Resolution No.: 18-303
Introduced: October 27, 2015
Adopted: October 27, 2015

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: County Council

SUBJECT: Establishment of Spending Control Limits for Use in the Preparation of the FY17 Capital and Operating Budget of the Washington Suburban Sanitary Commission

Background

1. When the Montgomery and Prince George's County Councils approved the FY94 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'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."

3. 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."

4. 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, Infrastructure, Energy 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 SACs. Spending control limits must include ceilings on debt and debt service."

5. 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 the limits.

6. A public hearing was held on September 29, 2015.

7. On October 19, 2015, the Transportation, Infrastructure, Energy and Environment Committee discussed spending control limits for WSSC's FY17 capital and operating budget and made recommendations to the Council. Included in that discussion was consideration of the second year phase-in of WSSC's Infrastructure Investment Fee and the revenue implications of this phase-in on WSSC's spending control limits. The Committee also discussed the need for a comprehensive study of WSSC's rate structure.

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 FY17 WSSC capital and operating budget.

2. These spending control limits are:

   - New debt: $476,810,000
   - Debt service: $250,762,000
   - Total water/sewer operating expenses: $729,168,000
   - Maximum average rate increase: 3.5%

3. The maximum average rate increase limit noted in paragraph #2 above assumes the second year of a two-year phase-in of WSSC's infrastructure investment fee. Final decisions on this revenue change will be included as part of both Councils' actions on the FY17 budget approval process. This action results in an estimated $19.5 million in additional revenue for WSSC in FY17. Without this additional revenue, the maximum average rate increase for FY17 would be approximately 6.9 percent.

4. The Montgomery County Council recommends that, within the spending control limits recommended, WSSC continue its large diameter pre-stressed concrete cylinder pipe inspection, repair, and fiber optic monitoring installation program on its current multi-year schedule, continuation of its large valve replacement program, and that WSSC's water and sewer reconstruction programs as described in the "Information Only" section of WSSC's Proposed FY17-22 Capital Improvements Program be funded as well.

5. Montgomery County Council action on FY17 spending control limits does not presume approval of any specific level of WSSC workforce compensation or benefits adjustments

for FY17. Compensation and benefits decisions for the FY17 budget will be made during the budget review process next spring, in the context of the Council's review of compensation and benefit adjustments across all County agencies.

6. With regard to employee compensation changes in FY17, the Council will not support any base salary or lump sum increases that exceed the amounts provided to County general government employees.

7. The Montgomery County Council recommends that WSSC include funding within its FY17 Proposed Operating Budget that continues the financial stability and rate structure review work initiated by the Bi-County Working Group, and that staffs from both Montgomery County and Prince George's County participate in this effort.

This is a correct copy of Council action.

Linda M. Lauer

Linda M. Lauer, Clerk of the Council