Resolution No.: 15-1727
Introduced: October 31, 2006
Adopted: November 28, 2006

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Establishment of Spending Control Limits for Use in the Preparation of the FY08 Capital and Operating Budget of the Washington Suburban Sanitary Commission

Background

1. When the Montgomery and Prince George's County Councils approved the FY 94 budget of the Washington Suburban Sanitary Commission (WSSC) in May 1993, their concern about rising WSSC rates, debt, and debt service led them to create a bi-County Working Group on WSSC Spending Controls to review WSSC's finances and recommend spending control limits to guide the preparation of the WSSC budget.

2. The Working Group was co-chaired by Councilmember Derick Berlage of Montgomery County and Councilmember Stephen Del Giudice of Prince George's County. WSSC Commissioner Waymond Bray was the third member.

3. The Working Group's January 1994 report recommended "the creation of a spending affordability process that requires the Counties to set annual ceilings on WSSC's rates and debt (debt in this context means both bonded indebtedness and debt service), and then place corresponding limits on the size of the capital and operating budgets of the Commission."

4. On February 15, 1994 the Prince George's County Council adopted Resolution No. CR-12-1994. This resolution proposed a bi-County Rate Affordability Committee (RAC), which would transmit to the two Councils before October 15 of each year recommended "limits to the increase of debt and debt service in the WSSC water and sewer operating budget and to the increase of WSSC water and sewer rates for the next fiscal year," as well as "debt and rate targets for the next six years."

5. On April 5, 1994 the Montgomery County Council adopted Resolution No. 12-1558, which calls for the establishment of a WSSC spending affordability process in each County. Under this process each Council appoints a Spending Affordability Committee (SAC); for Montgomery County the SAC is the Transportation and Environment Committee. Each SAC recommends spending control limits to its Council, and each Council recommends limits and transmits them to the other Council. Spending control limits are "ceilings on elements of the WSSC capital and operating budgets in the following year that have been selected by the SAC's. Spending control limits must include ceilings on debt and debt service."

6. Both Councils' resolutions provide for the Councils to adopt identical spending affordability resolutions for the following fiscal year. Both resolutions state that the Councils must not approve a WSSC budget in excess of the approved bi-County spending control limits unless a majority of each Council votes to raise them.

7. On October 23, 2006 the Transportation and Environment Committee discussed FY08 spending control limits and recommended a 6 percent rate increase for purposes of introduction and public hearing advertisement.

8. On November 9, 2006 the Prince George's County Council's Transportation, Housing, and Environment Committee discussed FY08 spending control limits and recommended a rate increase limit range of 4.6 to 6.0 percent.

9. A public hearing was held on November 28, 2006.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The Montgomery County Council recommends to the Prince George's County Council the joint establishment of four spending control limits for use in preparation of the FY 08 WSSC capital and operating budget.

2. These spending control limits are:

   - New debt: $164,010,000
   - Debt service: $161,178,000
   - Total water/sewer operating expenses: $460,825,000
   - Maximum average rate increase: 5.3%

3. The Montgomery County Council believes that reaching consensus with the Prince George's County Council on FY08 spending control limits is a critical step in the WSSC budget approval process. A key spending control limit is the maximum average rate increase. The maximum average rate increase identified above represents the midpoint between the rate increase introduced by the Montgomery County Council and the rate increase range recommended by the Prince George's County Transportation, Housing, and Environment Committee.

4. The Montgomery County Council recommends that WSSC, in conjunction with its FY08 Budget transmittal, identify priority items that would not be funded within the approved FY08 spending control limits. These items can be considered for funding at the May 2007 Bi-County meeting.

5. The Montgomery County Council urges WSSC to expeditiously dispose of surplus property, such as the closed regional composting facility (Site II) in Silver Spring and the Elmer School Road property in Poolesville, both of which Montgomery County has made offers to purchase. Revenue from surplus property sales increases WSSC fund balance which can be used to address one-time budgetary needs and/or provide one-time rate relief.

This is a correct copy of Council action.

Linda M. Lauer

Linda M. Lauer, Clerk of the Council