

**CREDIT OPINION**

23 January 2025



Send Your Feedback

**Contacts**

Susanne Murray +1.212.553.1809  
AVP-Analyst  
susanne.murray@moodys.com

Orlie Prince +1.212.553.7738  
Associate Managing Director  
orlie.prince@moodys.com

**CLIENT SERVICES**

Americas 1-212-553-1653  
Asia Pacific 852-3551-3077  
Japan 81-3-5408-4100  
EMEA 44-20-7772-5454

# Washington Suburban Sanitary Dis. Com., MD

## Update to credit analysis

### Summary

The [Washington Suburban Sanitary District, MD's](#) (Aaa stable) large, robust and diverse service area is a primary driver of the Aaa rating as it includes significant parts of both [Montgomery](#) (Aaa stable) and [Prince George's](#) (Aaa negative) counties, both of which are adjacent to the [District of Columbia](#) (Aaa negative). Utility system revenues provide adequate debt service coverage and the system's cash position is satisfactory. Additionally, while the district's delinquencies were somewhat elevated due to the pandemic, management has been working to bring them closer to pre-pandemic levels. Operations are trending well to budget in 2025 indicating stable operations through the end of the fiscal year. Leverage is somewhat elevated relative to similarly-rated municipal utility systems and significantly more debt is expected in the next six years to address needed capital improvements. Nevertheless, the commission's debt is ultimately secured by unlimited ad valorem taxing authority on all assessable property within the district, which is a key credit consideration.

### Credit strengths

- » Dynamic and robust service area
- » Satisfactory reserve level with ongoing annual rate increases to support operations

### Credit challenges

- » Ongoing capital needs that will require annual debt issuances

### Rating outlook

The stable outlook reflects the growing likelihood that the commission's service area will remain strong to support stable financial operations and address its long-term capital plan.

### Factors that could lead to an upgrade

- » Not applicable

### Factors that could lead to a downgrade

- » Inability to maintain balanced operations while addressing capital spending
- » Decline in liquidity to below 125 days cash on hand
- » Debt to revenues increasing to above 5.5 times

## Key indicators

Exhibit 1

Washington Suburban Sanitary District Commission, MD

| System Characteristics                                   |              |             |             |             |             |
|--|--------------|-------------|-------------|-------------|-------------|
| Asset Condition (Net Fixed Assets / Annual Depreciation) | 45 years     |             |             |             |             |
| System Size - O&M (in \$000s)                            | \$555,529.00 |             |             |             |             |
| Service Area Wealth: MFI % of US median                  | 163.42       |             |             |             |             |
| Legal Provisions   |              |             |             |             |             |
| Rate Covenant (x)  | 1.00         |             |             |             |             |
| Debt Service Reserve Requirement                         | Baa          |             |             |             |             |
| Management   |              |             |             |             |             |
| Rate Management  | Aaa          |             |             |             |             |
| Regulatory Compliance and Capital Planning               | Aa           |             |             |             |             |
| Financial Strength                                       |              |             |             |             |             |
|  | 2020         | 2021        | 2022        | 2023        | 2024        |
| Operating Revenue (\$000)                                | \$745,412    | \$745,136   | \$833,602   | \$885,633   | \$947,067   |
| System Size - O&M (\$000)                                | \$506,098    | \$527,837   | \$539,416   | \$498,462   | \$555,529   |
| Net Revenues (\$000)                                     | \$247,025    | \$254,258   | \$330,189   | \$446,949   | \$436,644   |
| Net Funded Debt (\$000)                                  | \$3,442,693  | \$3,659,106 | \$3,911,011 | \$4,134,422 | \$4,238,755 |
| Annual Debt Service (\$000)                              | \$345,644    | \$289,106   | \$285,669   | \$284,179   | \$340,805   |
| Annual Debt Service Coverage (x)                         | 0.7x         | 0.9x        | 1.2x        | 1.6x        | 1.3x        |
| Cash on Hand   | 111          | 133         | 201         | 279         | 297         |
| Debt to Operating Revenues (x)                           | 4.62         | 4.91        | 4.69        | 4.67        | 4.48        |

Source: Moody's Ratings; WSSC's financial statements

## 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.

## Detailed credit considerations

### Service area: robust customer base located just outside of Washington D.C.

The commission's service area will remain very strong in the near-term given its location outside of Washington D.C. servicing some of the wealthiest and established communities in the country. WSSC provides water and sewer services to Montgomery and Prince George's counties. Its customer base, while largely residential, is also anchored by several federal government, higher education, and health care institutions. Development in the service area is steady and there is no expectation that future development will significantly change its current customer/usage base. The customer income levels are very strong. Median family income in Montgomery and Prince George's counties amounts to around 163% and 122%, respectively, of the nation.

The commission's taxable base totals just over \$381 billion. Over the past several years, the two counties combined have seen consistent healthy growth that the commission could tap if required. The ability to levy an unlimited ad valorem tax within the district brings significant credit strength and operating flexibility. By law, the district's governing board may levy a property tax within the district. The district has never needed to levy a property tax, however.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

The district's water is supplied primarily by the Potomac and Patuxent rivers with supplemental storage at four reservoirs. Consumption has remained relatively flat in recent years as a result of conservation and low flow fixture trade-outs. Average MGD has ranged between 155-165 MGD for the past eight years. The district's two water treatment facilities have a combined production capacity of nearly 400 million gallons per day (MGD).

The district owns six sewer treatment plants and retains a 46% share in the Blue Plains Plant in the District of Columbia and a 15% share in the Mattawoman Plant in Charles County (Aaa stable). Approximately 63% of sewer flow is treated at the Blue Plains Plant, with the remainder treated at the six district-owned plants. Combined treatment capacity is sufficient to meet average flows.

#### **Debt service coverage and liquidity: stable operations despite being below peers**

The district's ability to operate on a self-supporting basis is a credit strength, supported by a commitment to raising rates and a rate structure that is supported by both fixed and volumetric rates. In fiscal 2025, the district increased rates by 8.5% and despite consistent rate increases, rates are in line with peers. The commission has been working to shift its rate structure to weigh more on its fixed charge, rather than volumetric, to gain stability in revenue flow. The commission's year-to-date performance is showing level operations compared to last year. Debt service coverage is projected to be similar to 2024 levels.

The fiscal 2026 preliminary budget that was recently published shows an average 9.8% increase in volumetric and fixed rates. The increases are going to be covering increases in service costs the system is facing. It is proposing to increase funding its rate assistance plans to aid its customers.

Annual debt service coverage is narrow relative to similarly rated water and sewer systems. The district's 2024 audited results show debt service coverage of 1.28x which is a generally normal coverage level when excluding the pandemic years. Net revenues were modestly lower than 2023 but an increase in debt service in 2024 caused the decline in coverage.

The district saw a sizeable uptick in delinquent accounts as a result of the coronavirus pandemic and management has made significant efforts to address these. At the height of the pandemic, delinquent accounts rose to approximately \$64 million, compared to approximately \$37 million in fiscal 2019. The commission continues to make investments into payment assistance to continue to keep revenues flowing while helping customers in need.

#### **Liquidity**

The district's liquidity is satisfactory, though again somewhat narrow compared to similarly-rated peers. Days cash on hand is approximately 297 days as of fiscal 2024, a considerable improvement during the pandemic era.

#### **Debt and pensions: ongoing capital spending leading to a stable but elevated debt burden**

The overall debt position is somewhat elevated but should remain manageable despite a \$4.9 billion six year capital improvement plan (CIP), given the expectation of continued rate increases and a stable service base. The district's debt to operating revenue is a hefty 4.5x, comparing negatively to the median of just 1.7x for similarly-rated combined water and sewer utilities. Again, the district's credit profile benefits considerably from its ability to levy an ad valorem tax if needed - debt relative to the tax base is a more moderate 1.14%. The current CIP is expected to be largely funded with bond proceeds (67%), followed by pay-go funding and grants.

Included in its CIP are projects related to its Consent Decrees and federal regulations for PFAS. The status of their required improvements is on schedule. The current estimate on these mandated projects through 2031 is \$1.3 billion.

#### **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.

#### **Debt structure**

Approximately 3.6% (\$153.4 million) of the district's total debt outstanding is in variable rate mode. The multi-modal bond anticipation notes are secured by the district's general obligation pledge and by two liquidity facilities with TD Bank, N.A. that expire on June 1, 2027.

As the district's debt is ultimately secured by a general obligation pledge, outstanding debt is not subject to a legally-imposed rate covenant or secured by a debt service reserve fund.

**Debt-related derivatives**

The district is not party to any derivative agreements.

**Pensions and OPEB**

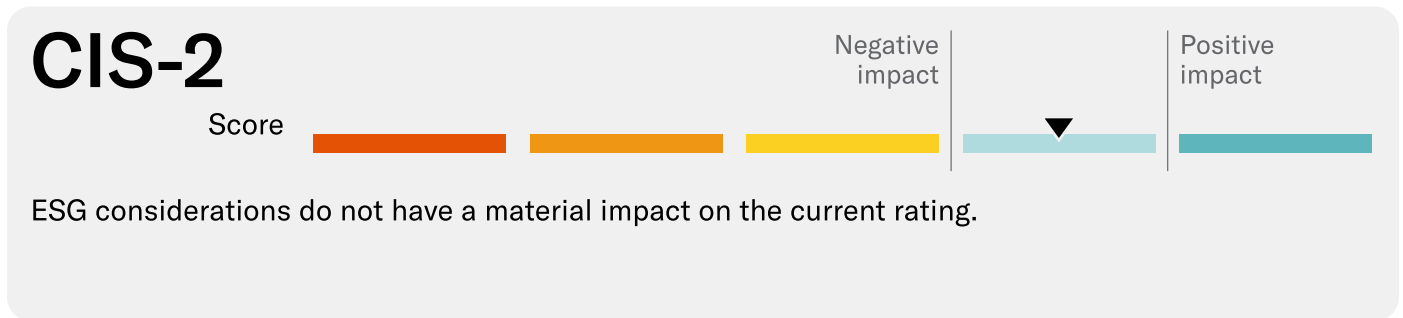
The district maintains a single employer, defined benefit plan. Annual contributions to the plan have historically exceeded our tread water indicator. The system has established a trust for OPEB, which is currently 69.0% funded.

**ESG considerations**

**Washington Suburban Sanitary Dis. Com., MD's ESG credit impact score is CIS-2**

Exhibit 2

**ESG credit impact score**

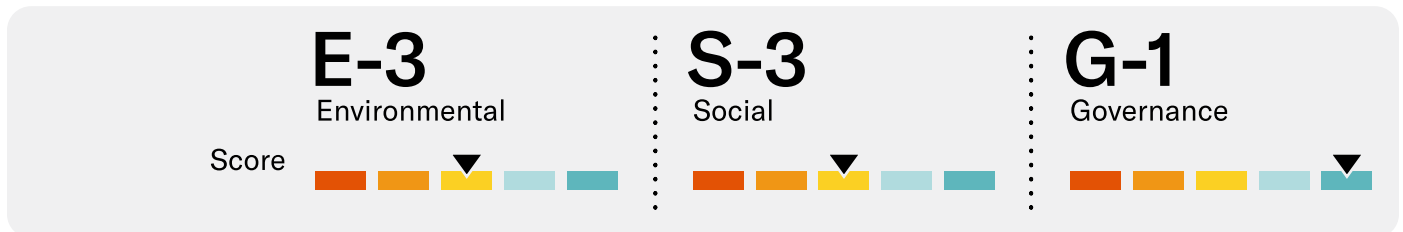


Source: Moody's Ratings

Washington Suburban Sanitary District, MD's ESG credit impact score of **CIS-2** indicates that ESG considerations have a limited impact on its credit rating.

Exhibit 3

**ESG issuer profile scores**



Source: Moody's Ratings

**Environmental**

The district has moderate credit exposure to environmental risks. Enterprises with wastewater utilities have slightly negative exposure to water management considerations given the risk of regulatory violations associated with wastewater disposal. Wastewater operations face risks of increased operating costs or capital requirements to address violations. Exposure to other environmental risks, including physical climate risk, carbon transition, natural capital and waste and pollution is low.

**Social**

The district has moderate credit exposure to social risks, primarily reflecting that enterprises with water utilities have negative exposure to responsible production risk. This is viewed as moderately negative across the sector. Testing results reported to the Environmental Protection Agency indicate that most utilities provide clean and safe drinking water. However, water utilities are at risk of health violations resulting from catastrophic events, changes in source water quality, failures in treatment or transmission processes or revised

regulations. The enterprise has low exposure to customer relations, demographic and social trends, health and safety, and human capital considerations.

### Governance

The district's governance considerations are favorable. The system benefits from strong financial strategy and risk management, as well as management credibility and track record considerations. Exposure to organizational structure and compliance and reporting considerations are low. The system has slightly negative exposure to board structure and policies risk resulting from concentrated control by the Montgomery and Prince Georges county governments. Notwithstanding their monopoly service provision, the system faces the risk of public opposition to required rate increases or capital investment.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

© 2025 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [ir.moody.com](http://ir.moody.com) under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

REPORT NUMBER 1427345

CLIENT SERVICES

|              |                 |
|--------------|-----------------|
| Americas     | 1-212-553-1653  |
| Asia Pacific | 852-3551-3077   |
| Japan        | 81-3-5408-4100  |
| EMEA         | 44-20-7772-5454 |