
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 <http://www.wsscwater.com>.

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 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 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 three reservoirs impounding 14 billion gallons of water, two major water filtration plants, six wastewater treatment plants, 5,500 miles of water mains, and 5,400 miles of sewer mains 24 hours a day, seven days a week.***
- ❖ ***Treat and deliver 168.0 million gallons of water per day to over 447,000 customer accounts, and treat 214.0 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.***
- ❖ ***Inspect, repair, and install acoustic fiber optic cable (an early warning system) for 10 miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains. During FY15, WSSC will continue inspecting PCCP water mains at 36 inches or smaller.***
- ❖ ***Continue to renew WSSC's underground infrastructure through the Water and Sewer Reconstruction Programs. In FY15, the Commission will reconstruct 60 miles of small water mains (nine more miles than in FY13) and rehabilitate 56 miles of residential sewers.***
- ❖ ***Fund the final year of the eight-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.***
- ❖ ***Continue to increase the operating reserve and meet the goal of having reserves equal to 10 percent of water and sewer rate revenues in FY15. (The reserve percentage will rise to 10.0% in FY15 from an estimated FY14 level of 9.3%.)***
- ❖ ***Begin funding a large valve assessment, repair, and replacement program for valves 16" or greater with the goal of repairing or replacing 100 valves per year of the 775 valves of this kind in the WSSC system.***
- ❖ ***Begin funding a Knowledge Capture and Transfer program to improve knowledge transfer between employees leaving the Commission and those tasked with continuing operations.***

❖ **Fund the above activities and initiatives in conjunction with a 6.0% rate increase consistent with the Spending Control Limits adopted by Montgomery and Prince George's counties.**

Spending Control Limits

The spending control limits process requires that the two 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 following table shows the FY15 spending control limits adopted by the Montgomery and Prince George's County councils, compared to the spending control results projected under WSSC's Proposed FY15 Budget and under the County Executive's Recommended Budget for WSSC. The Commission's Proposed Budget complies with all of the spending control limits approved by the two county councils.

SOLID WASTE ENTERPRISE FUND

RATES AND FISCAL PROJECTIONS FOR FY15-20

Assumptions:

- Refuse collection services are maintained at their current level, with the annual household collection charge remaining at \$66.00.
- The disposal fee for municipal solid waste received at the Transfer Station (known as the “Tipping Fee”) is unchanged at \$56.00 per ton.
- Solid waste system service charges are adjusted to ensure the fiscal health of the fund (i.e., positive cash and retained earnings). The Executive recommends no change in the single-family service charge of \$213.75.
- Expenditures for certain programs, such as the Resource Recovery Facility, Out-of-County Haul, and Mixed Paper Recycling, are calculated based on waste generation, disposal, and recycling estimates, as well as inflation. Other expenditures are increased by inflation, except where contract or scheduled costs apply.
- On January 31, 2014, the Department of Environmental Protection (DEP) delivered its Assessment of Corrective Measures report to the Maryland Department of the Environment (MDE). The report recommended a preferred remediation option that is a multi-year plan to implement remediation measures at the Gude Landfill estimated to cost as much as \$57 million over twenty years. Based on a probability analysis performed by the consulting engineer that helped DEP produce the report, in accordance with the requirements of a Consent Order between the County and MDE, the County’s probable Gude remediation costs over a 20-year period would total \$28.5 million. The Department of Finance has determined that this amount must be recognized as a liability in the County’s financial statements. Because this is an extraordinary, one-time impact on fund balance, the Executive does not recommend adjusting rates. The Disposal Fund cash position is expected to regain its margin above reserve and liability requirements by FY18.

FY15 COUNTY EXECUTIVE RECOMMENDATIONS

Operating Budget

The County Executive recommends that WSSC's proposed FY15 operating budget be approved with the following changes:

The County Executive recommends that the Commission provide a salary enhancement no greater than what has been recommended for Montgomery County employees in FY15 as part of the County Executive's FY15 Recommended Operating Budget and Public Services Program. This will ensure that the compensation enhancements to be provided to WSSC employees in FY15 are consistent with those to be provided to Montgomery County employees under the County's Proposed FY15 Operating Budget and Public Services Program.

Capital Budget

The County Executive recommended the WSSC FY15-20 Capital Improvements Program (CIP) budget as submitted with the exception of the Anaerobic Digestion/Combined Heat and Power project. As a result, the WSSC Capital Budget request has been reduced by the debt service associated with the six-year period expenditures for this project as noted in the fiscal projections table below.

Executive Staff will continue to examine the cost data on the Anaerobic Digester project provided by WSSC and further recommendations regarding funding levels for this project may be provided at a later date.

FY15 fiscal projections for all funds and budgets are shown below. Six-year projections for the Water and Sewer Operating Budget are shown on page 15-4.

Expenditures by Category - FY15 WSSC Proposed and Executive Recommended							
(\$000s)							
	WSSC Total	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Change (CE Rec. vs. WSSC Proposed)
Expenditure Categories	Actual FY13	Approved FY14	Proposed FY15	Recommended FY15	Recommended FY15	Recommended FY15	
Salaries and Wages	117,640	128,186	132,389	24,684	107,705	132,389	0.0%
Heat, Light, & Power	22,979	23,910	22,906	--	22,906	22,906	0.0%
Regional Sewage Disposal	49,226	53,207	55,176	--	55,176	55,176	0.0%
Contract Work	244,636	378,963	358,071	358,071	--	358,071	0.0%
Consulting Engineers	88,396	113,090	75,903	75,903	--	75,903	0.0%
All Other	380,619	453,213	411,417	166,648	244,769	411,417	0.0%
PAYGO	--	13,782	19,996	--	19,996	19,996	0.0%
Reserve Contribution	--	11,700	2,300	--	2,300	2,300	0.0%
Debt Service	271,032	264,909	254,413	75	244,908	244,983	-3.7%
Total Budget	1,174,528	1,440,960	1,332,571	625,381	697,760	1,323,141	-0.7%
Note: Total expenditures include the water and sewer operating funds, the general bond debt service fund, and the three capital funds.							

PROGRAM CONTACTS

Contact Letitia Carolina-Powell of the Washington Suburban Sanitary Commission at 301.206.8379 or Matt Schaeffer of the Office of Management and Budget at 240.777.2751 for more information regarding this agency's capital and operating budgets.

WSSC PROPOSED BUDGET: SIX-YEAR FORECAST FOR WATER AND SEWER OPERATING FUNDS

FISCAL PROJECTIONS	FY14 ESTIMATED	FY15 PROPOSED	FY15 RECOMMENDED	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION
SPENDING AFFORDABILITY RESULTS								
New Water and Sewer Debt (\$millions)	\$497.4	\$384.6	\$384.6	\$364.9	\$335.6	\$310.2	\$242.0	\$162.9
Total Water and Sewer Operating Expenses (\$millions)	\$658.4	\$678.1	\$678.1	\$721.5	\$778.9	\$839.8	\$901.7	\$955.5
Debt Service (\$millions)	\$226.1	\$227.0	\$227.0	\$250.0	\$267.8	\$282.6	\$292.6	\$301.0
Average Water and Sewer Rate Increase	7.25%	6.00%	6.00%	11.30%	8.80%	8.50%	9.10%	6.40%
BEGINNING FUND BALANCE (\$000)	132,932	128,851	128,851	110,388	110,288	110,888	112,088	122,554
REVENUES (\$000)								
Water and Sewer Rate Revenue	554,296	586,255	586,255	652,458	709,572	770,390	840,436	893,834
Interest Income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Account Maintenance Fee	22,850	22,900	22,900	22,900	22,900	22,900	22,900	22,900
Miscellaneous	23,844	26,574	26,574	27,060	27,192	27,388	27,528	27,748
Total Revenues	601,990	636,729	636,729	703,418	760,664	821,678	891,864	945,482
SDC Debt Service Offset	1,428	1,167	1,167	728	207	0	0	0
Reconstruction Debt Service Offset (REDO)	10,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Use of Prior Year Net Revenue	15,781	30,193	30,193	7,400	7,700	8,100	(166)	0
TOTAL FUNDS AVAILABLE	629,699	678,089	678,089	721,546	778,571	839,778	901,698	955,482
EXPENDITURES (\$000)								
Salaries and Wages	100,600	107,087	107,087	112,443	117,728	123,974	130,174	136,683
Heat, Light, and Power	23,910	22,906	22,906	24,832	25,851	26,902	28,004	29,013
Regional Sewage Disposal	53,207	55,176	55,176	57,218	59,335	61,530	63,807	66,168
Debt Service	221,300	227,042	217,612	250,013	267,835	282,596	292,612	301,014
PAYGO	13,782	19,996	19,996	27,341	45,503	69,256	97,770	130,120
All Other	205,200	243,582	243,582	242,399	254,019	266,220	279,031	292,484
Reserve Contribution	11,700	2,300	2,300	7,300	8,300	9,300	10,300	0
TOTAL USE OF RESOURCES	629,699	678,089	668,659	721,546	778,571	839,778	901,698	955,482
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	9,430	0	0	0	0	0
YEAR END FUND BALANCE w/o additional reserve contribution	117,151	98,658	108,088	102,988	102,588	102,788	112,254	122,554
Additional Reserve Contribution	11,700	2,300	2,300	7,300	8,300	9,300	10,300	0
TOTAL YEAR END FUND BALANCE	128,851	100,958	110,388	110,288	110,888	112,088	122,554	122,554
Debt Service as a Percentage of Water and Sewer Operating Budget	35.1%	33.5%	32.5%	34.6%	34.4%	33.7%	32.5%	31.5%
Estimated Water Production (MGD)	165.0	168.0	168.0	168.0	168.0	168.0	168.0	168.0
Total End of Fiscal Year Operating Reserve	53,300	55,600	55,600	62,900	71,200	80,500	90,800	90,800
Total Operating Reserve as a Percentage of Water and Sewer Rate Revenue	9.6%	9.5%	9.5%	9.6%	10.0%	10.4%	10.8%	10.2%
Total Workyears (all funds)	1,527	1,717	1,717	--	--	--	--	--

Assumptions:

- The County Executive's operating budget recommendation is for FY15 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
- The FY16-20 projections reflect WSSC's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended budget for WSSC. The projected expenditures, revenues, and fund balances for these years may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed in the County Executive's Recommended FY15 water and sewer operating budget for WSSC.
- The FY14 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY14 budget jointly approved by Montgomery and Prince George's counties. The FY15 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC's proposed FY15 budget. The FY15 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC budget for FY15. The FY16-20 spending affordability figures correspond to the values of the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year.
- The total FY14 estimated workyears shown correspond to the actual workyears as of December, 2013.
- Estimates of revenue in FY16-20 assume the rate increases projected by WSSC in the Average Water and Sewer Rate Increase line.

WSSC Organization Chart

