

Research Update:

Connecticut Clean Water Fund Series 2026A Clean Water And Drinking Water SRF Refunding Bonds Assigned 'AAA' Rating

May 13, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to **Connecticut's** State Revolving Fund's (SRF) anticipated \$141.22 million series 2026A clean water and \$22.2 million series 2026A drinking water refunding general revenue (green) bonds.
- At the same time, we affirmed our 'AAA' long-term rating on Connecticut's outstanding SRF bonds for both its drinking and clean water programs.
- The outlook is stable.

Rationale

Security

Program bonds are secured by pledged borrower obligations and money in the accounts of the support fund--some of which is funded through guaranteed investment contracts (GICs)--but also includes money on hand in the debt service fund. In addition, any unpledged assets in the SRF are also available to cover debt service requirements. The support fund is funded with assets of the SRF.

The series 2026A bond proceeds will be used to refund all or a portion of the series 2015A bonds for interest rate savings.

Credit highlights

The Connecticut SRF program helps fund local clean water and drinking water capital needs, as envisioned in federal water quality safe drinking water acts. It benefits from federal and state funding, as well as consistent and proactive management through joint administration with the Department of Energy & Environmental Protection (DEEP), the State Treasurer's Office, and the Department of Public Health (DPH). Under the program, the SRF makes loans to borrowers to provide capital for various state and federally mandated water pollution control and drinking

Primary Contact

Lily Salcedo
Richmond
609-426-7446
lily.salcedo
@spglobal.com

Secondary Contact

Autumn R Mascio
New York
+ 1 (212) 438 2821
autumn.mascio
@spglobal.com

water projects; the DEEP is responsible for programmatic administration and fiscal operations of wastewater projects; and the DPH is responsible for programmatic administration and fiscal operations of the drinking water program. The pool benefits from very strong overcollateralization and coverage. Its loan portfolio is relatively diverse, with concentration in the pool's largest borrower, the Metropolitan District, with about 40% of the pool. In our view, management maintains strong-to-adequate financial management policies and practices including loan origination and monitoring on all borrowers. The program is continuously monitoring for refunding opportunities.

The rating reflects our assessment of the program's:

- Extremely strong enterprise risk profile, given that the program has ongoing support from the state and federal governments, a governmental entity manages the program, and loans are geographically diversified throughout the state of Connecticut;
- Extremely strong financial risk profile, with overcollateralization that is capable of withstanding S&P Global Ratings' loss coverage scenario, based on the credit quality of the asset pool and consolidated cash flows, run at our 'AAA' category stress level;
- Healthy operating performance, which has not experienced a loan default in program history; and
- Strong-to-adequate financial policies and practices with loan origination and monitoring policies.

Rating above the sovereign

Because we view securitizations backed by pools of public sector assets as highly sensitive to country risk, we cap the rating on the securitization at two notches above the sovereign. However, no specific sovereign default stress is applied, given the U.S. sovereign rating is 'AA+'.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the pledged loan pool will likely continue to provide adequate cash flow coverage to cover potential loan defaults stressed for the 'AAA' level scenario.

Downside scenario

We could lower the rating should the program experience a material increase in loan defaults or a material increase of loan delinquencies, or if our view of the pool's loss coverage weakens.

Credit Opinion

Enterprise risk profile: extremely strong

We view the program's enterprise risk profile as extremely strong, due to a combination of the low industry risk profile for municipal pools and the program's extremely strong market position. The State Treasurer's Office administers Connecticut's SRF programs (in partnership with the Department of Energy and Environmental Protection for the Clean Water SRF, and in partnership with the Department of Public Health for the Drinking Water SRF), and receives financial support from multiple levels of government, including federal capitalization grants and state matching funds. The Clean Water Program is authorized by state statutes to manage both the drinking

water and wastewater SRF programs. We believe these factors reflect a high level of government support and mitigate the risk of challenges that could affect demand.

Financial risk profile: extremely strong

We assess the program's loss coverage score as extremely strong based on our view of overcollateralization under our loss coverage test. The cash flow pattern can withstand the highest default stress, reflecting strong overcollateralization through excess revenue. The program also receives a favorable score on our largest obligor test. Total annual debt service coverage on all SRF bonds exceeds 1.30x in all years, through 2037. Available reserves for any program purpose, including paying bond debt service if needed, support the cash flows and totals about \$236 million in non-GIC pledged funds, (almost all of which is cash, plus some state and local government obligations). GIC-backed pledged reserves total roughly \$11.8 million. We further note that the program has significant unpledged assets as well beyond these figures; although not specifically pledged, these funds provide legitimate and significant support because they can only be used for the program.

Operating performance remains strong with no loan defaults in program history and no loan delinquencies during the past 12 months. We view financial management policies and practices as ranging from strong to adequate. This assessment reflects the following factors:

- Management performs a credit review for all new loans and has the ability to require a debt service reserve fund from borrowers.
- All participants must submit annual financial statements.
- Loan payments are made monthly, allowing for early identification and resolution of any late payments.
- Management prioritizes projects annually using criteria established in state statute.
- There are several levels of formal policy controls on the types of investments the SRF can make. We note that the program has a declining balance in GICs.

Credit Snapshot

- Program description: The Connecticut SRF program was created by the state pursuant to the Connecticut General State Statutes Sections 22a-475 to 22a-483. It is jointly managed by the DEEP, the State Treasurer's Office, and the DPH. In accordance with the state statute, the program makes loans to borrowers to provide financing for water pollution control and drinking water projects.
- Flow of funds: Revenue from capitalization grants, interest income, and the state match fund the Clean Water Fund assets and the Drinking Water Fund assets. These funds are then used to pay amounts required on SRF debt service, and any amounts in excess of debt service, as well as bond proceeds from the sale of SRF general revenue bonds, are directed to program participants and projects. Loan repayments from these projects flow back into the SRF funds.
- Summary statistics: Under the program, there are 85 borrowers with about \$1.2 billion in loans outstanding, securing about \$780.6 million in bonds outstanding, following the issuance of the 2026A bonds. The leading participant is the Metropolitan District, with about \$494.7 million of principal outstanding.

Ratings List

New Issue Ratings

Connecticut Clean Water Fund Series 2026A Clean Water And Drinking Water SRF Refunding Bonds Assigned 'AAA' Rating

Ratings List

US\$163,420,000 Connecticut Clean Water Fund, Connecticut, State Revolving Fund General Revenue Bonds, (Connecticut), dated: Date of Delivery, due: March 1, 2035

Long Term Rating AAA/Stable

Ratings Affirmed

Municipal Pool

Connecticut, CT Connecticut Clean Water Fund State Revolving General Resolution AAA/Stable

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.

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 <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.