believe that MWRA's rate structure is a significant mitigant to financial volatility because the authority's rates and charges are adopted annually and due from each local body in 10 equal monthly installments (excluding January and July). Assessments are essentially based on proportional flow or use and can be changed as needed through board approval. If a local body hadn't made these assessment payments when due, then MWRA's enabling act requires the authority to notify the state treasurer within 30 days, in which case the state treasurer pays to MWRA any amounts due from state aid otherwise payable to the local body. In addition, in an extreme case of a shortfall lasting 18 months, then MWRA's general bond resolution also allows it to assess other local bodies to make up the shortfall.

Credit highlights

The 2025 bonds are structured as variable-rate demand obligations (VRDOs) and benefit from credit and/or liquidity enhancements designed to ensure timely payment of principal and interest.

The series 2025C, 2025E, and 2025F bonds are supported by SBPAs from Royal Bank of Canada (RBC; AA-/A-1+), TD Bank N.A. (A+/A-1), and U.S. Bank N.A. (A+/A-1), respectively, effective Oct. 22, 2025. The long-term component of the rating for each series reflects MWRA's credit characteristics, while the short-term component rating reflects our view of the liquidity support provided by the respective SBPA provider.

Each SBPA covers principal and 34 days' interest at a maximum 12% annual rate for bonds not successfully remarketed. The RBC SBPA provides coverage for the 2025C bonds during weekly interest-rate mode (covered mode), and the TD Bank and U.S. Bank SBPAs provide coverage for

the series 2025E and 2025F bonds, respectively, during the daily and weekly interest-rate modes (covered modes). The SBPAs expire on their stated expiration dates, unless extended, replaced, or terminated. The SBPA providers' obligations to purchase tendered bonds will terminate on certain events of default, including a lowering of the rating on the bonds or MWRA's parity debt below 'BBB-'.

The series 2025 D bonds are enhanced by an irrevocable direct-pay letter of credit (LOC) provided by Bank of America N.A. (A+/A-1). In addition, we applied our joint criteria between the authority and the LOC provider using low correlation. Under this structure, the trustee/tender agent is directed to first draw on the LOC for scheduled payments of principal and interest due on the bonds; however, if the LOC provider fails to honor the drawing or repudiates the LOC, then, the trustee/tender agent is directed to use money provided by the authority to make payments.

The long-term component of the rating on the series 2025D bonds reflects the joint support of Bank of America N.A., the LOC provider, and the SPUR on MWRA (AA/Stable), the obligor, assuming a low correlation, and addresses our expectation of full and timely interest and principal payments when the bondholders have exercised the put option. The short-term rating solely reflects our short-term rating on Bank of America N.A. and addresses payments when the put option is exercised. The LOC covers the series 2025D bonds in the weekly rate mode (covered mode) and expires on April 21, 2028, covering the entire principal balance and 46 days' interest accruals at a 12% maximum bond rate.

In view of the bonds' structures, changes to our ratings on the bonds can result from, among other things, changes to our ratings on the respective SBPA or LOC providers or the obligor, or amendments to the transactions' terms. We will maintain our ratings on the bonds, as long as they are in the covered modes and the SBPAs or the LOC have not expired or otherwise terminated pursuant to their terms.

This analysis of the series 2025C, 2025D, 2025E, and 2025F bonds reflects information as of Oct. 17, 2025. Subsequent information from now until the closing date could result in our changing or withdrawing the ratings.

Factors supporting the rating at its current level include:

- Generally consistent financial performance when considering unrestricted liquidity and coverage of total debt service costs;
- Sophisticated and well-embedded operating and financial policies;
- Counterparty diversification within MWRA's variable-rate portfolio; and
- A manageable capital improvement program CIP, in our view, given the size of the system. MWRA's maximum CIP spending for its current 2024-2028 CIP is \$1.8 billion, exceeding the \$884 million CIP that was in place from 2019-2023; management has represented that actual CIP spend has typically averaged about 75% of its cap.

Offsetting generally lower debt service coverage (DSC) for the current rating level is the strong revenue recovery mechanism described above and the overall strong credit quality of MWRA's local bodies.

Environmental, social, and governance

Our ratings on the series 2025 issues are linked to the respective support providers.

Environmental, social, and governance (ESG) factors that affect the rating on this supporting entities could also have an effect on the ratings on these bonds. Our assessment of the

creditworthiness of the support provider incorporates any material ESG credit factors. In our view, exposure to ESG factors in this transaction is limited to factors related to the support provider. (For further information on the ESG considerations relevant for bank ratings and underlying securities, refer to the U.S. and Canadian, EMEA, Asia-Pacific, and Latin American bank ESG industry [report cards](#) March 2, 2022.)

We believe MWRA faces elevated environmental risk primarily due to the need to remain compliant with environmental regulations while maintaining a large regional infrastructure that is subject to extreme weather events and climate vulnerabilities. That said, the authority has extensive emergency planning and resiliency built into its infrastructure. For example:

- Formal watershed protection plans exist for its watershed areas;
- It has ongoing capital projects for various deep rock supply tunnels and pump stations where diversion is possible without service interruption;
- Its distribution reservoirs are all covered; and
- Programs are in place for detecting and repairing leaks, encouraging conservation and reduced water use, preserving and developing local supply sources, and implementing a drought response plan.

Monitoring of per- and polyfluoroalkyl substances (PFAS) is performed in both the treated water and wastewater effluent. MWRA management also works with local bodies to review local data about PFAS levels. One benefit the authority has is its regional nature, and MWRA has a mechanism for connecting new bodies to its system if communities believe it is beneficial to serve their own water and sewer customers.

We believe that the most significant social and governance risks relate to management being able to continue generating overall positive variances on MWRA's current expense budget and, in turn, demonstrate actual revenue requirements lower than originally projected. Management will also need to continue its outreach efforts with the local bodies the authority serves so that, as additional rate increases are approved, the MWRA advisory board's advocacy for the authority's programs from the perspective of ratepayers remains aligned with management's overall goals.

Supporting governance and operations is what we consider to be strong employee engagement, through defined and strategic staff training and recruitment efforts. For several years now, MWRA management has also focused on providing well-funded pension and medical benefits to its staff, which we consider supportive of staff retention.

Outlook

The stable outlook, where applicable, reflects S&P Global Ratings' view of the authority's financial position, as well as management's demonstrated willingness to increase rates. We expect the authority will maintain financial metrics consistent with historical trends and will also continue to benefit from the diversity of the underlying economic base.

Downside scenario

If MWRA can't maintain its financial stability supported by consistent rate increases or if the local units begin to experience difficulty paying their annual assessments, we could lower our rating on the bonds. However, given management's demonstrated willingness to implement rate increases and the broad and diverse economic base, we currently do not believe that MWRA's creditworthiness will be pressured in these ways in the next several years as long as

management is able to manage its operating and fixed costs in a manner consistent with historical trends. If the current inflationary pressures were to become pronounced and lead to a heightened inability to raise rates due to regional affordability concerns, we could lower the rating .

Upside scenario

We could raise the rating if MWRA consistently returned significantly stronger unrestricted liquidity and annual all-in coverage metrics.

Credit Opinion

Credit strengths focused on breadth of service territory and financial stability

MWRA is a regional, wholesale water and sewer services provider for about 45% of Massachusetts' population (about 3 million), including Boston and its MSA. The authority has statutory authority to serve 64 communities and currently serves 62. The Boston Water and Sewer Commission makes up about 30% of the authority's overall rates and charges revenue, which, in our view, lends stability to the rating on the MWRA bonds, given our 'AAA/Stable' rating on the commission's bonds.

Since 2015, combined water and sewer rates have risen each year generally by 3%-4%. Current projections indicate that future increases will remain consistent with historical trends.

Financial operations have remained at least adequate, in our view. At the end of fiscal 2024 (June 30), net revenue provided all-in DSC (including senior-lien, subordinate-lien, and other fixed-charge obligations and capital leases and obligations paid to the Massachusetts Clean Water Trust) of 1.25x, a level we consider good. Net revenue has been calculated to include rates, charges, and interest earnings, but excludes transfers related to the rate stabilization fund. In addition, net revenue has been increased by noncash other postemployment benefit expenses and subordinated commonwealth payments; the commonwealth payments are treated as fixed charges and lower our calculated coverage metric. At fiscal year-end 2024, the authority's unrestricted current cash and investments were \$90 million. When adding a rate stabilization fund balance of \$39 million, total days' cash is about 140.

These levels of coverage and unrestricted cash have been consistent with those of previous years, and management has indicated that, over the next several years, these financial metrics will not deviate significantly from the historical trends.

Debt service is the largest component of the budget, accounting for about 60% of audited operating and debt service expenses; while these figures are elevated, in our opinion, wholesale systems tend to have relatively high debt levels compared with retail systems and present less of a credit concern to us. For the variable-rate portion of its portfolio, MWRA currently budgets for a 4.25% average interest cost, which is above the actual rate of about 3.00%, as indicated by management.

Variable-rate exposure mitigated through active management and contractual terms

Variable-rate debt represents 13% of the authority's portfolio outstanding (\$495 million), all of which is unhedged. Management has reported that it actively manages and reviews its liquidity

and credit agreements. Given MWRA's large variable-rate portfolio, if failed remarketings on any variable-rate bonds occur, these could also lead to fiscal stress, in our view. However, we understand that most of the additional interest costs in the case of a failed remarketing would only occur after 90 days; we believe this provides the authority sufficient time to examine its financial options.

MWRA as part of the 2025 issuances is refinancing its long-term direct-purchase bonds, and after the transactions close its sole direct purchase will be a revolving line of credit, discussed below.

Although we do not consider the existence of the direct-purchase bonds as introducing additional contingent liquidity risk at present, our view on several provisions of these agreements is as follows:

- Management has ongoing experience renewing and extending liquidity and credit agreements, and expiring credit, liquidity, or direct-purchase agreements in any given calendar year will represent no more than 48% of the value outstanding of MWRA's total variable-rate portfolio in any given year after the 2025 bonds close (2028 is the calendar year that this occurs). We expect the authority will continue managing the expiration of its various liquidity, credit, and direct-purchase agreements to avoid liquidity calls due to agreement expiration, as it has in the past.
- MWRA also has a \$100 million revolving credit agreement with Bank of America N.A. that management has indicated it uses to support its construction program. We mention this agreement separately from the authority's other direct-purchase agreements because of the existence of several events of default provisions that we view as permissive. These include various material adverse clauses, no cure periods for covenant defaults, and cross-default provisions. An additional event of default is a downgrade below 'A-' or equivalent. If any of these events are triggered, there could be significant, downward pressure on the rating if MWRA does not maintain its market access to make full and timely payment on any accelerated amounts due under this agreement. The existence of these provisions is not currently having an effect on the rating since we view the likelihood of these nonpayment events of default occurring to be equal to the likelihood of a two-notch downgrade, which would still not result in a rating below the rating trigger on this agreement.

Ratings List

New Issue Ratings

US\$39.43 mil multi-modal subord gen rev rfdg bnds ser 2025 E dtd 10/22/2025 due 08/01/2031

Long Term Rating AA/A-1/Stable

US\$41.955 mil multi-modal subord gen rev rfdg bnds ser 2025 D dtd 10/22/2025 due 08/01/2031

Long Term Rating AA+/A-1

S&P Published Underlying Rating AA/Stable

US\$47.985 mil multi-modal subord gen rev rfdg bnds ser 2025 F dtd 10/22/2025 due 08/01/2029

Long Term Rating AA/A-1/Stable

US\$54.935 mil multi-modal subord gen rev rfdg bnds ser 2025 C dtd 10/22/2025 due 08/01/2037

Long Term Rating AA/A-1+/Stable

Ratings Affirmed

Water & Sewer

Massachusetts Wtr Resources Auth, MA Water and Sewer System AA+/Stable

Massachusetts Wtr Resources Auth, MA Water and Sewer System 2nd Lien AA/Stable

Massachusetts Water Resources Authority's Series 2025C-F Multimodal Subordinated Bonds Assigned Various Dual Ratings

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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