

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms Washington Suburban Sanitary District Commission, MD's general obligation rating at Aaa and short-term at VMIG 1; assigns Aaa to Series 2025 bonds; outlook stable**

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23 Jan 2025

New York, January 23, 2025 -- Moody's Ratings (Moody's) has affirmed Washington Suburban Sanitary District Commission, MD's general obligation rating at Aaa and VMIG 1 on its short-term bond anticipation notes. Concurrently, we have assigned a Aaa to the district's \$287.2 million Consolidated Public Improvement Bonds of 2025 and \$28.7 million Consolidated Public Improvement Bonds of 2025 (Second Series) (Green Bonds). The outlook is stable. The district had \$4.2 billion in total debt outstanding at the end of 2024.

#### RATINGS RATIONALE

The Aaa general obligation rating reflects the system's large, robust service area that includes large portions of Montgomery (Aaa stable) and Prince George's (Aaa negative) counties. The overall economy in the area is stable and there are no material changes expected with its customer base.

Utility system revenues provide adequate debt service coverage and the district's cash position has improved since the pandemic era. Fiscal 2024 debt service coverage levels were adequate and fiscal 2025 operations are trending similarly. The system is proposing an average 9.8% rate increase in 2026, continuing its trend of annual revenue growth.

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. The district continues to increase efforts to fund improvements through pay go funding in order to offset debt growth. Nonetheless, the commission's debt is ultimately secured by an unlimited ad valorem taxing authority on all assessable property within the district, a key credit consideration for the Aaa rating.

The affirmation of the VMIG 1 short-term rating for the Notes reflects: (i) the credit

quality of TD Bank, N.A. as provider of the SNPA and, (ii) our assessment of the likelihood of an early termination of the SNPA without a mandatory tender. Events that could cause the SNPA to terminate without a mandatory purchase of the Notes are directly related to the credit quality of Commission. Accordingly, the likelihood of any such event occurring is reflected in the Aaa long-term rating assigned to the Notes. Our short-term Counterparty Risk (CR) Assessment of the Bank is P-1(cr).

## 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 OF THE RATINGS

- Not applicable

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

- 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
- Downgrade of the short-term CR Assessment of the Bank or downgrade of WSSC's long-term rating (short-term rating only)

## 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

The bonds will be used to fund its various system improvements to its water transmission and line systems, sewer disposal and collection systems, and other various upgrades.

## PROFILE

Washington Suburban Sanitary District Commission 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.

## METHODOLOGY

The principal methodology used in the long-term ratings was US Special Purpose District General Obligation Debt Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/394972>. The principal methodology used in the short-term rating was US Municipal Short-term Debt published in October 2024 and available at <https://ratings.moodys.com/rmc-documents/430699>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

## REGULATORY DISCLOSURES

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