



**Rating Action: Moody's assigns Aaa to Washington Suburban Sanitary District, MD's GO Bonds; outlook is stable**

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30 Jan 2024

New York, January 30, 2024 -- Moody's Investors Service has assigned Aaa ratings to Washington Suburban Sanitary District, MD's approximately \$299.3 million Consolidated Public Improvement Bonds of 2024 and \$29.9 million Consolidated Public Improvement Bonds of 2024 (Second Series) (Green Bonds). Concurrently, Moody's has affirmed the Aaa rating on the systems parity debt outstanding, approximately \$4.1 billion as of June 30, 2023. The outlook is stable.

#### RATINGS RATIONALE

The Aaa rating reflects the system's large, robust service area that includes large portions of Montgomery (Aaa stable) and Prince George's (Aaa stable) counties. Utility system revenues provide adequate debt service coverage and the district's cash position has improved. While the district has carried over the pandemic-related elevated allowance for delinquent accounts at times, the system has more recently reported the resumption of revenue collection efforts which has reduced delinquencies close to pre-pandemic levels. The system reported a healthy operating surplus in fiscal 2023, due primarily to improved revenue performance and cost-control efforts. Furthermore, leverage is somewhat elevated compared to similarly-rated municipal utility systems and significantly more debt is expected in the next five years to address needed capital improvements, although the district has significantly increased its paygo in order to offset debt growth. Nonetheless, the commission's debt is ultimately secured by an unlimited taxing authority on all assessable property within the district, a key credit consideration for the Aaa rating.

#### RATING OUTLOOK

The stable outlook reflects the expectation that the district's financial position will remain sound, given a demonstrated willingness to implement annual rate increases and control expenditures. The outlook also reflects the stability of property value and wealth within the district's service area and support of an ad valorem tax that will be levied if required.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- NA

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material erosion of reserves and liquidity

- Substantial deterioration of customer base or service area

## LEGAL SECURITY

While the bonds are ultimately backed by the district's ad valorem taxing authority that is unlimited as to rate or amount, debt is paid from revenues of the system. There is no need currently, nor has there ever been, to levy a property tax within the district to support operations or debt service of the system.

## USE OF PROCEEDS

Proceeds from the bonds will be used to finance capital improvements across the district's water treatment and distribution system and its wastewater collection and treatment system.

## PROFILE

Washington Suburban Sanitary District provides water treatment and distribution, and wastewater collection and treatment services to large portions of both Montgomery and Prince George's counties. The district serves an estimated population of approximately 2 million. As of fiscal 2023, the system had approximately 479,000 water connections and approximately 451,000 sewer connections.

## METHODOLOGY

The principal methodology used in these ratings was US Special Purpose District General Obligation Debt Methodology published in November 2022 and available at <https://ratings.moody.com/rmc-documents/394972>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

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Matthew Jaffe

Lead Analyst

REGIONAL\_NE

Moody's Investors Service, Inc.

7 World Trade Center

250 Greenwich Street

New York 10007

JOURNALISTS: 1 212 553 0376

Client Service: 1 212 553 1653

Orlie Prince

Additional Contact

REGIONAL\_NE

JOURNALISTS: 1 212 553 0376

Client Service: 1 212 553 1653

Releasing Office:

Moody's Investors Service, Inc.

250 Greenwich Street

New York, NY 10007

U.S.A

JOURNALISTS: 1 212 553 0376

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