

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aaa to Washington Suburban Sanitary District Commission, MD's new GOs; affirms all outstanding ratings

26 Jan 2026

New York, January 26, 2026 -- Moody's Ratings (Moody's) has affirmed Washington Suburban Sanitary District Commission, MD's Aaa general obligation ratings and VMIG 1 on its short-term bond anticipation notes (BAN). Concurrently, we have assigned a Aaa to the district's proposed \$339.2 million Consolidated Public Improvement Bonds of 2026 and \$27.5 million Consolidated Public Improvement Bonds of 2026 (Second Series) (Green Bonds). The outlook is stable. Post issuance, the district will have approximately \$4.6 billion in total outstanding.

RATINGS RATIONALE

The Aaa general obligation (GO) rating reflects the system's large, robust service area that includes large portions of Montgomery (Aaa stable) and Prince George's (Aa1 stable) counties. The overall economy in the area is stable and there are no material changes expected with its largely residential customer base.

We anticipate that the system's financial position will remain steady given solid annual revenue growth and ongoing expenditure control. Fiscal 2026 operations are trending according to budget supported by an average 9.5% rate increase. Despite higher delinquency rates due to the recent federal government contractions and shutdown, we expect the system's fiscal health to remain resiliency. The impact is offset by management team's multi-phase plan to recover revenue and a solid bad debt reserve balance. Fiscal 2025 debt service coverage and days cash on hand were a stable 1.3 times and 288 days, respectively.

Leverage will remain somewhat elevated compared to similarly-rated municipal utility systems, at more than 4 times operating revenue, as a significant amount 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 on the GO rating 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

N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Inability to maintain balanced operations while addressing capital spending (GO)
- Decline in liquidity to below 125 days cash on hand (GO)
- Debt to revenues increasing to above 5.5 times (GO)
- Downgrade of the short-term CR Assessment of the Bank or downgrade of WSSC's long-term rating (short-term VMIG 1 BAN rating only)

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 Public Finance General Obligation Debt published in December 2025 and available at <https://ratings.moodys.com/rmc-documents/455986>. 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.

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