

AGENDA ITEM #45  
May 5, 2008

**Worksession**

**MEMORANDUM**

May 1, 2008

TO: County Council

FROM: *KL* Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Worksession: FY09 Washington Suburban Sanitary Commission (WSSC)  
Operating Budget**

**Transportation, Infrastructure, Energy and Environment Committee Recommendation:**  
Approve as Proposed (see budget highlights on page 7)

The following officials and staff are expected to attend this worksession:

**WSSC**

Commission Chair Adrienne Mandel (invited)  
Commissioner Gene Counihan (invited)  
Commissioner Norman Pruitt (invited)  
Teresa Daniell, Interim General Manager  
Rudolph Chow, Interim Deputy General Manager  
Tom Traber, Chief Financial Officer  
Kirk Wineland, Director, Intergovernmental Relations Office  
Sheila Cohen, Budget Group Leader  
Phil Edgin, Budget Group

**County Government**

Dave Lake, Department of Environmental Protection  
John Greiner, Office of Management and Budget

**Schedule**

On March 1, WSSC transmitted its proposed FY09 Operating Budget to the Montgomery and Prince George's County Executives and County Councils. On March 17, the County Executive transmitted his recommendations to the Council. The T&E Committee discussed the

WSSC budget on April 17. The Bi-County meeting to resolve any CIP and Operating Budget differences with Prince George's County is scheduled for May 8.

### **General Information about WSSC**

The Washington Suburban Sanitary Commission (WSSC) provides public water and sewer services to over 1.7 million residents in a sanitary district covering nearly 1,000 square miles in Montgomery and Prince George's Counties. WSSC has about 440,000 customer accounts and is one of the ten largest water and wastewater utilities in the country.

WSSC's governing board consists of six commissioners, 3 from Montgomery County and three from Prince George's County, serving staggered 4 year terms. The positions of Chair and Vice Chair alternate annually between the counties. The six commissioners are:

#### **Montgomery County**

Adrienne Mandel, Chair  
Gene Counihan  
Norman Pruitt

#### **Prince George's County**

Joyce Starks, Vice Chair  
Prem Agarwal  
Juanita Miller

Mr. Pruitt recently announced his resignation effective May 31. The Executive is working to appoint a replacement.

The contract for the most recent General Manager, Andrew Brunhart, ended in February. The Commission appointed Teresa Daniell (the Deputy General Manager under Mr. Brunhart) to serve as Interim General Manager and Rudolph Chow (the Chief of Customer Care) to serve as Interim Deputy General Manager. The Commission has initiated a national search for a permanent General Manager.

An organization chart is attached on ©13. The Chair's budget transmittal letter and other excerpts from the Proposed FY09 budget are attached on ©1-8.

WSSC maintains about 5,500 miles of water mains and over 5,300 miles of sewer mains. WSSC also maintains four reservoirs (two of which are shared with other jurisdictions), two water filtration plants, 14 water pumping stations, 41 wastewater pumping stations, and seven wastewater treatment plants (including the Blue Plains plant in the District of Columbia). WSSC produces and distributes about 170 million gallons of water per day.

Much of the wastewater generated within the WSSC service area is treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. This plant is managed by the District of Columbia Water and Sewer Authority (DCWASA). WSSC makes operating and capital payments each year to DCWASA consistent with the Blue Plains Intermunicipal Agreement of 1985 (IMA). Blue Plains-related costs are a major element of the sewer program and reflect a majority of overall CIP expenditures. In addition, an annual operating payment (\$40.6 million assumed for FY09) to WASA is made. The Montgomery and Prince George's County Governments each have two representatives on the eleven member WASA Board of

Directors. Fairfax County has one representative. The other six members represent the District of Columbia.

### **WSSC Strategic Priorities**

Although WSSC is in a state of transition with regard to hiring a new General Manager, the short and long-term strategic priorities for WSSC were recently reaffirmed by the Commission.

When the prior General Manager was hired over three years ago, he worked with the commissioners to establish strategic priorities. The Commission identified the MBE program, IT, HR, and procurement as the highest priorities for immediate attention. In the midst of working to improve the MBE program, the program was suspended at the end of FY06 as a result of inaction by the State in 2006 on legislation to extend the program's sunset date. Legislation to extend the program was approved in the 2007 legislative session (HB691).

The IT office was substantially reorganized in 2006 with some controversy with regard to the position abolishments and the creation of new non-merit positions. The multi-year \$35 million EAM/ERP project is underway as well. The HR office has recently been reorganized as well. WSSC's procurement manual is being rewritten and acquisition functions are being centralized to improve efficiencies and timelines. In addition, a number of specific annual action items (17 in total) were established to address specific issues in these and other important areas.

### **Infrastructure**

With regard to infrastructure, WSSC is engaged in a master planning process to identify infrastructure needs over a 30 year horizon. Phase IA of the work was completed last summer and a report released on July 31, 2007. WSSC is utilizing consultant support and in-house staff to do this work. Information from this report was incorporated into the fiscal scenarios reviewed as part of the spending control limits process for FY09 last fall.

Two major findings of the report were:

- The above ground assets are in good condition with a few exceptions.
  - Process upgrades that are needed to comply with existing regulations are programmed in the CIP.
  - Non-process rehabilitations at plants, pumping stations, and water storage tanks are needed.
- The renewal of buried assets is WSSC's most immediate challenge.
  - By 2025 approximately 50% of the entire distribution system will reach or exceed its useful life.
  - 85% of the cast iron pipe in the distribution system will exceed its useful life by 2025.
  - Renewal of the collection system piping is driven by compliance with the Consent Decree signed in 2005 to reduce sanitary sewer overflows (SSOs).

The master planning work is continuing and will develop more detailed assessments of WSSC's various types of assets. The total master planning effort is estimated at \$5.8 million over the next six years and is funded in the CIP.

**As discussed by the Committee and the full Council during the FY09 spending control limits process, the WSSC General Manager supported the creation of an infrastructure renewal fee to address WSSC's long-term water and sewer main reconstruction needs. This fee was included in WSSC's Public Hearing Draft of its FY09 budget, but the Commission ultimately decided not to include the fee in its March 1 budget transmittal. This issue is discussed later in this memorandum.**

**At the Committee worksession, WSSC was asked to provide information on water main breaks in the County as well as more information on how the replacement work is being prioritized.**

### **Performance Measures**

WSSC has included a number of performance measures in its FY09 Proposed Budget. Most of these measures speak to water quality, quality of service, timeliness of service, and customer satisfaction. Council staff believes these measures highlight WSSC's success in delivering high-quality service.

**As noted in past years, in general, Council Staff believes WSSC is doing an excellent job in measuring its drinking water quality, responses to customer concerns, and customer satisfaction. It would be helpful if WSSC published information on how these measures compare over time to other comparable water and sewer utilities and how WSSC's costs to perform various services compare as well.**

### **State Legislation**

Two bi-County bills directly affecting WSSC passed during the recent State legislative session.

- PG/MC 102-08 (HB940) - WSSC and M-NCPPC Commission Appointments, Interviews, and Financial Statements. *HB940 addresses some procedural issues and does not have an effect on WSSC's budget.*
- PG/MC 1156-08 (HB929) – Prince George's County Energy Tax. *WSSC, which was previously exempt from Prince George's County's energy tax, will now have to pay an estimated \$700,000 in FY09.*

The Governor has already signed HB929 and is expected to sign HB940 shortly.

**Council Staff recommends adding \$700,000 to the FY09 WSSC budget for the new energy tax expense with the assumption that the needed revenue comes from fund balance.**

**The T&E Committee concurs.** *NOTE: A discussion of WSSC's fund balance situation is discussed later.*

**System Development Charge (SDC) Fees and Exemptions**

WSSC's Proposed CIP and draft Operating Budget assumes no change in the SDC rate. However, WSSC supports increasing the maximum rate for FY09 as permitted under State law. The proposed charge and the maximum allowable charge are presented in Table 1.

**Table 1:  
Proposed SDC Charges**

**During discussion of the WSSC CIP, the T&E Committee concurred with WSSC's assumption to maintain current rates but to increase the maximum chargeable rate. NOTE: Both the maximum rate and the adopted rate are noted in the annual Council resolution. This year's resolution is scheduled for introduction on May 6 and action on May 14.**

Item	FY09 Charge	Max. Allowable Charge**
Apartment		
- Water	\$896	\$1,107
- Sewer	\$1,140	\$1,410
1-2 toilets/residential		
- Water	\$1,344	\$1,660
- Sewer	\$1,710	\$2,112
3-4 toilets/residential		
- Water	\$2,240	\$2,769
- Sewer	\$2,850	\$3,521
5 toilets/residential		
- Water	\$3,135	\$3,874
- Sewer	\$3,991	\$4,932
6+ toilets/residential*		
- Water	\$88	\$109
- Sewer	\$115	\$143
Non-residential*		
- Water	\$88	\$109
- Sewer	\$115	\$143

\*costs shown are per fixture unit

Last year, the State Legislature approved HB667 which added an additional exemption category for facilities serving youths. Resolutions implementing this new exemption were approved by both Councils last fall. **Council Staff will work with Prince George's County staff on any language changes needed to the annual SDC fee resolution to incorporate this change.**

Also, during CIP discussions, T&E Committee Chairperson Floreen suggested that changes to the SDC fee be considered that would allow revenue from this fee to be used to assist property owners who wish to hook up to public water and/or sewer to address failed on-site systems. The issue of the high costs of water and sewer main extensions will be reviewed by the Council when it takes up the County's 10 Year Water and Sewer Plan later this year.

**Spending Control Limits**

**Background**

In April 1994 the Council adopted Resolution No. 12-1558, which established a spending affordability process for the WSSC budget. Under this process, which stems from the January 1994 report of the bi-County Working Group on WSSC Spending Controls, each Council appoints a Spending Affordability Committee (SAC). For Montgomery County the SAC is the Transportation and Environment Committee.

There are four spending control limits: Maximum Average Rate Increase, Debt Service, New Debt, and Total Water and Sewer Operating Expenses.

**Councilmembers should keep in mind that the spending control limits only provide a ceiling regarding what the Councils direct WSSC to propose in its budget. The limits do not cap what the Councils can approve within the regular budget process that concludes in May of each year.**

### 10 Year Fiscal Plan

As a result of the FY08 spending control limits process and last year's FY08 budget review, both Councils agreed that a 10 Year Fiscal Plan should be developed in conjunction with this year's FY09 spending control limits process. A bi-county working group developed the 10 Year Plan (a copy can be found in the packet for T&E Item #1 on October 4, 2007 which is available on the Council website). This Plan includes a list of fiscal policy assumptions as well as a number of scenarios for addressing FY09 limits and beyond. The Plan also includes information on WSSC's 30 Year Infrastructure Plan.

In addition to significant rate increase requirements identified in the first several years of the 10 year period, the 10 Year Plan also presented options for the implementation of an infrastructure renewal fee via an expansion of the account maintenance fee (ready to serve charge) to address aging water and sewer mains.

### FY09 Spending Control Limits

Based on the 10 Year Fiscal Plan, the County Executive recommended and in December 2007 the Council later approved FY09 spending control limits that included a 9.7% maximum average rate increase and the assumption of an expansion of the ready to serve charge to include a new infrastructure renewal fee.

The Prince George's County Council approved spending control limits that included an 8% rate increase and no ready to serve charge.

The two Councils did not reconcile their differences regarding these limits or the creation of the infrastructure renewal fee and therefore WSSC did not have a single set of limits to guide its development of its FY09 budget.

WSSC's FY09 budget is well within the limits approved by the Montgomery County Council, as presented in the following chart.

**Table 2:  
FY09 Spending Control Limits Approved by Each Council  
versus the FY09 Proposed WSSC Budget**

Spending Control Limit Categories	MC*	PG**	WSSC
			Proposed**
New Debt (in \$000s)	182.326	191.274	178.700
Debt Service (in \$000s)	165.854	166.749	157.363
Water/Sewer Operating Expenses (in \$000s)	564.343	469.087	482.279
Maximum Avg. Rate Increase	9.7%	8.0%	8.0%

\*assumes implementation of infrastructure renewal fee

\*\*no new infrastructure renewal fee assumed

The water and sewer operating expenses are down substantially from the Montgomery County limit as a result of the infrastructure renewal fee expenditures being removed. Debt service is also down somewhat, based on the latest review of FY08 debt experience and expenditures and the impact on FY09.

**County Executive Recommendations for the FY09 WSSC Budget**

(See Operating Budget Excerpt on ©9-13)

In his March 17 transmittal, the County Executive recommends a \$55,600 reduction in FY09 operating expenditures, consistent with adjustments he recommended in the CIP with which the Council later concurred. This reduction is in debt service and reflects revised cost estimates for the various Blue Plains projects and the resulting change in the amount of WSSC's capital contribution. **Council Staff concurs with these recommended changes. The T&E Committee concurs as well.**

**FY09 WSSC Proposed Budget**

Budget Highlights

Below are some major highlights of the WSSC's Proposed FY09 Budget:

- 8.0% average rate increase (*9.5% rate increase was assumed in WSSC's Public Hearing Draft, which was adjusted slightly from the 9.7% rate increase discussed during the spending control limits process*)
- Assume to use approximately \$5.6 million from fund balance to fund FY09 operating expenditures (*This addresses the revenue gap created from assuming an 8.0% average rate increase instead of a 9.5% increase*)
- No increase in the Ready To Serve Charge (i.e. no new infrastructure renewal fee is assumed)
- Use \$7.34 million from fund balance to fund the first year of a 5 year \$35.7 million EAM/ERP initiative. **Note: The Committee asked for a comprehensive briefing after budget regarding the EAM/ERP project.**

- Water production is budgeted at 169.5 million gallons per day (mgd) which is the same as was assumed during the spending control limits process last fall. This is an increase of .5 mgd from the FY08 budget level of 169.0. Water production for FY07 was 169.8 mgd. The forecast for FY08 (based on information through the end of February) is 171.0 mgd.<sup>1</sup> **Councilmember Berliner asked for more information on WSSC's water conservation efforts.**
- A net increase of 30 workyears across both the Operating Budget and CIP (see ©14-15 for a listing of proposed new positions).
- Add \$2.0 million to the base budget for retiree health costs (the second year of a five-year plan in response to new GASB 45 reporting requirements) to increase funding from \$9.0 million per year to \$19 million per year.

Summary Charts

The following chart presents summary budget data for WSSC for the FY08 Approved and FY09 Proposed Budgets.

**Table 3:  
WSSC Expenditures by Fund (in \$000s)**

	Approved	Proposed	Change	
	FY08	FY09	\$	%
<b>Capital</b>				
Water Supply	142,820	185,620	42,800	30.0%
Sewage Disposal	108,358	142,718	34,360	31.7%
General Construction	30,403	32,637	2,234	7.3%
<b>Total Capital</b>	<b>281,581</b>	<b>360,975</b>	<b>79,394</b>	<b>28.2%</b>
<b>Operating</b>				
Water Operating	195,208	212,541	17,333	8.9%
Sewer Operating	253,224	269,738	16,514	6.5%
<b>Subtotal W&amp;S Operating</b>	<b>448,432</b>	<b>482,279</b>	<b>33,847</b>	<b>7.5%</b>
Interest and Sinking	77,442	71,426	(6,016)	-7.8%
<b>Total Operating</b>	<b>525,874</b>	<b>553,705</b>	<b>27,831</b>	<b>5.3%</b>
<b>Grand Total</b>	<b>807,455</b>	<b>914,680</b>	<b>107,225</b>	<b>13.3%</b>

<sup>1</sup> Over the past ten years water production has been fairly flat with some recent slight increases. In the meantime, the population served has increased over 14%, thus average water usage per capita has declined.

The combined total of the Capital and Operating Budget is \$914.7 million, an increase of \$107.2 million (or 13.3 percent) from the Approved FY08 amount of \$807.5 million.

The total proposed Operating Budget is \$553.7 million, an increase of \$27.8 million (or 5.3 percent) from the Approved FY08 Operating Budget of \$525.9 million.

The following chart summarizes the proposed water and sewer operating expenditures by major expenditure category.

**Table 4:  
Water and Sewer Operating Expenditures by Category**

Expense Categories	Approved	Proposed	Change	
	FY08	FY09	\$\$	%
Salaries and Wages	87,944	93,290	5,346	6.1%
Heat, Light, and Power	22,271	23,499	1,228	5.5%
Regional Sewage Disposal	38,627	40,558	1,931	5.0%
All Other	142,818	167,569	24,751	17.3%
Debt Service	156,772	157,363	591	0.4%
<b>Total</b>	<b>448,432</b>	<b>482,279</b>	<b>33,847</b>	<b>7.5%</b>

Debt service is the biggest category. This is not unexpected for WSSC, given its large capital program. For FY09, however, debt service costs are actually flat compared to FY08. This number is down about \$8.5 million from the spending control limits assumptions last fall and is based on revised debt service needs in FY08 and the impact on FY09.

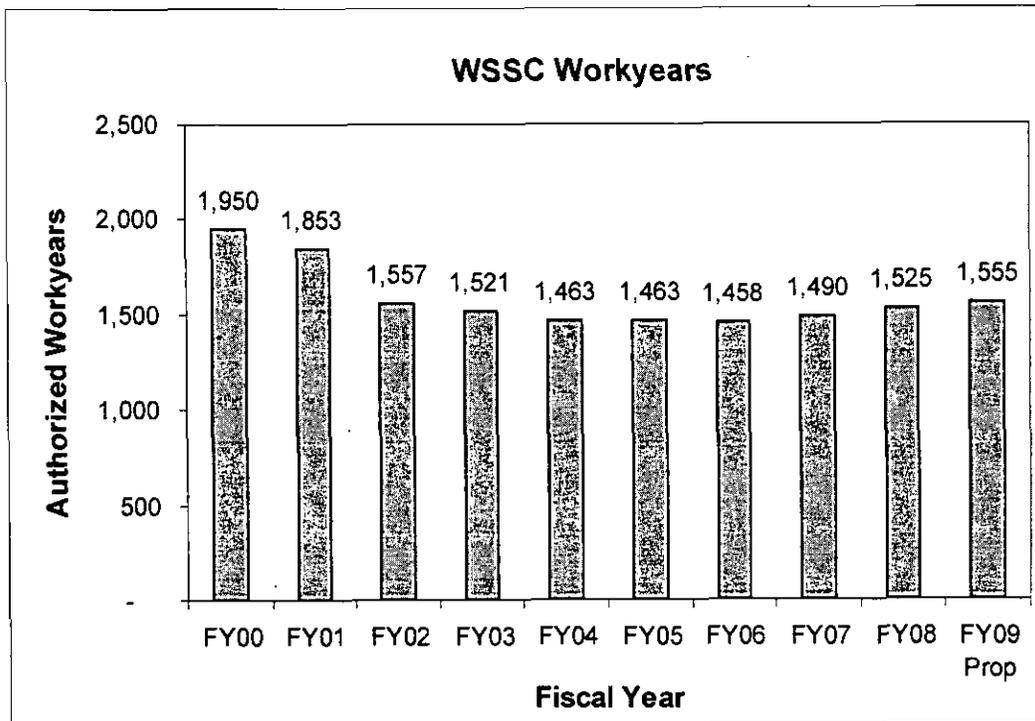
The “All Other” category accounts for most of the proposed increase. This category includes all operating costs not otherwise broken out above and also includes employee benefits.

**As noted earlier, with passage of HB929, WSSC will pay an estimated \$700,000 in new energy tax costs in FY09. These costs are not included in the above numbers for “Heat, Light, and Power.”**

The charts show that “Salaries and Wages”<sup>2</sup> costs are estimated to increase 6.1 percent. This increase is similar to increases seen over the last couple of years. Up until several years ago, WSSC was able to keep its overall salary and wage expenditures flat through substantial workyear reductions as a result of ongoing Competitive Action Program (CAP) efforts. As shown in the following chart, FY09 reflects the third year in a row that net workyears are requested to increase.

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<sup>2</sup> Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other “ expense category.



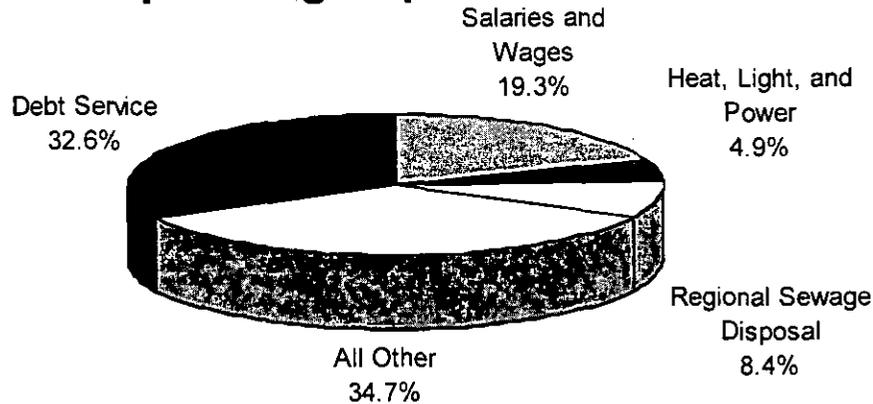
For FY09, 30 new positions are requested totaling approximately \$2.5 million in salary and wage costs (\$1.6 million in rate-supported costs). A breakdown of the new positions is attached on ©14-15. The attachment includes total salary and wage costs as well as the total costs affecting rates (W&S Operating). 12 of the new positions are for the EAM/ERP initiative. The Engineering and Construction group includes 10 new positions for areas such as project delivery (6 new positions based on the anticipated ramp-up of projects related to the 30 year Infrastructure Master Plan) environmental (1 new position for stream water quality monitoring related to the WSSC SSO consent decree), planning (2 new asset managers to support the 30 Year Master Plan development), and Development Services (1 new position to provide hydraulic analysis in support of water and sewer main replacements). 4 new positions are requested for the Production Team (2 for the Marlboro Meadows Wastewater Treatment Plant, and 2 for the Piscataway Wastewater Treatment Plant. The rest of the new positions are scattered among a number of program areas including: SLMBE (2 new positions) and internal audit (2 new positions).

**At the Committee worksession, WSSC noted that its lapse rate assumption is 1%. This percentage is lower than many County departments. Committee Chair Floreen asked Council Staff to work with WSSC on its lapse assumptions and discuss this issue with the Committee in the future.**

**The Committee also asked for some summary information regarding the SSO consent decree and the work to be done over the next six years.**

Salary and wages remain a small, although still significant, part of the WSSC Operating Budget as shown in the following pie chart).

## WSSC FY09 Proposed Water and Sewer Operating Expenditures



Even adding employee benefits (which are included in the "All Other" category) in order to look at personnel costs as a whole, personnel costs as of FY09 still make up less than 25 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County Government, where personnel costs are 64 percent of all tax-supported expenditures in the FY09 Recommended Budget.

### Compensation Adjustments

For FY09, WSSC is allocating \$7.9 million in compensation adjustments. These adjustments include the following:

**Table 5: Proposed Compensation Adjustments for FY09**

Type	Amount	Eligibility
Salary Adjustments	3,574,500	1472 WSSC employees (does not include IT) (3.5% COLA)
Merit Increases	934,900	571 employees (non FW) not at Top of Grade
Performance Pay*	2,219,700	444 employees (based on individual and team goals)
Flexible Worker (FW) Pay	546,400	303 employees (increases based on skill assessments)
IT Bonus (contract)	651,000	83 employees (includes both "one-time" and base increases)
<b>Total</b>	<b>7,926,500</b>	

\*Note: Incentive pay is "one-time" does not change base salary for future years.

The \$7.9 million amount is similar to last year (\$7.6 million). Last year, a new compensation category was added for IT Bonus pay. The reorganization of the IT Office included the placement of most IT employees into positions under contracts rather than under WSSC's merit system. The 83 contract employees in IT are eligible for one-time and base pay increases based on performance. These employees are not eligible for any other salary adjustments.

The Management and Fiscal Policy Committee discussed FY09 compensation and benefits issues across all agencies on April 21. Committee recommendations are expected after a

May 9 worksession. Given that the Bi-County meeting is on May 8, the Council will need to make preliminary recommendations on the WSSC budget prior to MFP's recommendations.

Council Staff is supportive of WSSC's compensation assumptions for FY09 as is the T&E Committee. The COLA and merit increases are in-line or less than other agency requests (The County Executive's recommended COLA for MCGEO, Police, and unrepresented employees range from 4.0 to 4.5 percent). The performance pay and flexible worker pay were put in place a number of years ago as part of WSSC's CAP initiative and are unique to WSSC.

*At last year's Committee worksession, the General Manager noted that he was reviewing WSSC's overall compensation philosophy and that he planned to bring the issue to the Commission for discussion in the near future. At the Committee worksession, the Interim General Manager confirmed that this review is ongoing and is expected to come back before the Commission soon.*

Customer Impact

With regard to the impact on the WSSC ratepayer, the following chart shows that each 1.0% rate increase adds about \$1.44 to a quarterly bill (\$5.76 annually).

**Table 6:  
Impact of Rate Increases in FY09  
on Avg. Residential Customer Bill**

% Increase	Impact			
	Monthly	Quarterly	Annual	
1.0%	\$0.48	\$1.44	\$5.76	Impact of 1% Change
8.0%	\$3.84	\$11.52	\$46.08	WSSC Transmittal
9.5%	\$4.56	\$13.68	\$54.72	WSSC Public Hearing Draft
9.7%	\$4.66	\$13.97	\$55.87	MC Council FY09 SCL
Current Avg. Bill	\$50.55	\$151.65	\$606.60	

\*based on avg. usage of 210 gallons per day and account maintenance fee of \$11 per quarter

The effect of WSSC's proposed 8% rate increase on the average quarterly residential bill is about \$11.52 quarterly (\$46.08 annually).

As noted earlier, the infrastructure renewal fee is not assumed in WSSC's FY09 Proposed Budget. It was assumed in the public hearing draft (along with a slightly higher rate increase). The cumulative effect on an average ratepayer bill of both the rate increase and the infrastructure renewal fee (\$20 assumed for single family homes) as envisioned in the Public Hearing draft was approximately a 48% bill increase (nearly \$75 per quarter or about \$300 per year).

Closing the Gap

WSSC's Proposed Budget assumes an 8.0% average rate increase. This increase is less than the 9.5% increase assumed in the Public Hearing Draft. Each 1% of rate increase provides an estimated \$3,735,810 in revenue. Therefore, a revenue gap of approximately \$5.6 million is

created by this lower increase. As part of the action to assume a rate of 8%, WSSC assumed to use excess fund balance to cover this gap.

As noted earlier, WSSC faces an additional \$700,000 in costs related to Prince George's County's energy tax. This cost must also be absorbed, either through a slightly higher rate increase (an additional .2% increase), through reductions in other expenditures, or use of fund balance.

Based on WSSC's current year financial projections through February, WSSC should have sufficient fund balance through FY09 if needed to address the \$5.6 million requirement and the \$700,000 energy tax cost (and a potential increase in Montgomery County's energy tax as well). The following chart shows the Fund Balance status beginning at the end of FY07 and the projected excess fund balance by the end of FY08.

**Table 7:  
Estimated FY08 Excess Fund Balance (in \$000s)**

<b>FY07 Carryover</b>	<b>54,217</b>
FY07 Reserve Requirement	22,000
Increase Reserve (for FY08)	1,500
Increase Reserve (FY09-11)	4,500
FY08 use of fund balance for one-time rate reduction	8,300
FY08 SSO Operating Costs	1,090
FY09-10 SSO Operating Costs	4,548
FY09 EAM/ERP Funding	7,344
FY08 Revised Year-End Gap (Surplus)	(14,717)
FY09 use of fund balance for one-time rate reduction	5,600
<b>Estimated FY08 Excess Fund Balance*</b>	<b>14,052</b>

As shown, with all requirements addressed, WSSC has an estimated \$14 million in excess fund balance. However, it is important to note that utilizing fund balance to cover recurring costs in one year puts pressure on rates in the following year to cover base budget costs. Essentially, the 1.5% + .2% rate increase avoided in FY09 through use of fund balance will need to be addressed again in FY10. A better use of excess fund balance is for non-recurring or short-term costs (such as the EAM/ERP project or PAYGO) and to address some budget issues that may arise late in the budget process.

#### Infrastructure Renewal

Similar to the two Councils, the WSSC Commissioners were ultimately unable to come to agreement on imposition of a new infrastructure renewal fee. For FY09, the same number of miles of reconstruction are proposed as approved for FY08 (27 miles of water main and 51 miles of sewer main or roughly a 200 year cycle for water mains and a 100 year cycle for sewer).

WSSC plans to reconstitute the Bi-County Staff Working Group that developed the 10 Year Fiscal Plan to further study the issue. Below are some general areas of concern regarding the fee that Council Staff expects will need to be reviewed (or in some cases reviewed again).

- What is an appropriate pace to consider with regard to water and sewer reconstruction? This pace will likely have to balance the needs identified in the 30 Year Infrastructure Plan with ratepayer affordability.
- What improvements to WSSC's processes are needed to improve WSSC's low implementation rate regarding current budget levels of reconstruction work? **At the Committee worksession, WSSC Chair Mandel indicated that the Commission will be receiving regular reports on the reconstruction program.**
- What is the best way to pay for additional reconstruction work? Should it be financed with debt, PAYGO, or a mix?
- How should this additional obligation be spread among ratepayers? Should the costs be built into water and sewer rates or should it be a separate fee based on meter size, front footage, or some other factor?
- Can other sources of funding, such as SDC, be modified to address some of these costs?

### **Committee Recommendations**

**Council Staff recommends approval of the WSSC budget with the following changes:**

- **Concur with the County Executive recommendation to reduce debt service by \$55,600 based on revised debt service assumptions related to the Blue Plains Wastewater Treatment Plant projects.**
- **Increase operating expenditures by \$700,000 to cover increased costs related to the Prince George's County Energy Tax. Assume to address this additional cost within the proposed rate increase, either through cost savings or use of fund balance.**

#### **Attachments**

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# Washington Suburban Sanitary Commission

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(301) 206-8000 1(800) 828-6439 TTY: (301) 206-8345 [www.wsscwater.com](http://www.wsscwater.com)

March 7, 2008

To The Honorable:

County Executives of Montgomery  
and Prince George's Counties

President, Chair, and Members  
of the County Councils of  
Montgomery and Prince George's Counties

Valued Customers and Interested Citizens:

We are hereby presenting the complete Fiscal Year 2009 (FY'09) Proposed Capital and Operating Budget document for the Washington Suburban Sanitary Commission (WSSC). A preliminary FY'09 budget was published and distributed for review by interested customers, citizens, and officials. Public Hearings were held on Wednesday, February 6, and Thursday, February 7, 2008. On February 29, 2008, an abridged FY'09 Proposed WSSC Budget, copies of the public hearing transcripts, and all written testimony were transmitted to the County Executives and Councils of Montgomery and Prince George's Counties for hearings and other procedures as directed by Section 1-204, Article 29, Annotated Code of Maryland, before a final budget is adopted for the next fiscal year, beginning July 1, 2008.

The Commission is proposing an 8.0% rate increase to pay for escalating prices for operating and maintaining our plants, pipes and facilities including the cost of power, chemicals, and fuel. The Commission is also still catching up after six years of no rate increases (FY's '99-'04) and two years of rate increases below the rate of inflation (FY's '05-'06). The FY'09 rate increase will add approximately \$3.75 per month to the average residential customer's bill. The proposed budget reflects our continued focus on providing safe and reliable water, returning clean water to the environment, and doing it in a financially responsible manner. The impact on customers' annual water and sewer bills at various consumption levels is shown on Table IV (page 11).

However, our nation's infrastructure is aging and beginning to fail. The WSSC's water and wastewater systems are no exception. In 2007, the Commission set a record for the most water main breaks and leaks in a calendar year. During 2007, the WSSC registered 2,129 water main breaks and leaks, breaking the previous record of 1,827 in 2003.

We must plan for the timely repair, rehabilitation, and replacement of our infrastructure. Our grandparents and parents sacrificed to build safe and reliable water and wastewater systems. Ours is the first generation that must focus on replacement rather than repair. As such, the Commissioners acknowledged the need for expanded infrastructure renewal and agreed to continue dialogue on how to fund WSSC's infrastructure replacement needs. By addressing our aging infrastructure, we can help ensure the continued reliable delivery of drinking water and the proper treatment of wastewater for our customers in Montgomery and Prince George's Counties.

Last summer the Commission released the first phase of a 30-Year Infrastructure Plan that involved a broad examination of the condition and lifespan of all of the Commission's major assets. Among the findings of the report are:

- Renewal of the water system is driven primarily by the physical mortality of the buried piping. It is estimated that by 2025 approximately 50% of the entire distribution system will reach or exceed its useful life. There are approximately 2,000 miles of cast iron pipe in the distribution system (piping less than 16 inches in diameter) and over 85% of this pipe will exceed its useful life by 2025.
- Of the almost 5,500 miles of water mains the WSSC maintains, 1,300 miles are more than 50 years old. Another 2,400 miles of pipes are between 25 and 50 years old.
- The WSSC's wastewater collection system still has a substantial lifespan remaining. However, a significant investment in rehabilitation is required to realize that remaining lifespan. Additionally, three types of sewer pipes are in poor condition and several drainage basins will require significant attention over the next 30 years.

Our FY'09 budget includes funding at FY'08 levels for the continued replacements and rehabilitation of 27 miles of water lines and 51 miles of sewer lines. While this appears on the surface to be a significant amount of pipe, it will not be sufficient in the future to maintain the reliability of our systems. The Commission will study alternatives for increasing the pace of replacement, while being sensitive to the fragile financial condition of many of our customers.



The FY'09 estimated expenditures for all operating and capital funds total \$914.7 million or \$107.2 million (13.3 %) more than the FY'08 Approved Budget. The FY'09 Proposed Operating Budget of \$553.7 million represents an increase of \$27.8 million (5.3 %) from the FY'08 Approved Operating Budget. The proposed Operating Budget includes funding for: the first year of a five-year program to implement an Enterprise Resource Planning/Enterprise Asset Management system; increases in operating costs due to inflationary trends in all cost categories including chemicals, energy, and services utilizing fuel, such as biosolids hauling; additional sewer maintenance; the second increment of a 5-year phase-in to achieve full funding for liabilities related to post-employment benefits based on Governmental Accounting Standards Board Statement No. 45; additional workyears; and salary enhancements for employees.

**Comparative Expenditures by Fund**

	FY'08 Approved	FY'09 Proposed	FY'09 Over / (Under) FY'08	% Change
<b>Capital Funds</b>				
Water Supply	\$142,820,000	\$185,620,000	\$42,800,000	30.0 %
Sewage Disposal	108,358,000	142,718,000	34,360,000	31.7 %
General Construction	30,403,000	32,637,000	2,234,000	7.3 %
<b>Total Capital</b>	<b>281,581,000</b>	<b>360,975,000</b>	<b>79,394,000</b>	<b>28.2 %</b>
<b>Operating Funds</b>				
Water Operating	195,208,000	212,541,000	17,333,000	8.9 %
Sewer Operating	253,224,000	269,738,000	16,514,000	6.5 %
Interest & Sinking	77,442,000	71,426,000	(6,016,000)	(7.8 )%
<b>Total Operating</b>	<b>525,874,000</b>	<b>553,705,000</b>	<b>27,831,000</b>	<b>5.3 %</b>
<b>GRAND TOTAL</b>	<b>\$807,455,000</b>	<b>\$914,680,000</b>	<b>\$107,225,000</b>	<b>13.3 %</b>

The FY'09 Proposed Capital Budget of \$361.0 million represents a net increase of \$79.4 million (28.2%) over the FY'08 Approved Budget. The greatest increases are for additional infrastructure replacement and rehabilitation and increases in the Western Branch Wastewater Treatment Plant Enhanced Nutrient Removal and Bi-County Water Tunnel projects where construction work is expected to ramp-up significantly in FY'09. These increases are partially offset by decreases attributable to 20 projects closing out in the Capital Improvements Program.

**FY'09 Proposed Capital and Operating Budgets**

The proposed budget provides for continuing the high service levels our customers expect, aggressively complying with all environmental mandates, continuing ongoing programs to control and reduce costs, and providing a fair compensation adjustment package for our employees. Specifically, the budget provides for:

- Implementing the first year of the FYs 2009-2014 Capital Improvements Program;
- Promptly paying \$227.3 million in debt service on \$1.3 billion in outstanding debt to WSSC bondholders;
- Meeting or surpassing all federal and state water and wastewater quality standards and permit requirements;
- Keeping maintenance service at a level consistent with the objective of arriving at the site of a customer's emergency maintenance situation within 2 hours of receiving the complaint and restoring service within 24 hours of a service interruption;
- Paying the WSSC's share of the cost of operating the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant;
- Operating and maintaining a system of 3 reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 7 wastewater treatment plants, 5,500 miles of water main, and 5,300 miles of sewer main 24 hours a day, 7 days a week;
- Continuing to increase the operating reserve from 5% to 10% of water and sewer rate revenues;
- Funding the first year of a 5-year program to implement an Enterprise Resource Planning/Enterprise Asset Management System;
- Funding the second phase of a 5-year ramp-up to achieve full funding of liabilities for post-employment benefits other than retirement based on Government Accounting Standards Board Statement No. 45;
- Maintaining the Water and Sewer Reconstruction Programs at FY'08 levels;
- Providing funding for salary enhancements for employees; and
- Complying with the Sanitary Sewer Overflow Consent Order.



In addition to reviewing expenses and revenues for water and sewer services, we have analyzed the cost and current fee levels for other WSSC services. Based upon these analyses, some new fees and adjustments to current fees are recommended in Table VII (page 14).

**Budget Review Process**

The Proposed Budget is subject to the Counties' hearings, procedures, and decisions, as provided under Section 1-204, Article 29, of the Annotated Code of Maryland, before the final budget is adopted for the fiscal year beginning July 1, 2008.



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Adrienne A. Mandel, Chair  
Washington Suburban Sanitary Commission

TABLE V

WSSC Water/Sewer Rate Schedules Effective July 1, 2007 & Proposed for Implementation July 1, 2008

(Rates per Thousand Gallons)

(8.0% AVERAGE RATE INCREASE PROPOSED FOR FY'09)

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	Water Rates		Sewer Rates		Combined Water & Sewer Rates	
	Current Water Consumption Rate	Proposed Water Consumption Rate	Current Sewer Use Rate	Proposed Sewer Use Rate	Current Combined Water & Sewer Rate	Proposed Combined Water & Sewer Rate
0-49	\$ 1.79	\$ 1.97	\$ 2.60	\$ 2.77	\$ 4.39	\$ 4.74
50-99	2.00	2.21	3.02	3.22	5.02	5.43
100-149	2.19	2.42	3.56	3.79	5.75	6.21
150-199	2.46	2.71	4.09	4.36	6.55	7.07
200-249	2.87	3.17	4.47	4.76	7.34	7.93
250-299	3.11	3.43	4.83	5.14	7.94	8.57
300-349	3.29	3.63	5.16	5.50	8.45	9.13
350-399	3.44	3.79	5.40	5.75	8.84	9.54
400-449	3.57	3.94	5.52	5.88	9.09	9.82
450-499	3.66	4.04	5.71	6.08	9.37	10.12
500-749	3.73	4.11	5.82	6.20	9.55	10.31
750-999	3.83	4.22	5.94	6.33	9.77	10.55
1,000-3,999	3.90	4.30	6.20	6.60	10.10	10.90
4,000-6,999	3.99	4.40	6.34	6.75	10.33	11.15
7,000-8,999	4.03	4.45	6.43	6.85	10.46	11.30
9,000 & Greater	4.11	4.53	6.60	7.03	10.71	11.56

TABLE VI

Account Maintenance Fees Proposed for Implementation July 1, 2008

<u>Meter Size</u>	<u>Current FY'08 Quarterly Charges</u>	<u>Proposed FY'09 Quarterly Charges</u>
<u>Small Meters</u>		
5/8" to 1-1/2" (Residential)	\$ 11.00	\$ 11.00
<u>Large Meters</u>		
1-1/2" (Commercial)	31.00	31.00
2"	51.00	51.00
3"	92.00	92.00
4"	145.00	145.00
6"	237.00	237.00
8"	379.00	379.00
10" & 12"	458.00	458.00
<u>Detector Check Meters</u>		
2" to 4"	53.00	53.00
6"	73.00*	73.00
8"	197.00	197.00
10"	256.00	256.00

SELECTED STATISTICAL DATA

	FY'03 ACTUAL	FY'04 ACTUAL	FY'05 ACTUAL	FY'06 ACTUAL	FY'07 ACTUAL	FY'08 BUDGET	FY'09 PROPOSED
Population Served	1,575,000	1,593,000	1,612,000	1,678,000	1,692,000	1,706,000	1,720,000
Customer Accounts	416,926	421,003	425,407	428,887	433,113	439,887	443,113
Water Produced (average MGD)	166.4	166.9	168.7	170.5	169.8	169.0	169.5
Water Produced (millions of gallons)	60,737	61,089	61,566	62,228	61,795	61,854	61,868
Water Mains Maintained (miles)	5,194	5,215	5,260	5,300	5,365	5,390	5,455
Water Mains Constructed (miles added by WSSC)	4	1	3	2	13.6*	5	5
Water Mains Constructed (miles added by developers)	28	20	42	38	51	40	40
Water House Connections Maintained	414,076	417,664	422,451	427,639	432,716	438,639	442,716
Water House Connections Installed	3,884	3,588	4,787	5,188	5,077	5,000	5,000
Water Meters Issued	29,026	24,730	21,543	29,730	13,916	27,110	16,578
Sewage Systems Total Flow (average MGD)	196.7	207.8	195.6	185.4	189.2	202.7	207.9
Sewage Systems Total Flow (millions of gallons)	71,777	76,045	71,381	67,682	69,071	74,188	75,884
Sewer Mains Maintained (miles)	5,061	5,090	5,136	5,188	5,250	5,298	5,335
Sewer Mains Constructed (miles added by WSSC)	7	2	3	4	11.4*	5	5
Sewer Mains Constructed (miles added by developers)	32	27	43	48	51	50	45
Sewer House Connections Maintained	393,898	397,073	401,580	406,303	410,923	417,303	420,923
Sewer House Connections Installed	3,581	3,175	4,507	4,723	4,620	5,000	5,000
Maintenance Work Orders (Emergency and Routine)	77,750	76,437	95,149	102,165	73,967	99,000	90,500
Vehicles in Fleet	802	804	816	824	846	848	849
Miles Traveled by Fleet	6,905,300	7,131,420	6,171,875	6,030,312	6,224,544	6,466,000	6,550,000
Water Meter Readings Completed	1,657,235	1,734,260	1,761,736	1,762,000	1,732,288	1,790,500	1,790,500
Authorized Positions	1,558	1,520	1,525	1,502	1,532	1,525	1,555
Authorized Workyears	1,521	1,463	1,463	1,458	1,490	1,525	1,555
Actual Employment Level - Beginning	1,488	1,456	1,433	1,383	1,377	1,428	
Actual Employment Level - Ending	1,451	1,428	1,383	1,377	1,428	-	
Actual Workyears	1,460	1,433	1,405	1,373	1,416	-	

\* Reflects the acquisition of the Marlboro Meadows System



# Washington Suburban Sanitary Commission

## MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC) is a bi-county governmental agency established in 1918 by an act of the Maryland General Assembly. It is charged with the responsibility of providing water and sanitary sewer service within the Washington Suburban Sanitary District, which includes most of Montgomery and Prince George's Counties. In Montgomery County, the Town of Poolesville and portions of the City of Rockville are outside of the District.

## WSSC'S PROPOSED BUDGET

WSSC's proposed budget is not detailed in this document. The Commission's budget can be obtained from WSSC's Budget Group at the WSSC Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707 (phone 301.206.8110) or from their website at [www.wssc.dst.md.us](http://www.wssc.dst.md.us).

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts public hearings in both counties. WSSC then prepares and submits the proposed capital and operating budgets to the County Executives of Montgomery and Prince George's Counties by March 1.

By March 15 of each year, the County Executives of Montgomery and Prince George's Counties are required by law to transmit the proposed budgets, recommendations on the proposed budgets, and the record of the public hearings held by WSSC to their respective County Councils.

Each County Council may hold public hearings on WSSC's proposed operating and capital budgets, but no earlier than 21 days after receipt from the County Executive. Each County Council may add to, delete from, increase, or decrease any item in either budget. Additionally, each County Council is required by law to transmit by May 15 any proposed changes to the other County Council for review and concurrence. The failure of both Councils to concur on changes constitutes approval of the item as originally proposed by WSSC. Should the County Councils fail to approve the budgets on or before June 1 of each year, WSSC's proposed budgets are adopted.

## ACCOMPLISHMENTS AND INITIATIVES

- \* Operate and maintain a system of 3 reservoirs impounding 14 billion gallons of water, 2 major water filtration plants, 7 wastewater treatment plants, 5,500 miles of water main, and 5,300 miles of sewer main 24 hours a day, 7 days a week.
- \* Treat and deliver 169.5 million gallons of water per day to over 443,100 customer accounts, and treat 207.9 million gallons of wastewater per day in a manner that meets or surpasses all Federal and State water and wastewater quality standards and permit requirements. (WSSC has never had a drinking water violation in its 89 year history.)
- \* Continue to provide maintenance services at a level consistent with the objective of responding to the customer within 2 hours of receiving notice of a major problem and restoring service to the customer within 24 hours from the time a service interruption occurs.
- \* Undertake a six-year capital improvement plan that incorporates 10 new projects, and an FY09 capital budget that provides, among other things, for a significant ramp-up in construction work for the Western Branch Enhanced Nutrient Removal Project and the Bi-County Water Tunnel.
- \* Continue to renew the Commission's underground infrastructure through the (debt-funded) Water and Sewer Reconstruction Programs, reconstructing 27 miles of water main and rehabilitating 51 miles of sewers in FY09, while actively exploring ways to fund an urgently needed expansion of these programs.
- \* Comply with the Sanitary Sewer Overflow Consent Order.
- \* Begin a five-year program to implement an Enterprise Resource Planning/Enterprise Asset Management system.

Fund the second year of a five-year phase-in to achieve full funding for liabilities related to post-employment benefits other than retirement, based on Governmental Accounting Standards Board Statement No. 45, and continue to increase the operating reserve from 5% to 10% of water and sewer rate revenues.

## Spending Control Limits

The spending control limits process requires that the Counties set annual ceilings on WSSC's water and sewer rate increase and on debt (bonded indebtedness as well as debt service) and then adopt corresponding limits on the size of the capital and operating budgets. The two Councils must not approve capital and operating budgets in excess of the approved spending control limits unless a majority of each Council votes to approve them. If the two Councils cannot agree on expenditures above the spending control limits, they must approve budgets within these limits.

The Montgomery and Prince George's County Councils have adopted different FY09 spending control limits for WSSC. The following table shows the FY09 spending control limits adopted by each of the Councils, compared to the spending control results projected under WSSC's Proposed Budget and the County Executive's Recommended Budget. WSSC's Proposed Budget complies with the spending control limits approved by Montgomery County but exceeds Prince George's County's limit on water and sewer operating expenditures.

<b>FY09 Spending Control Limits Comparison</b>				
<b>SPENDING AFFORDABILITY LIMITS</b>	<b>Approved Spending Control Limits</b>		<b>Projected Levels Under:</b>	
	<b>Montgomery County<sup>1</sup></b>	<b>Prince George's County</b>	<b>WSSC Proposed Budget</b>	<b>County Executive Recommended Budget</b>
Maximum Average Water/Sewer Rate Increase	9.7%	8.0%	8.0%	8.0%
New Debt (\$millions) <sup>2</sup>	\$182.3	\$191.3	\$182.3	\$181.7
Debt Service (\$millions)	\$165.9	\$166.7	\$157.4	\$157.3
Total Water and Sewer Operating Expenses (\$millions)	\$564.3	\$469.1	\$482.3	\$482.2
<sup>1</sup> Assumed the introduction of a new, fixed Infrastructure Renewal Fee (\$20 per month for residential customers) that would be used to fund expanded reconstruction/rehabilitation of WSSC's aging water and sewer mains.				
<sup>2</sup> New debt includes a system completion factor of 80%.				

## FY09 COUNTY EXECUTIVE RECOMMENDATIONS

### Capital Budget

#### Expenditures

Increase FY09 capital expenditures by \$4.814 million: The County Executive's January, 2008 recommendations on WSSC's FY09-14 CIP included a \$4.814 million increase in the total estimated FY09 cost for the five Blue Plains Advanced Wastewater Treatment Plant projects to align with the updated amounts shown by the District of Columbia Water and Sewer Authority (WASA) in its Proposed FY07-16 CIP. The \$4.814 million increase reflects \$5.580 million more in State aid (from the Bay Restoration Fund) offset by a \$723,000 reduction in the need for WSSC bonds and a \$43,000 reduction in the need for payments from the City of Rockville.

The \$4.814 million increase incorporates WSSC's adjustments to WASA's cost estimates for the Blue Plains Enhanced Nutrient Removal (ENR) Project to reduce contributions toward the cost of certain ENR facilities. The ENR costs are subject to further negotiations between WSSC and WASA.

#### Infrastructure Renewal

WSSC's Proposed FY09 Capital Budget continues to provide debt funding for renewal of the Commission's underground infrastructure. Funds are included for reconstruction of 27 miles of water main and the rehabilitation of 51 miles of sewer main, the same number of miles approved for FY08. WSSC and the two counties will continue to actively explore ways to provide a stable source of funding to underwrite an expansion of the infrastructure renewal program to address the increasingly urgent need to rehabilitate the Commission's aging water and sewer lines.

### Operating Budget

#### Expenditures

Decrease debt service (and operating expenditures) by \$55,600: WSSC's FY09 operating budget is influenced, in part, by the level of expenditures authorized for the first year of the FY09-14 CIP and other expenditures in WSSC's capital budget. The operating budget includes expenditures for debt service on bonds that finance the construction of CIP projects, lateral water and sewer lines (which carry water or wastewater to and from a dwelling or business), and other capital projects, including the reconstruction/rehabilitation of WSSC's underground infrastructure.

The County Executive recommends a \$55,600 decrease in FY09 operating expenditures to reflect the reduced debt service associated with the Executive's recommended adjustments to the cost estimates for the five Blue Plains Wastewater Treatment Plant projects. Under the revised cost estimates for these projects, there will be a \$723,000 decrease in the need for WSSC bonds in FY09, which equates to a \$55,600 reduction in debt service.

**Revenues**

Decrease the use of fund balance by \$55,600: The \$55,600 decrease in debt service expenditures will result in a corresponding reduction in the need to use fund balance (prior year net revenue).

Fiscal projections for all funds and budgets are shown below. Six year projections for the Water and Sewer Operating Budget are shown in the display on the following page.

**PROGRAM CONTACTS**

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or John Greiner of the Office of Management and Budget at 240.777.2765 for more information regarding this agency's capital and operating budgets.

<b>Expenditures by Category - FY09 WSSC Proposed and Executive Recommended</b>							
<b>(5000s)</b>							
<b>Expenditure Categories</b>	<b>WSSC Total</b>	<b>WSSC Total</b>	<b>WSSC Total</b>	<b>CE Capital</b>	<b>CE Operating</b>	<b>CE Total</b>	<b>% Chg. (CE Rec. vs. WSSC Proposed)</b>
	<b>Actual FY07</b>	<b>Approved FY08</b>	<b>Proposed FY09</b>	<b>Rec. FY09</b>	<b>Rec. FY09</b>	<b>Rec. FY09</b>	
Salaries and Wages	97,254	109,076	116,293	22,340	93,953	116,293	0.0%
Heat, Light, & Power	20,525	22,271	23,499	--	23,499	23,499	0.0%
Regional Sewage Disposal	39,327	38,627	40,558	--	40,558	40,558	0.0%
Contract Work	64,372	133,335	201,585	201,585	--	201,585	0.0%
Consulting Engineers	15,986	33,374	40,582	40,582	--	40,582	0.0%
All Other	188,657	237,892	264,866	101,218	168,462	269,680	1.8%
Debt Service	<u>218,808</u>	<u>232,880</u>	<u>227,297</u>	64	<u>227,177</u>	<u>227,241</u>	0.0%
<b>Total Budget</b>	<b>644,929</b>	<b>807,455</b>	<b>914,680</b>	<b>365,789</b>	<b>553,649</b>	<b>919,438</b>	<b>0.5%</b>

Note: Expenditures include water and sewer operating funds, interest and sinking fund, and the three capital funds.

**WSSC PROPOSED FY09 BUDGET: SIX-YEAR FORECAST FOR WATER & SEWER OPERATING FUNDS**

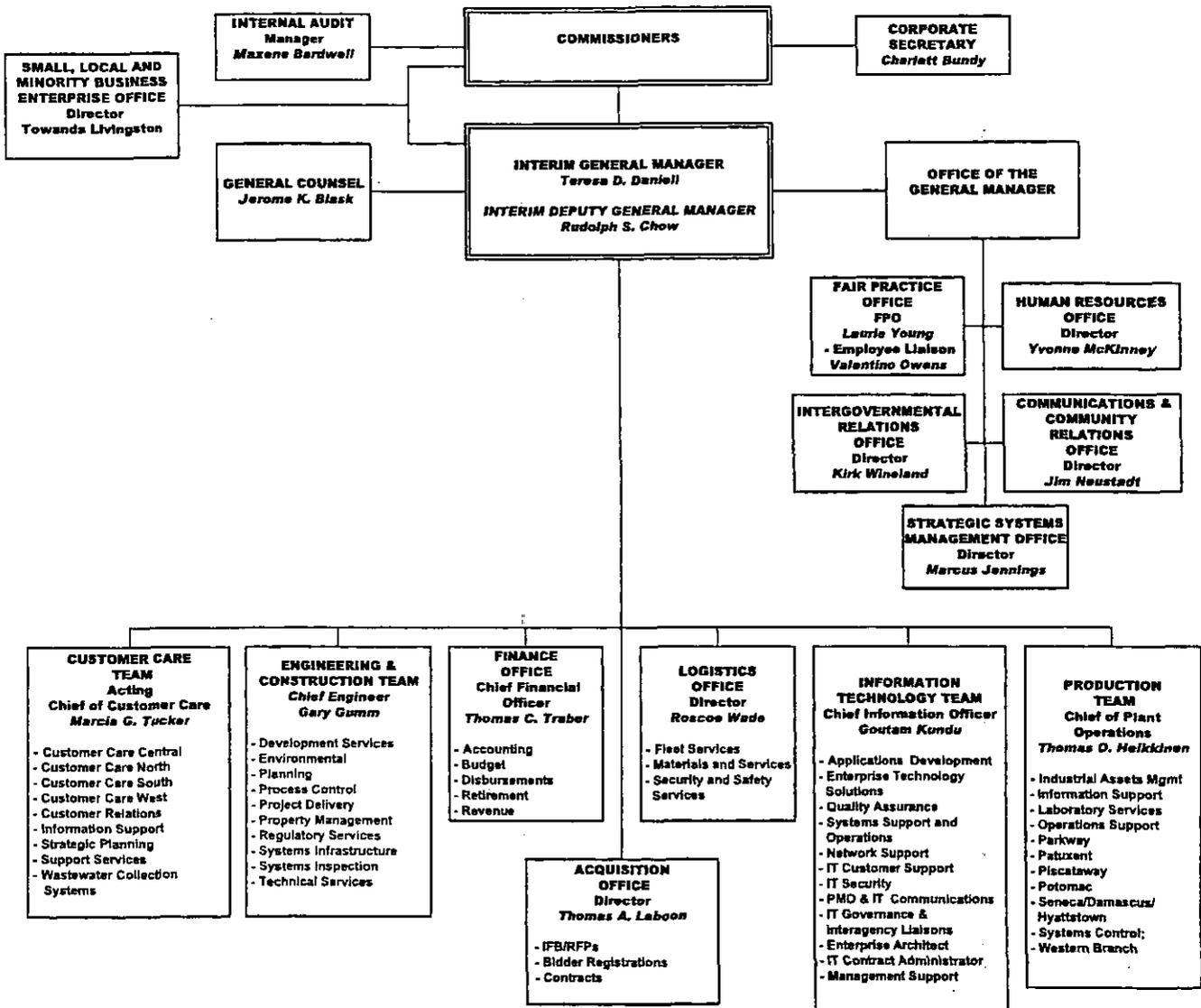
FISCAL PROJECTIONS	FY08 ESTIMATED	FY09 PROPOSED	FY09 CE RECOMMENDED	FY10 PROJECTION	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION
<b>SPENDING AFFORDABILITY ASSUMPTIONS/RESULTS</b>								
New Water/Sewer Debt (\$millions)	145.4	\$182.3	\$181.7	\$219.3	\$226.2	\$251.0	\$200.1	\$248.7
Total Water/Sewer Operating Expenses (\$millions)	\$421.1	\$482.3	\$482.2	\$525.2	\$550.6	\$587.5	\$612.4	\$649.1
Debt Service (\$millions)	\$147.0	\$157.4	\$157.3	\$183.7	\$191.7	\$209.0	\$221.9	\$240.1
Total Water/Sewer Bill Increase	6.5%	8.0%	8.0%	14.1%	5.5%	7.3%	4.4%	6.5%
<b>BEGINNING FUND BALANCE (\$000)</b>	<b>54,217</b>	<b>59,546</b>	<b>59,546</b>	<b>42,973</b>	<b>41,219</b>	<b>41,219</b>	<b>41,219</b>	<b>41,219</b>
<b>REVENUES (\$000)</b>								
Water & Sewer Rate Revenue	376,355	402,672	402,672	460,770	487,655	524,846	549,489	587,069
Interest Income	4,400	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Ready to Serve Charge (Account Maintenance Fee)	22,650	22,850	22,850	23,050	23,250	23,450	23,650	23,850
Miscellaneous	21,566	18,572	18,572	18,596	18,766	18,936	19,106	19,276
<b>Total Revenues</b>	<b>424,971</b>	<b>449,594</b>	<b>449,594</b>	<b>507,916</b>	<b>535,171</b>	<b>572,732</b>	<b>597,745</b>	<b>635,695</b>
SDC Debt Service Offset	2,711	2,612	2,612	2,498	2,398	2,293	2,192	1,428
Reconstruction Debt Service Offset	12,000	12,000	12,000	11,500	11,500	11,000	11,000	10,500
Use of Prior Year Net Revenue	10,890	18,073	18,017	3,254	1,500	1,500	1,500	1,500
<b>TOTAL FUNDS AVAILABLE</b>	<b>450,572</b>	<b>482,279</b>	<b>482,223</b>	<b>525,168</b>	<b>550,569</b>	<b>587,525</b>	<b>612,437</b>	<b>649,123</b>
<b>EXPENDITURES (\$000)</b>								
Salaries and Wages	83,100	93,290	93,290	97,956	102,855	107,999	113,400	119,071
Heat, Light, and Power	22,271	23,499	23,499	24,507	25,813	28,957	30,149	31,385
Regional Sewage Disposal	38,627	40,558	40,558	42,010	43,527	45,534	47,628	49,809
Debt Service	147,000	157,363	157,307	183,749	191,723	209,025	221,912	240,116
All Other	144,855	167,569	167,569	176,946	186,651	196,010	199,348	208,742
Unspecified Reductions								
<b>TOTAL USE OF RESOURCES</b>	<b>435,853</b>	<b>482,279</b>	<b>482,223</b>	<b>525,168</b>	<b>550,569</b>	<b>587,525</b>	<b>612,437</b>	<b>649,123</b>
<b>REVENUE/EXPENDITURE SURPLUS/(GAP)</b>	<b>14,719</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>YEAR END FUND BALANCE w/o additional \$1.5 m reserve</b>	<b>58,046</b>	<b>41,473</b>	<b>41,529</b>	<b>39,719</b>	<b>39,719</b>	<b>39,719</b>	<b>39,719</b>	<b>39,719</b>
<b>Additional \$1.5 million Reserve Annual Contribution</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>
<b>TOTAL YEAR END FUND BALANCE</b>	<b>59,546</b>	<b>42,973</b>	<b>43,029</b>	<b>41,219</b>	<b>41,219</b>	<b>41,219</b>	<b>41,219</b>	<b>41,219</b>
Debt Service as a Percent of Budget	33.7%	32.6%	32.6%	35.0%	34.8%	35.6%	36.2%	37.0%
Estimated Water Production (MGD)	171.0	169.5	169.5	170.0	170.5	171.0	171.5	172.0
5% Reserve (water and sewer revenue)	18,818	20,134	20,134	24,383	26,242	27,474	29,353	29,353
Accumulated Add'l Reserve - \$1.5M annual contribution since FY04	7,500	9,000	9,000	10,500	12,000	13,500	15,000	16,500

**Assumptions:**

- FY10-14 reflects WSSC's multi-year forecast and assumptions which are not adjusted to conform to the County Executive's Recommended CIP for WSSC. The projected future expenditures, revenues, and fund balances may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed here.
- The FY08 Estimated figures are based on WSSC's FY2008 Monthly Status Report for December, 2007, plus additional information provided by Budget Group staff.
- The County Executive's operating budget recommendation is for FY09 only and incorporates the revenue and resource assumptions of that budget.
- The FY09 Proposed spending affordability assumptions are the limits approved by the Montgomery County Council for FY09. (Prince George's County adopted different limits.) All other spending affordability figures correspond to the actual results for the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year.

# WSSC ORGANIZATION CHART

(March 2008)



# FY 2009 Requested New Positions/Workyears (Proposed Budget)

Date: 3/11/2008

Orgn.: Organization

Position Title

# of Req. Position

S&W \$ Operating \$

Explanation

00400 Internal Audit	Group Leader	1	97,900	78,800	This position will assume management of the day-to-day priorities and operations of the Office, including supervising and coordinating work assigned to Audit staff; assisting and supporting the Internal Audit manager with special projects and ongoing management tasks. This position will enable the Internal Audit Manager to devote the time and effort to meet the strategic goals of the Office and Commission (i.e., focusing on strategic planning & implementation, development of an enterprise-wide risk-based audit plan, and succession planning for the internal audit function) (Oper. \$).
	Internal Auditor I	1	54,000	43,500	Position to assist staff in conducting and completing required audits and reviews, enabling more experienced Auditors to meet the needs of the forthcoming enterprise-wide risk-based audit plan. (Oper. \$)
06400 Strategic Systems Management Office	Group Leader	1	97,900	78,800	This position will coordinate efforts of the EAM/ERP System Program and manage the Business Technology Analyst III positions supporting this program. (Oper. \$)
	Business Technology Analyst III	5	458,000	368,700	These positions will represent and coordinate areas affected by the EAM/ERP System Program. (Oper. \$)
07500 SLMBE Office	SLMBE Field Compliance Specialist	2	108,000	86,900	These positions will monitor and verify the use of MBE subcontractors on WSSC work sites. (Oper. \$).
	Hydraulic Reviewer	10	\$ 815,800	\$ 656,700	- Position to provide hydraulic analysis in support of water and sewer main replacement to ensure replacement mains are of proper size for future service (Infrastructure Support (Cap. \$))
23100 Development Services Group	Asset Manager	2	152,000	119,200	Positions to support the new Asset Management Program in support of WSSC's Utility Wide Master Plan and Asset Management efforts. (Infrastructure Support (Oper. \$))
23200 Planning Group	Project Manager / Contract Managers	5	382,500	-	- These positions support the anticipated ramp-up of projects resulting from the infrastructure improvements that are identified in the Utility Wide Master Plan. (Infrastructure Support (Cap. \$))
23300 Project Delivery Group	Facilities Inspector II	1	58,700	-	This inspection position to support the anticipated ramp-up of projects resulting from the infrastructure improvements that are identified in the Utility Wide Master Plan. (Infrastructure Support (Cap. \$))
23800 Environmental Group	Environmental Analyst	1	58,400	58,400	This position to support stream water quality monitoring. (Oper. \$)
	Engineering & Construction Total:	10	\$ 718,200	\$ 177,600	
45400 Parkway/Marlboro Meadows Group	Sr. Wastewater Plant Operator	1	57,000	57,000	Position to support Marlboro Meadows Wastewater Treatment facility. (Oper. \$).
	Facility Technician I	1	84,800	84,800	Position to support Marlboro Meadows Wastewater Treatment facility. (Oper. \$).

**FY 2009 Requested New Positions/Workyears (Proposed Budget)**

Date: 3/11/2008

Organ.: Organization

Position Title

# of Req. Position

S&W \$ Operating \$

Explanation

46200 Industrial Assets Management Group	Planner Scheduler	2	141,800	141,800	These positions to support planning and scheduling work as an adopted business practice for optimizing available maintenance hours and for appropriately focusing labor skill sets at the Piscataway WWTP. (Oper \$)
		<b>4</b>	<b>\$ 283,600</b>	<b>\$ 283,600</b>	<b>Production Team Total:</b>
81100 Application Development Division	Sr. Engineering & Construction Support Application Developer	1	115,000	95,200	Position to augment internal resources in order to support Enterprise Resource Planning (ERP) implementation. (Oper \$)
	Sr. Production Support Application Developer	1	115,000	95,200	Position to augment internal resources in order to support Enterprise Resource Planning (ERP) implementation. (Oper \$)
	Sr. Logistics Support Application Developer	1	115,000	95,200	Position to augment internal resources in order to support Enterprise Resource Planning (ERP) implementation. (Oper \$)
81300 Quality Assurance Division	Sr. QA Analysts	2	190,000	157,300	Positions to support critical quality assurance elements of the Enterprise Resource Planning (ERP) implementation. (Oper \$)
81400 Systems Support & Operations Division	Sr. Systems Analyst/Administrator	1	105,000	87,000	Position to provide direct senior level expertise of Enterprise Resource Planning (ERP) operational support including adhoc system re-configuration, data structure modification, workflow integration, daily technical assistance, and proactively monitor systems to prevent system interruption and capacity planning. (Oper \$)
		<b>6</b>	<b>\$ 640,000</b>	<b>\$ 529,900</b>	<b>IT Team Total:</b>
		<b>30</b>	<b>\$ 2,457,600</b>	<b>\$ 1,647,800</b>	<b>Overall Requested Total:</b>