

MEMORANDUM

May 8, 2013

TO: Montgomery County Council
Prince George's County Council

FROM: Stephen B. Farber, Montgomery County Council Staff Director
Robert J. Williams, Jr., Prince George's County Council Administrator

SUBJECT: Bi-County Meeting Issues for FY 2014

Our joint staff recommendations for the May 9 Bi-County meeting are as follows:

1. WSSC Budget and Capital Program

We recommend approval of the joint staff recommendations attached on ©1-4.

2. Bi-County Portion of the M-NCPPC Budget

With regard to compensation, we recommend approval of the amounts required to provide (a) merit pay increments, (b) cost of living adjustments, and/or (c) lump sum payments that do not exceed 6.0% on a combined basis for any employee category. With regard to the Central Administrative Services (CAS) budget, we recommend approval of the budget as submitted and revised by the compensation adjustment. We also recommend that the leadership of the Councils, along with the M-NCPPC leadership and administrative staff, review the CAS cost allocations and report proposed next steps to the Councils.

3. WSTC Budget

We recommend approval of the amounts proposed for Montgomery County (\$109,325) and Prince George's County (\$86,825).

The letters on these issues from President Navarro and Chair Harrison are on ©5-12.

**WSSC FY'14 PROPOSED BUDGET
COUNTY COUNCIL RECOMMENDATIONS**

<i>MONTGOMERY COUNTY COUNCIL</i>	<i>PRINCE GEORGE'S COUNTY COUNCIL</i>	<i>JOINT STAFF RECOMMENDATIONS</i>
Supports a 7.25% rate increase.	Supports a 7.25% rate increase.	Adopt both Councils' actions.
Concurs with increasing the water and sewer operating reserve by \$11.7 million in FY'14.	Concurs with increasing the water and sewer operating reserve by \$11.7 million in FY'14.	Adopt both Councils' actions.
Concurs with the proposed water production estimate of 170.0 MGD.	Concurs with the proposed water production estimate of 170.0 MGD.	Adopt both Councils' actions.
Supports the \$3.4 million in salary enhancements for FY 2014 to provide a 3.0% COLA (effective 9/1/13) with the remaining amount to fund merits.	Supports the \$3.4 million in salary enhancements for FY 2014.	Concur in Montgomery Council action.
Concurs with the proposed level of 1,717 authorized workyears.	Concurs with the proposed level of 1,717 authorized workyears.	Adopt both Councils' actions.
Concurs with WSSC's proposal to maintain current SDC rates but to increase the maximum allowable rate.	Concurs with WSSC's proposal to maintain current SDC rates but to increase the maximum allowable rate.	Adopt both Councils' actions.
Recommends decreasing debt service by \$500,000 to accommodate revised DC Water costs for Blue Plains. Savings will revert to fund balance; specific use to be determined during Spending Affordability Guidelines in the Fall.	Recommends decreasing debt service by \$500,000 to accommodate revised DC Water costs for Blue Plains. Savings will revert to fund balance; specific use to be determined during Spending Affordability Guidelines in the Fall.	Adopt both Councils' actions.

**WSSC FY'14 PROPOSED BUDGET
COUNTY COUNCIL RECOMMENDATIONS - INCREASES (DECREASES)**

	WSSC PROPOSED		MONTGOMERY COUNTY COUNCIL		PRINCE GEORGE'S COUNTY COUNCIL		JOINT STAFF RECOMMENDATIONS	
	TOTAL	WATER / SEWER OPERATING AMOUNT	TOTAL ADJUSTMENT	WATER / SEWER OPERATING IMPACT	TOTAL ADJUSTMENT	WATER / SEWER OPERATING IMPACT	TOTAL ADJUSTMENT	WATER / SEWER OPERATING IMPACT
REVENUES								
PROPOSED REVENUE	\$ 1,454,214,000	\$ 620,316,000	\$ 1,454,214,000	\$ 620,316,000	\$ 1,454,214,000	\$ 620,316,000	\$ 1,454,214,000	\$ 620,316,000
Water and Sewer Revenue		532,453,000						
Use of Fund Balance		27,981,000		-		-		-
Bonds Issued and Cash on Hand	582,874,000	-		-		-		-
Anticipated Contributions	172,067,000							
REVISED REVENUE		620,316,000	1,454,214,000	620,316,000	1,454,214,000	620,316,000	1,454,214,000	620,316,000
EXPENDITURES								
PROPOSED EXPENDITURES	1,454,214,000	658,918,000	1,454,214,000	658,918,000	1,454,214,000	658,918,000	1,454,214,000	658,918,000
Decrease debt service for revised Blue Plains costs			(500,000)	(500,000)	(500,000)	(500,000)	-	-
Savings from debt service to Fund Balance			500,000	500,000	500,000	500,000	-	-
Blue Plains WWTP: Liquid Train Proj., Part 2			(1,920,000)	-	(1,920,000)	-	-	-
Blue Plains WWTP: Biosolids Mgmt., Part 2			1,704,000	-	1,704,000	-	-	-
Blue Plains WWTP: BNR			(203,000)	-	(203,000)	-	-	-
Blue Plains WWTP: Plant-wide Projects			2,801,000	-	2,801,000	-	-	-
Blue Plains WWTP: ENR			(9,626,000)	-	(9,626,000)	-	-	-
Blue Plains: Pipelines & Appurtenances			(5,730,000)	-	(5,730,000)	-	-	-
D'Arcy Park North Relief Sewer			220,000	-	220,000	-	-	-
REVISED BUDGET	\$ 1,454,214,000	\$ 658,918,000	\$ 1,441,460,000	\$ 658,918,000	\$ 1,441,460,000	\$ 658,918,000	\$ 1,454,214,000	\$ 658,918,000
DIFFERENCE		\$ 38,602,000		\$ 38,602,000		\$ 38,602,000		\$ 38,602,000
RATE INCREASE								
Water/Sewer Rate Increase		7.25%		7.25%		7.25%		7.25%

2

**WSSC FISCAL YEARS 2014-2019 CIP
COUNTY COUNCIL RECOMMENDATIONS**

CIP & INFORMATION ONLY PROJECTS – ADDITIONS & CHANGES

<i>PROJECT NAME</i>	<i>MONTGOMERY COUNTY COUNCIL</i>	<i>PRINCE GEORGE'S COUNTY COUNCIL</i>	<i>JOINT STAFF RECOMMENDATIONS</i>
S-22.06, Blue Plains WWTP: Liquid Train Projects, Part 2 S-22.07, Blue Plains WWTP: Biosolids Management, Part 2 S-22.08, Blue Plains WWTP: Biological Nutrient Removal S-22.09, Blue Plains WWTP: Plant-wide Projects S-22.10, Blue Plains WWTP: Enhanced Nutrient Removal S-22.11, Blue Plains: Pipelines & Appurtenances	Recommends revising the Blue Plains project amounts based on updated budget information from DC Water.	Recommends revising the Blue Plains project amounts based on updated budget information from DC Water.	Adopt both Councils' actions.
S-300.01, D'Arcy Park North Relief Sewer	No action taken.	Recommends including this Information Only project at an estimated total cost of \$824,000. This developer-funded project provides for the planning, design and construction of 1100 feet of 12-inch diameter sewer main. Estimated FY'14 cost will be \$220,000.	Concur in Prince George's Council action.

**WSSC FISCAL YEARS 2014-2019 CIP
COUNTY COUNCIL RECOMMENDATIONS**

CIP & INFORMATION ONLY PROJECTS – ADDITIONS & CHANGES

PROJECT NAME	MONTGOMERY COUNTY COUNCIL	PRINCE GEORGE'S COUNTY COUNCIL	JOINT STAFF RECOMMENDATIONS
A-103.01, Anaerobic Digestion /Combined Heat & Power	Remove all references to the Piscataway WWTP and add text: "Both Councils will review the results of WSSC's feasibility study and must approve continuing with the project before design and construction may proceed."	Remove all references to the Piscataway WWTP and add text: "Both Councils will review the results of WSSC's feasibility study and must approve continuing with the project before design and construction may proceed."	Adopt both Councils' actions.



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

OFFICE OF THE COUNCIL PRESIDENT

May 7, 2013

The Honorable Andrea Harrison
Chair, Prince George's County Council
County Administration Building
Upper Marlboro, Maryland 20772

Dear Chair Harrison: *Andrea,*

In preparation for the bi-county meeting on May 9, I am pleased to send you the Montgomery County Council's recommendations on the FY2014 Operating Budget and FY2014-2019 Capital Improvements Program (CIP) of the Washington Suburban Sanitary Commission (WSSC), the bi-county portion of the Maryland-National Capital Park and Planning Commission (M-NCPPC), and the Washington Suburban Transit Commission (WSTC).

WSSC Operating Budget

We recommend approval of the FY2014 WSSC Operating Budget with the following changes to the budget proposed by WSSC on March 1:

- Allocate the \$3.4 million that WSSC proposed for compensation increases in the following manner:
 - Provide a 3.0% cost of living adjustment (COLA) effective September 1, 2013 to all WSSC employees (estimated cost = \$2.9 million).
 - Allocate the remaining \$500,000 for merit increases to eligible WSSC employees.
- Reduce debt service by \$493,100 to reflect revised DCWater costs for Blue Plains Wastewater Treatment Plant joint projects, consistent with our Council's recommended actions on WSSC's FY2014-2019 Capital Improvements Program.

We concur with WSSC with regard to maintaining System Development Charge rates for FY2014 at current approved levels while increasing the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment, as authorized by State law.

WSSC Capital Program

We recommend approval of WSSC's FY2014-2019 Capital Improvements Program (CIP) with the following changes to the CIP proposed by WSSC on October 1, 2012:

- Revise the Blue Plains Wastewater Treatment Plant projects based on updated DC Water budget information.

We also recommend a revised project description form with text changes (see the attached pdf) for the "Information Only" project, Anaerobic Digestion/Combined Heat & Power. These changes reflect that further planning and coordination of this project with both counties is required and that the scope of the project has not been finalized. We also have included language noting that "*Both Councils will review the results of the WSSC's feasibility study and must approve continuing with the project before design and construction may proceed.*" While we are confident that WSSC would not proceed to design and construction without the consent of both Councils, this language formalizes this understanding and communicates this point to all interested parties.

Bi-County Portion of the M-NCPPC Budget

With regard to compensation, we recommend approval of the amounts required to provide (a) merit pay increments, (b) cost of living adjustments, and/or (c) lump sum payments that do not exceed 6.0% on a combined basis for any employee category. With regard to the Central Administrative Services (CAS) budget, we recommend approval of the budget with revisions for the compensation adjustment and the independent audit described below.

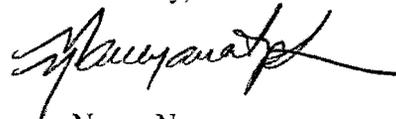
To follow up the recommendations of the April 2010 report prepared by our joint Council staffs, *Review of the Central Administrative Services of M-NCPPC*, we recommend retaining an independent auditor to review the CAS allocation to the two counties, with the projected \$50,000 cost to come equally from the two counties' CAS budgets. To ensure objective analysis by the independent auditor, our joint Council staffs should help develop the scope of work.

Washington Suburban Transit Commission

We recommend approval of \$109,325 as Montgomery County's estimated share of the WSTC budget.

We look forward to seeing you at the bi-county meeting on May 9.

Sincerely,



Nancy Navarro
Council President

Attachment

A. Identification and Coding Information

2. Date: October 1, 2012 7. Pre PDF Pg.No.: 8. Req. Adeq. Pub. Fac.

1. Project Number	Agency Number	Update Code
	A-103.01	Change

Revised: May 9, 2013

3. Project Name: Anaerobic Digestion/Combined Heat & Power 5. Agency: **WSSC**

4. Program: **Sanitation** 6. Planning Area: Bi-County

E. Annual Operating Budget Impact (000's) FY of Impact

Program Costs	Staff	
	Other	
Facility Costs	Maintenance	
	Debt Service	3425	20
Total Costs		3425	20
Impact on Water or Sewer Rate.....		7¢	20

B. Expenditure Schedule (000's)

Cost Elements	(8) Total	(9) Thru FY '12	(10) Estimate FY '13	(11) Total 6 Years	(12) Year 1 FY '14	(13) Year 2 FY '15	(14) Year 3 FY '16	(15) Year 4 FY '17	(16) Year 5 FY '18	(17) Year 6 FY '19	(18) Beyond 6 Years
Planning, Design & Supervision	23,197	1,177	20	22,000	4,400	6,600	600	3,600	3,600	3,200	
Land											
Site Improvements & Utilities											
Construction	110,000			110,000			6,000	36,000	36,000	32,000	
Other	13,202		2	13,200	440	660	660	3,960	3,960	3,520	
Total	146,399	1,177	22	145,200	4,840	7,260	7,260	43,560	43,560	38,720	

F. Approval and Expenditure Data (000's)

Date First in Capital Program	FY 10
Date First Approved	FY 10
Initial Cost Estimate	345
Cost Estimate Last FY	79,258
Present Cost Estimate	146,399
Approved Request, Last FY	3,300
Total Expenditures & Encumbrances	1,177
Approval Request FY 14	4,840
Supplemental Approval Request Current FY (13)	

C. Funding Schedule (000's)

WSSC Bonds	73,228	606	22	72,600	2,420	3,630	3,630	21,780	21,780	19,360
Federal Aid	73,171	571		72,600	2,420	3,630	3,630	21,780	21,780	19,360

D. Description & Justification

DESCRIPTION

This project will develop a comprehensive program for the engineering, design, construction, maintenance, and monitoring and verification necessary to add sustainable energy equipment and systems to produce biogas at a location(s) to be determined. The program will provide a reduction in energy and energy-related costs (electricity, natural gas, transportation, and disposal of biosolids) which may in part be guaranteed by the contractor. The potential guaranteed reduction component includes annual avoided energy costs as well as operations and maintenance, chemicals, and biosolids transportation and disposal costs. The program will enhance existing operating conditions and reliability while continuing to meet all permit requirements, and ensure a continued commitment to environmental stewardship at WSSC sites. The scope of work will include, but is not limited to, the addition of anaerobic digestion equipment, thermal hydrolysis pretreatment equipment, gas cleaning systems, hydrogen sulfide and siloxane removal, tanks, piping, valves, pumps, sludge dewatering/thickening equipment, grit removal, effluent disinfection systems, instrumentation, flow metering, power measurement, and combined heat and power generation systems.

In March 2009, the WSSC received approval for a federal Department of Energy grant of \$570,900 for the feasibility study/conceptual design phase. This amount has been supplemented by \$362,765 from the WSSC toward the feasibility study. On June 16, 2010, the WSSC awarded the study contract to AECOM Technical Services, Inc., of Laurel, Maryland. The study was completed in December 2011, and a Thermal Hydrolysis/Mesophilic Anaerobic Digestion/Combined Heat & Power facility was recommended to be constructed and was presented to the Commission in April 2012. The WSSC will continue to pursue federal capital funding as a source of cost sharing as the project develops.

JUSTIFICATION

Plans & Studies

Appel Consultants, Urban Waste Grease Resource Assessment-NREL (November 1998); Environmental Protection Agency (EPA), Opportunities For and Benefits Of Combined Heat and Power at Wastewater Treatment Facilities (December 2006); Brown & Caldwell, Anaerobic Digestion and Electric Generation Options for WSSC (November 2007); Metcalf & Eddy, WSSC Sludge Digestion Study for Piscataway and Seneca (December 2007); Black & Veatch, WSSC Digester Scope and Analysis (December 2007); JMT, Prince George's County Septage (FOG) Discharge Facility Study (February 2008); JMT, Western Research Institute (WRI) Biogas Feasibility Study Scope of Work - WSSC (April 2008); JMT, Montgomery County Septage (FOG) Discharge Facility Study (January 2010); Facility Plan for the Rock Creek Wastewater Treatment Plant (January 2010); AECOM Technical Services, Inc., Anaerobic Digestion/Combined Heat & Power Study (December 2011).

G. Status Information

Land Status: No land or R/W required

% Project Completion: P-100%

Est. Completion Date: (See "Specific Data" for details.)

H. Map Map Reference Code:

MAP NOT APPLICABLE

D. DESCRIPTION & JUSTIFICATION (CONT.)

Agency Number: A - 103.01

Project Name: Anaerobic Digestion/Combined Heat & Power

Specific Data

The EPA is urging wastewater utilities to utilize this commercially available technology (anaerobic digestion) to produce power at a cost below retail electricity, displace purchased fuels for thermal needs, produce renewable fuel for green power programs, enhance power reliability for the wastewater treatment plant to prevent sanitary sewer overflows, reduce biosolids production and improve the health of the Chesapeake Bay, and to reduce greenhouse gas (GHG) and other air pollutants. In April 2009, the EPA announced that greenhouse gases contributed to air pollution that may endanger public health or welfare, and began proceedings to regulate CO2 under the Clean Air Act.

Based on AECOM's feasibility study work as of May 2011, the capital cost (detail design + construction) estimate for a regional/centralized plant at a location to be determined based on a Thermal Hydrolysis/Mesophilic Anaerobic Digestion/Combined Heat & Power (TH/MAD/CHP) process supplemented by restaurant grease fuel design is \$110 million, with a 36 month construction period. Environmental benefits (to be verified prior to completion of the Concept Development Phase) and the potential outcomes are estimated as follows:

1. Recover 1.7 MW of renewable energy from biomass
2. Reduce Greenhouse Gas production by 11,800 tons/year
3. Reduce biosolids output by more than 50,500 tons/year
4. Reduce lime demand by 4,100 tons/year
5. Reduce nutrient load to the Chesapeake Bay
6. Reduce 5 million gallons/year of grease discharge to sewers
7. Produce Class A Biosolids

The economic benefits (to be verified prior to completion of the Concept Development Phase) are as follows:

1. Recover more than \$1.5 million of renewable energy costs/year
2. Reduce biosolids disposal costs by ~ \$1.7 million/year
3. Reduce chemical costs by ~ \$400,000/year
4. Hedge against rising costs of power, fuel, and chemicals
5. Net Payback of 15 to 18 years (net based on capital cost of TH/MAD/CHP minus capital cost of lime stabilization upgrade of WSSC WWTP facilities through 2030)

Cost Change

Order of Magnitude cost estimates were increased due to a higher degree of accuracy inherent in the conceptual design that was completed as part of the final component of the feasibility study. The cost increase also includes adequate redundancy for additional thermal hydrolysis pretreatment trains to operate in the event one or more trains are down due to unforeseen circumstances or maintenance.

STATUS Planning

OTHER

The project scope has remained the same. Now that the feasibility study has been completed, the Commission has a defined scope, capital cost, and energy and energy-related cost savings estimates to be able to proceed with the detailed design and construction of the anaerobic digestion, biomass, and combined heat and power generation system facilities. Both Councils will review the results of WSSC's feasibility study and must approve continuing with the project before design and construction may proceed. It is envisioned that either the entire project, or only portions of the project that include the thermal hydrolysis, anaerobic digestion or combined heat and power, include a guarantee by the contractor that the capital cost will be paid back 100% from energy and energy-related cost savings with the payback period not exceeding 15 years. The energy savings for other completed WSSC Energy Performance projects have surpassed the contracts' guaranteed amount every year of the monitoring and verification period.

COORDINATION

Montgomery County Government, Prince George's County Government, Montgomery County Department of Environmental Protection, Maryland Department of the Environment, Prince George's County Department of Environmental Resources and WSSC Projects S-53.21, Seneca WWTP Enhanced Nutrient Removal, S-53.22, Seneca WWTP Expansion, Part 2, S-96.12, Piscataway WWTP Enhanced Nutrient Removal and S-96.14, Piscataway WWTP Facility Upgrades.

NOTE This project supports 100% System Improvement.





THE PRINCE GEORGE'S COUNTY GOVERNMENT

(301) 952-3700

County Council

MAY 7 2013

The Honorable Nancy Navarro, President
Montgomery County Council
100 Maryland Avenue, 6th Floor
Rockville, MD 20850

Dear President Navarro:

The Prince George's County Council has reviewed the FY'14 Operating and Capital budgets of the Washington Suburban Sanitary Commission (WSSC), the Maryland-National Capital Park and Planning Commission (M-NCPPC), and the Washington Suburban Transit Commission (WSTC). The Council's recommendations on each of these budgets are provided for your information.

WASHINGTON SUBURBAN SANITARY COMMISSION

WSSC Operating Budget:

We are proposing some amendments to the WSSC operating budget. Listed below is a summary of recommended actions taken by the Council:

- Increase water and sewer rates by 7.25% for FY 14.
- Approve the Commission's water production estimate of 170 million gallons per day in FY'14.
- Approve the Commission's proposed billing factor of \$9.20 per 1,000 gallons of water used.
- Approve the Commission's proposed level of authorized work-years at 1,717.
- Decrease debt service costs by \$500,000 to align the Operating Budget with the latest CIP assumptions.
- Support the continuation of the new MBE program and the upward trend of MBE awards.

County Administration Building — Upper Marlboro, Maryland 20772

- Watershed public access that is more restrictive than those policies in effect prior to WSSC's 2011 changes should be supported by the science and /or industry best practices.
- The Council supports the \$3.4 million in salary enhancements for FY 2014.
- Approve Commission's proposal to increase the water and sewer operating reserve by \$11.7 million.
- Approve Commission's proposed \$26.6 million for Health Care Costs.
- Approve the Operating Budget of \$699.3 million.

WSSC Capital Budget:

The Council recommends WSSC's six-year Capital Improvements Program totaling \$2.0 billion, with an FY'14 Budget Year total of \$629 million, a \$65 million increase from WSSC's FY'13 Approved Budget. Specifically, the Council endorses the following recommendations to the WSSC FY 2014-2019 Capital Improvement Program:

A. System Development Charge

- The Council concurs with WSSC's recommendations to maintain the SDC combined rate at \$203 per fixture. The Council also approved the Commission's proposal to increase to \$282 per fixture the maximum allowable ceiling for the SDC based on the Consumer Price Index (2.3%) for the preceding 12 months to preserve the option of maximizing the fee's yield in future years.

B. Capital Program Categories (in thousands)

System Reconstruction Programs	\$146,676
Engineering Support Program	10,000
General Construction - Local Lines	2,303
Other Capital Projects	27,346
Capitalized Interest	100

C. New CIP Projects

- The Council recommends WSSC's ten (10) new proposed projects in the FY'14 CIP for a total cost of \$66.5 million over the six-year program period.

- Of the ten (10) projects, five (6) are in Prince George's County: (Branch Avenue Water Transmission Improvements, Marlboro Zone Reinforcement Main, Westphalia Town Center Water and Sewer Main, Western Branch WWTP Incinerator Emissions Control and D'Arcy Park North Relief Sewer)

D. CIP Revisions

- The changes included in the update decreased the total Blue Plains WWTP projects, and the FY'14 estimates, based upon revised information from DC Water.
- Add D'Arcy Park North Relief Sewer Project to the "Information Only" section of the CIP document.
- A-103.01 Anaerobic Digestion/ Combined Heat & Power : Remove all references to the Piscataway WWTP , both Councils will review results of WSSC's feasibility study and must approve continuing with the project before design and construction proceed

E. All Other Projects

- The Council concurs with all other projects as proposed in WSSC FY 2014-2019 Capital Improvements Program.

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

With regard to compensation, we recommend approval of the amounts required to provide (a) merit pay increments, (b) cost of living adjustments, and/or (c) lump sum payments that do not exceed 6.0% on a combined basis for any employee category. With regard to the Central Administrative Services (CAS) budget, we recommend approval of the budget as submitted and revised by the compensation adjustment.

WASHINGTON SUBURBAN TRANSIT COMMISSION

The Council recommends the amount of \$70,000 be appropriated for the Prince George's County portion of the Fiscal Year 2014 Washington Suburban Transit Commission budget.

Thank you for your consideration of the Prince George's County Council's recommendations. We look forward to our discussions and meetings at the Bi-County meeting on May 9th. Please feel free to contact me at 301-952-3864.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea C. Harrison", with a long horizontal flourish extending to the right.

Andrea C. Harrison
Chairperson