
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

- ❖ ***Operating and maintaining a system of three reservoirs impounding 14 billion gallons of water, two water filtration plants, six wastewater treatment plants, 5,600 miles of water main, and 5,550 miles of sewer main 24 hours a day, seven days a week.***
- ❖ ***Continue funding a large valve assessment, repair, and replacement program (begun in FY15) for valves 16" or greater with the goal of repairing 85 valves per year and replacing five valves of the 775 valves of this kind in the WSSC system.***
- ❖ ***Continue to renew WSSC's underground infrastructure through the Water and Sewer Reconstruction Programs. In FY16, the Commission will reconstruct 57 miles (the approximate length of the Capital Beltway) of small water mains and rehabilitate 56 miles of sewers mains and lateral lines.***
- ❖ ***Continue to inspect, repair, and install acoustic fiber optic cable (an early warning system) for six miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains. Also during FY16, WSSC will continue inspecting PCCP water mains at 36 inches or smaller, inspecting a total of 20 miles of PCCP pipe.***
- ❖ ***To maintain the current ratings of WSSC-issued debt, the commission will continue to increase the operating reserve to maintain a reserve equal to 10 percent of water and sewer rate revenues.***
- ❖ ***Expanding personnel support for WSSC infrastructure repair programs in an effort to maintain the growth in this program area. In FY16, WSSC will be adding five workyears to the Large Valve program and six workyears to the PCCP pipe repair program.***

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 FY16 spending control limits adopted by the Montgomery and Prince George's County councils, compared to the spending control results projected under WSSC's Proposed FY16 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.

FY16 Spending Control Limits Comparison				
SPENDING CONTROL LIMITS	Approved Spending Control Limits		Projected Levels Under	
	Montgomery County	Prince George's County	WSSC's Proposed Budget	County Executive Recommended Budget
Maximum Average Water/Sewer Rate Increase	2.1%	2.1%	1.0%	6.0%*
New Debt (\$millions)	\$442.5	\$442.5	\$445.6	\$445.6
Water and Sewer Debt Service (\$millions)	\$235.5	\$235.5	\$235.5	\$235.5
Total Water and Sewer Operating Expenses (\$millions)	\$701.8	\$701.8	\$693.6	\$693.6

FY16 COUNTY EXECUTIVE RECOMMENDATIONS

Operating Budget

The County Executive recommends that WSSC's proposed FY16 operating budget be approved with the following changes:

- *The County Executive does not recommend the changes to the Ready to Serve Charge proposed by WSSC in FY16, which includes a recalibration of the Account Maintenance Fee (AMF) and the addition of an Infrastructure Investment Fee. As a result, the County Executive is recommending a 6.0% rate increase for FY16, which WSSC indicated in the Commission's proposed budget would be the needed rate increase to provide for operations in FY16 without changing the fee structure. The County Executive believes that the proposed changes in the fee structure will disproportionately impact the lowest consumers who are often those with the lowest income. Additionally, the changes in the fee structure are contrary to the Commission's water conservation goals.
- The County Executive recommends that the Commission provide a salary enhancement no greater than what has been recommended for Montgomery County general government employees in FY16 as part of the County Executive's FY16 Recommended Operating Budget and Public Services Program. This will ensure that the compensation enhancements to be provided to WSSC employees in FY16 are consistent with those to be provided to Montgomery County general government employees under the County's Proposed FY16 Operating Budget and Public Services Program.
- The County Executive directs WSSC to adjust the Commission's proposed budget expenditures in FY16-21 to ensure gaps in revenue or negative fund balances do not occur.

Capital Budget

The County Executive recommended the WSSC FY16-21 Capital Improvements Program (CIP) budget, including the updates provided by DC Water for the Blue Plains projects, as submitted with the exception of the Anaerobic Digestion/Combined Heat and Power project. As a result, the WSSC Operating 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.

FY16 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 - FY16 WSSC Proposed and Executive Recommended						
(\$000s)						
Expenditure Categories	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Change (CE Rec. vs. WSSC Proposed)
	Approved FY15	Proposed FY16	Recommended FY16	Recommended FY16	Recommended FY16	
Salaries and Wages	132,389	140,235	26,856	113,379	140,235	0.0%
Heat, Light, & Power	22,906	23,353	--	23,353	23,353	0.0%
Regional Sewage Disposal	55,176	54,895	--	54,895	54,895	0.0%
Contract Work	348,052	421,992	421,992	--	421,992	0.0%
Consulting Engineers	63,753	60,359	60,359	--	60,359	0.0%
All Other	433,586	415,376	171,711	243,665	415,376	0.0%
PAYGO	19,996	18,271	--	18,271	18,271	0.0%
Reserve Contribution	2,300	6,300	--	6,300	6,300	0.0%
Debt Service	254,413	255,219	0	245,789	245,789	-3.7%
Total Budget	1,332,571	1,396,000	680,918	705,652	1,386,570	-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	FY15 ESTIMATED	FY16 PROPOSED	FY16 CE REC	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION	FY21 PROJECTION
SPENDING AFFORDABILITY RESULTS								
New Water and Sewer Debt (\$millions)	\$384.6	\$445.5	\$445.5	\$416.4	\$422.3	\$332.5	\$284.2	\$224.6
Total Water and Sewer Operating Expenses (\$millions)	\$678.1	\$693.6	\$693.6	\$725.9	\$780.1	\$825.5	\$870.6	\$909.9
Debt Service (\$millions)	\$227.0	\$235.5	\$235.5	\$256.2	\$280.5	\$297.5	\$313.9	\$324.5
Average Water and Sewer Rate Increase	5.50%	1.00%	6.00%	7.90%	8.50%	6.60%	6.10%	5.30%
BEGINNING FUND BALANCE (\$000)	132,932	105,039	105,039	64,830	12,455	-47,781	-98,883	-149,736
REVENUES (\$000)								
Water and Sewer Rate Revenue	586,255	583,375	577,576	612,029	660,278	716,389	763,367	810,095
Interest Income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Account Maintenance Fee	22,900	32,374	23,138	23,461	23,584	23,707	23,831	23,954
Infrastructure Investment Fee	0	19,418	0	0	0	0	0	0
Miscellaneous	26,574	26,693	26,693	27,084	27,163	27,357	27,513	27,732
Total Revenues	636,729	662,860	628,407	663,574	712,025	768,453	815,711	862,781
SDC Debt Service Offset	1,167	728	728	207	0	0	0	0
Reconstruction Debt Service Offset (REDO)	10,000	8,500	8,500	6,375	4,250	2,125	0	0
Use of Prior Year Net Revenue	30,193	21,486	21,486	7,525	7,725	7,925	8,125	4,200
TOTAL FUNDS AVAILABLE	678,089	693,574	659,121	677,681	724,000	778,503	823,836	866,981
EXPENDITURES (\$000)								
Salaries and Wages	107,087	112,715	112,715	119,010	124,961	131,209	136,673	144,656
Heat, Light, and Power	22,906	23,353	23,353	25,473	26,513	27,951	28,726	29,916
Regional Sewage Disposal	55,176	54,895	54,895	56,926	59,032	61,216	63,481	65,830
Debt Service	227,042	227,042	217,612	256,185	251,157	297,462	313,938	324,521
PAYGO	19,996	18,271	18,271	23,222	32,255	38,735	44,407	49,143
All Other	243,582	250,998	250,998	241,715	282,593	265,107	279,339	291,656
Reserve Contribution	2,300	6,300	6,300	3,400	3,600	3,800	4,000	4,200
TOTAL USE OF RESOURCES	678,089	693,574	684,144	725,931	780,111	825,480	870,564	909,922
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	(25,023)	(48,250)	(56,111)	(46,977)	(46,728)	(42,941)
YEAR END FUND BALANCE w/o additional reserve contribution	102,739	83,553	58,530	9,055	(51,381)	(102,683)	(153,736)	(196,877)
Additional Reserve Contribution	2,300	6,300	6,300	3,400	3,600	3,800	4,000	4,200
TOTAL YEAR END FUND BALANCE	105,039	89,853	64,830	12,455	(47,781)	(98,883)	(149,736)	(192,677)
Debt Service as a Percentage of Water and Sewer Operating Budget	33.5%	32.7%	31.8%	35.3%	32.2%	36.0%	36.1%	35.7%
Estimated Water Production (MGD)	164.0	166.0	166.0	166.0	166.0	166.0	166.0	166.0
Total End of Fiscal Year Operating Reserve	53,300	59,600	59,600	63,000	66,600	70,400	74,400	78,600
Total Operating Reserve as a Percentage of Water and Sewer Rate Revenue	9.1%	10.2%	10.3%	10.3%	10.1%	9.8%	9.7%	9.7%
Total Workyears (all funds)	1,545	1,747	1,747	--	--	--	--	--
Assumptions: <ol style="list-style-type: none"> The County Executive's operating budget recommendation is for FY16 only and incorporates the Executive's revenue and expenditure assumptions for that budget. The FY17-21 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 FY16 water and sewer operating budget for WSSC. The FY15 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY15 budget jointly approved by Montgomery and Prince George's counties. The FY16 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC's proposed FY16 budget. The FY16 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC budget for FY16. The FY17-21 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 and are provided by WSSC. The total FY15 estimated workyears shown correspond to the actual workyears as of December, 2014. Estimates of revenue in FY17-21 assume the rate increases projected by WSSC in the Average Water and Sewer Rate Increase line. 								

WSSC Organization Chart

