MOODY'S INVESTORS SERVICE

CREDIT OPINION
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New Issue

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Connecticut (State of) State Revolving Fund

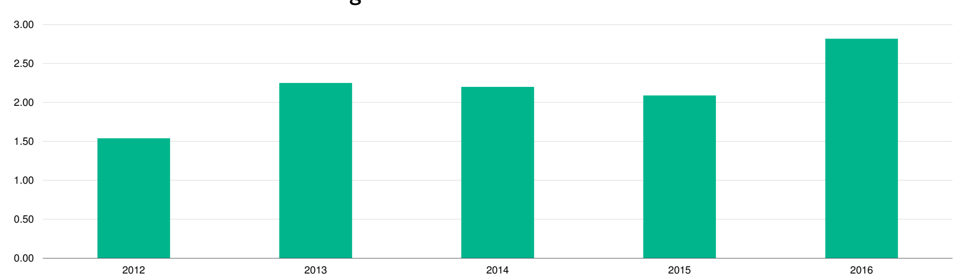
New Issue - Moody's assigns Aaa to CT's State Revolving Fund Gen Rev Bds (Green Bds, 2017 Ser A) & (2017 Ser B); stable

Summary Rating Rationale

Moody's Investors Service has assigned Aaa to State of Connecticut's $250,000,000 State Revolving Fund General Revenue Bonds, (Green Bonds, 2017 Series A) and has assigned Aaa to $120,000,000 State Revolving Fund Refunding General Revenue Bonds, (2017, Series B). The Bonds are being issued under the General Bond Resolution (GBR), dated December 17, 2002. At this time, we are maintaining the Aaa ratings on the outstanding debt of State of Connecticut's State Revolving Fund issued under the GBR, affecting an additional $801,000,000 of outstanding bonds. The outlook is stable.

The rating is based on a very strong default tolerance (46%) provided by program structure and high over-collateralization of assets to debt (2.82x as of June 30, 2016). Supporting the rating is high credit quality of loan pool and solid management and governance.

Exhibit 1
Asset-to-Debt Ratio At All Time High



Source: Audited Financial Statements; Moody's Investors Service Calculations

Credit Strengths

- Default Tolerance: 46% of loans could default for the entire length of the program and still meet debt service obligations. (Includes haircuts for investment counterparties with ratings below the required threshold for Aaa rating program.)
- Cross-collateralization: each series of bonds has all available moneys in the SRF program as sources of payment. All available moneys in SRF program are available to pay debt service, though the majority is not pledged to bondholders. The program structure, however, is closed loop and moneys cannot be used for any other purpose.
- Very strong credit quality of the loan portfolio.
- Management's proactive monitoring of loans which aids borrowers' track record of no missed loans payments.

Credit Challenges

- Thin debt service coverage projected in stressed cash flows due to debt service spikes in fiscal years ending in 2016 and 2019; cash flows projected to sufficiently cover debt service until bond maturity.
- Counterparty risk as a material amount of investments ($115.9M) were held with GIC providers as of June 30, 2016.

Rating Outlook

The stable outlook reflects the strong loan portfolio and sufficient cash and investments balances to pay debt service.

Factors that Could Lead to an Upgrade

- N/A

Factors that Could Lead to a Downgrade

- A significant credit deterioration or increased concentration of the loan portfolio can place downward pressure
- Substantial increased leveraging of the program that results in a significant decrease in default tolerance or debt service coverage

Key Indicators

Exhibit 2

Connecticut State Revolving Fund

	2012	2013	2014	2015	2016
Total of bonds outstanding (in millions)	791	784	708	800	801
Default Tolerance	46%	46%	46%	49%	49%
Number of unique borrowers	95	97	93	111	106
Percentage of pool top 5	41%	40%	45%	47%	42%
Percentage of pool below 1%	13%	15%	14%	19%	14%
Total loans outstanding (in millions)	1205	1194	1057	1002	1703

Data as of our last review date; default tolerance includes haircuts to certain investments
Source: Connecticut and Moody's Investors Service calculations

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Detailed Rating Considerations

Loan Portfolio: Composition Characterized by Size and Diversity

The high credit quality (described further below) and loan portfolio composition supports the Aaa rating on Connecticut State Revolving Fund Program (SRF Program). Each participant in the program must pledge its full faith and credit or a dedicated revenue source as security for repayment of the loan. Approximately 77% of pledged loans are backed by a general obligation pledge or a combination of a general obligation pledge and revenue pledge of the borrower based on outstanding loans as of March 31, 2017. The SRF Program has approximately $1.2 billion loans outstanding and $602 million undrawn loan and anticipated commitments, expected to total approximately $1.8 billion in borrower loan commitments through March 31, 2018. The size and diversity of the program's loan portfolio is characterized by 103 unique borrowers, 47% of loan commitments attributed to the top 5 borrowers, and borrowers comprising less than 1% of loan commitments is 17%.

Underlying Credit Quality and Default Tolerance: High Credit Quality and Default Tolerance Is Key Credit Factor

A key element of the Aaa rating on the SRF Program is the high credit quality of the borrowers in the loan portfolio. With available investments and liquid assets, the program could withstand 46% of its loans defaulting through maturity and still meet debt service on all bonds issued under the GBR. Default tolerance and cash flow projections assume 0% reinvestment earnings held in short-term investments and discounts revenues and principal from funds held with downgraded GIC Providers. GIC Providers include: Trinity Funding Company, Bank of America Corp. American International Group, Inc. and Societe Generale.

This substantial default tolerance score is an important credit strength. It is important to note that no borrower has actually suffered a missed payment or default, and though the default tolerance is very high, a default is unlikely to occur.

LIQUIDITY

The program has good liquidity benefiting from substantial reserves that are available to pay bond debt service. Approximately 76% of available funds are invested in the Connecticut's short-term interest fund or held in cash, and the balance is held in collateralized guaranteed investments contracts (GICs).

Legal Framework, Covenants and Debt Structure: General Bond Resolution Provides Program Flexibility and Efficiency

The Bonds are issued under Connecticut SRF's GBR and are payable from all available funds in the Revolving Fund, which includes: borrower loan repayments and income or principal revenue from other assets and investments. All funds are available for payment for debt service, but only monies in the pledged fund, debt service fund, bond proceeds fund, and support funds are pledged to bondholders. As a practical matter, all monies in the SRF Program are available to pay debt service because funds may not be transferred out of the program under federal requirements.

Furthermore, loan repayments are deposited into the debt service fund on a monthly basis as they are paid. The GBR does not require a reserve fund, which grants the state the flexibility to determine the required reserve levels with each new series of debt through the use of a supplemental resolution. The SRF Program had approximately $510 million in cash and investments as of March 31, 2017.

In addition, the drinking water programs and clean water programs are cross-collateralized. Both the drinking water program and the clean water program make loans from proceeds of the bonds. Loan repayments from the SRF Program are deposited to the State Revolving Fund General Revenue Bond Program and are available to pay all bonds whether loans were made under the drinking water program or the clean water program. The cross-collateralization has been structured in accordance with the Environmental Protection Agency's regulations.

DEBT STRUCTURE

The 2017 Series A and B bonds will bear interest at fixed interest rates to their maturity or prior redemption.

DEBT-RELATED DERIVATIVES

None.

PENSIONS AND OPEB

Not a material factor in the methodology.

Management and Governance: Management Characterized by Fiscal Conservatism and Proactive Loan

A further credit strength of the program is the fiscal conservatism and careful management practices of the parties involved. The loans are proactively monitored through coordination with the State's Office of Policy and Management. The program is jointly managed by the Treasurer's Office and the Departments of Energy and Environmental Protection (DEEP) and Public Health (DPH). The Treasurer's Office is responsible for implementation and management of the fund. DEEP and DPH are responsible for preparing project priority lists and eligibility requirements and for monitoring projects. Moody's views the coordination and insight of these three entities as strengths to the program.

Legal Security

The 2017 Series A and B bonds are issued under the GBR and are special obligations of the State of Connecticut, and solely payable from all available moneys in the Revolving Fund, including loan repayments and income or principal of any other assets or investments necessary to pay bond debt service.

Use of Proceeds

The 2017 Series A bonds will be used to make loans to borrowers in connection with the financing or refinancing of public wastewater infrastructure projects and public drinking water infrastructure projects and to pay costs of issuance. The 2017 Series B bonds will be used to refund the 2009 Series A bonds and pay costs of issuance.

Obligor Profile

The Connecticut State Revolving Fund consists of (i) a wastewater pollution control revolving fund program (Clean Water) established by the State under the federal Water Quality Act of 1981, and (ii) the drinking water revolving fund program established by the State under the 1996 amendments to the Safe Drinking Water Act. Federal capitalization grants and state matching funds are used to provide loans to qualifying clean and drinking water projects.

Methodology

The principal methodology used in this rating was U.S. State Revolving Fund Debt published in March 2013. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

Connecticut (State of) State Revolving Fund

Issue	Rating
State Revolving Fund General Revenue Bonds (Green Bonds, 2017 Series A)	Aaa
Rating Type	Underlying LT
Sale Amount	$250,000,000
Expected Sale Date	05/31/2017
Rating Description	Revenue: Government Enterprise
State Revolving Fund Refunding General Revenue Bonds (2017 Series B)	Aaa
Rating Type	Underlying LT
Sale Amount	$120,000,000
Expected Sale Date	05/31/2017
Rating Description	Revenue: Government Enterprise

Source: Moody's Investors Service

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