



## MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC Water) 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, only the Town of Poolesville and portions of the City of Rockville are outside of the District.

## WSSC WATER'S PROPOSED BUDGET

WSSC Water's proposed budget is not detailed in this document. The Commission's full budget can be obtained from WSSC Water's Budget Group at the WSSC Water Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland, 20707 (301.206.8000) or from their website at <https://wsscwater.com/budget>.

Prior to January 15 of each year, the Commission prepares a preliminary proposed capital and operating budget for the next fiscal year. On or before February 15, the Commission conducts public hearings in both counties. WSSC Water 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 proposed budgets, recommendations on the proposed budgets, and the record of the public hearings held by WSSC Water to their respective County Councils.

Each County Council may hold public hearings on WSSC Water'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 Water. Should the Councils fail to approve the budgets on or before June 1 of any given year, WSSC Water'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 water resource recovery facilities, 6,000 miles of water mains, and over 5,700 miles of sewer mains, 24 hours a day, 7 days a week.
- Treating or delivering 162 million gallons per day (MGD) of water to over 477,000 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards.
- Restoring normal service within 24 hours from when the agency is notified of an emergency, and to limit the time a customer is without water service to less than 6 hours.
- Implementing the Customer Assistance Program (CAP) to help those with financial hardship. To date, the CAP has assisted more than 17,000 customers.

### Spending Control Limits

The spending control limits process requires that the two counties set annual ceilings on WSSC Water's water and sewer rate increases 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 limit, they must approve budgets within these limits.

The following table shows the FY24 spending control limits adopted by the Montgomery and Prince George's County Councils, compared to the spending control results projected under WSSC Water's proposed FY24 budget and under the County Executive's recommended budget for WSSC Water. The Commission's proposed budget complies with all of the spending control limits approved by the two County Councils except for the Total Water and Sewer

Operating Expenses, which are \$9.1 million higher than the Spending Affordability (SAG)- approved guidelines. The additional operating costs will be recouped with additional miscellaneous fee and revenue income.

| FY24 Spending Control Limits Comparison (\$ in Millions) |                                  |                 |                        |                    |
|--|----------------------------------|-----------------|------------------------|--------------------|
| SPENDING CONTROL LIMITS                                  | Approved Spending Control Limits |                 | Projected Levels Under |                    |
|  | Montgomery                       | Prince George's | WSSC's                 | County Executive   |
|  | County                           | County          | Proposed Budget        | Recommended Budget |
| Maximum Average Water/Sewer Rate Increase                | 7.0%                             | 7.0%            | 7.0%                   | 7.0%               |
| New Debt   | \$380.0                          | \$380.0         | \$380.0                | \$380.0            |
| Water and Sewer Debt Service                             | \$328.5                          | \$328.5         | \$328.5                | \$328.5            |
| Total Water and Sewer Operating Expenses                 | \$915.3                          | \$915.3         | \$924.4                | \$924.4            |

\* Covered by offsetting funding sources.

Source: WSSC Water FY24 Proposed Budget

## County Executive Recommendations

### Operating Budget

The County Executive recommends that WSSC Water's proposed FY24 budget be approved with a water and sewer rate increase of 7.0 percent in FY24, consistent with the County Council's FY24 Spending Affordability Guidelines.

### Capital Budget

The County Executive recommended the WSSC Water Amended FY23-28 Capital Improvements Program budget be approved as submitted by the Commission.

### Overall Budget

FY24 fiscal projections for all funds and budgets are shown below.

| Expenditures by Category - FY24 WSSC Water Proposed and Executive Recommended |                    |                    |                  |                  |                    |              |
|---|--------------------|--------------------|------------------|------------------|--------------------|--------------|
| (\$ in Thousands)   |                    |                    |                  |                  |                    |              |
|   | WSSC Water         | WSSC Water         | CE               | CE               | CE                 | % Change     |
|   | Total              | Total              | Capital          | Operating        | Total              | (CE Rec. vs. |
|   | Approved           | Proposed           | Recommended      | Recommended      | Recommended        | WSSC Water   |
| Expenditure Categories  | FY23               | FY24               | FY24             | FY24             | FY24               | Proposed)    |
| Salaries and Wages  | \$161,312          | \$169,372          | \$28,193         | \$141,179        | \$169,372          | 0.0%         |
| Heat, Light, & Power  | \$19,047           | \$27,620           | \$247            | \$27,373         | \$27,620           | 0.0%         |
| Regional Sewage Disposal  | \$60,343           | \$64,201           | \$0              | \$64,201         | \$64,201           | 0.0%         |
| Contract Work   | \$351,478          | \$384,209          | \$384,209        | \$0              | \$384,209          | 0.0%         |
| Consulting Engineers  | \$72,122           | \$84,116           | \$84,116         | \$0              | \$84,116           | 0.0%         |
| All Other   | \$443,565          | \$505,436          | \$186,304        | \$319,132        | \$505,436          | 0.0%         |
| PAYGO   | \$31,016           | \$44,000           | \$0              | \$44,000         | \$44,000           | 0.0%         |
| Reserve Contribution  | \$0                | \$0                | \$0              | \$0              | \$0                | --           |
| Debt Service  | \$321,844          | \$328,467          | \$0              | \$328,467        | \$328,467          | 0.0%         |
| <b>Total Budget</b>   | <b>\$1,460,727</b> | <b>\$1,607,421</b> | <b>\$683,069</b> | <b>\$924,352</b> | <b>\$1,607,421</b> | <b>0.0%</b>  |

Note: Total expenditures include the water and sewer operating funds and the three capital funds.

Source: WSSC Water FY23 Proposed Operating Budget

## PROGRAM CONTACTS

Contact Letitia Carolina-Powell of the WSSC Water at 301.206.8379 or Richard H. Harris of the Office of Management and Budget at 240.777.2795 for more information regarding this agency's operating budget.



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

(\$ IN THOUSANDS)

| FISCAL PROJECTIONS   | FY23<br>Approved   | FY24<br>CE REC     | FY25<br>PROJECTION | FY26<br>PROJECTION | FY27<br>PROJECTION | FY28<br>PROJECTION | FY29<br>PROJECTION |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>SPENDING AFFORDABILITY RESULTS</b>  |                    |                    |                    |                    |                    |                    |                    |
| New Water and Sewer Debt   | \$358,840          | <b>\$379,960</b>   | \$388,352          | \$326,030          | \$364,708          | \$325,870          | \$287,053          |
| Total Water and Sewer Operating Expenses   | \$855,945          | <b>\$924,352</b>   | \$1,001,524        | \$1,122,725        | \$1,155,720        | \$1,200,981        | \$1,260,761        |
| Debt Service   | \$321,844          | <b>\$328,467</b>   | \$366,169          | \$387,288          | \$405,949          | \$424,137          | \$434,635          |
| Average Water and Sewer Rate Increase  | 6.5%               | <b>7.0%</b>        | 8.0%               | 8.0%               | 6.5%               | 6.5%               | 65.0%              |
| <b>BEGINNING FUND BALANCE</b>  | <b>242,554,000</b> | <b>266,601,000</b> | <b>274,846,000</b> | <b>274,846,000</b> | <b>234,910,000</b> | <b>228,266,000</b> | <b>241,242,000</b> |
| <b>REVENUES</b>  |                    |                    |                    |                    |                    |                    |                    |
| Water and Sewer Rate Revenue   | \$746,450          | <b>\$790,142</b>   | \$853,353          | \$921,622          | \$981,527          | \$1,045,326        | \$1,113,272        |
| Interest Income  | \$2,800            | <b>\$8,000</b>     | \$5,500            | \$5,500            | \$5,500            | \$5,500            | \$5,500            |
| Account Maintenance Fee  | \$33,887           | <b>\$36,259</b>    | \$39,160           | \$42,293           | \$45,042           | \$47,969           | \$51,087           |
| Infrastructure Investment Fee  | \$41,290           | <b>\$44,180</b>    | \$47,715           | \$51,532           | \$54,881           | \$58,449           | \$62,248           |
| Plumbing and Inspection Fees   | \$16,780           | <b>\$20,380</b>    | \$20,991           | \$21,621           | \$22,270           | \$22,938           | \$23,626           |
| Rockville Sewer Use  | \$3,100            | <b>\$3,100</b>     | \$3,100            | \$3,100            | \$3,100            | \$3,100            | \$3,100            |
| Miscellaneous  | \$19,000           | <b>\$28,722</b>    | \$25,452           | \$25,707           | \$25,962           | \$26,222           | \$26,486           |
| Uncollectable  | -\$6,000           | <b>-\$7,901</b>    | -\$8,532           | -\$9,218           | -\$9,814           | -\$10,453          | -\$11,133          |
| Cost Sharing Reimbursement   | \$635              | <b>\$743</b>       | \$7,013            | \$12,860           | \$12,860           | \$7,158            | \$7,004            |
| Miscellaneous  | \$33,515           | <b>\$45,044</b>    | \$48,024           | \$54,070           | \$54,378           | \$48,965           | \$49,083           |
| <b>Total Revenues</b>  | <b>\$857,942</b>   | <b>\$923,625</b>   | <b>\$993,752</b>   | <b>\$1,075,017</b> | <b>\$1,141,328</b> | <b>\$1,206,209</b> | <b>\$1,281,190</b> |
| SDC Debt Service Offset  | \$5,772            | <b>\$5,772</b>     | \$5,772            | \$5,772            | \$5,748            | \$5,748            | \$5,748            |
| Reconstruction Debt Service Offset (REDO)  | \$4,000            |                    |                    |                    |                    |                    |                    |
| Use of Fund Balance  |                    |                    |                    | \$39,936           | \$6,644            |                    |                    |
| Premium Transfer   | \$2,500            |                    |                    |                    |                    |                    |                    |
| Underwriters Discount Transfer   | \$2,000            | <b>\$2,000</b>     | \$2,000            | \$2,000            | \$2,000            | \$2,000            | \$2,000            |
| Miscellaneous Offset   |                    | <b>\$1,200</b>     |                    |                    |                    |                    |                    |
| <b>TOTAL FUNDS AVAILABLE</b>   | <b>\$872,214</b>   | <b>\$932,597</b>   | <b>\$1,001,524</b> | <b>\$1,122,725</b> | <b>\$1,155,720</b> | <b>\$1,213,957</b> | <b>\$1,288,938</b> |
| <b>EXPENDITURES</b>  |                    |                    |                    |                    |                    |                    |                    |
| Salaries and Wages   | \$133,765          | <b>\$141,179</b>   | \$148,238          | \$154,908          | \$161,879          | \$169,164          | \$176,776          |
| Reconstruction   |                    |                    |                    |                    |                    |                    |                    |
| Heat, Light, and Power   | \$18,817           | <b>\$27,373</b>    | \$26,263           | \$25,198           | \$26,382           | \$27,305           | \$28,261           |
| Regional Sewage Disposal   | \$60,343           | <b>\$64,201</b>    | \$65,485           | \$66,794           | \$68,130           | \$69,493           | \$70,883           |
| Debt Service   | \$321,844          | <b>\$328,467</b>   | \$366,169          | \$387,288          | \$405,949          | \$424,137          | \$434,635          |
| PAYGO  | \$31,016           | <b>\$44,000</b>    | \$63,780           | \$147,000          | \$141,597          | \$148,546          | \$177,000          |
| All Other  | \$290,160          | <b>\$319,132</b>   | \$331,589          | \$341,537          | \$351,783          | \$362,336          | \$373,206          |
| Reserve Contribution   |                    |                    |                    |                    |                    |                    |                    |
| Unspecified Expenditure Reductions   |                    |                    |                    |                    |                    |                    |                    |
| <b>TOTAL USE OF RESOURCES</b>  | <b>\$855,945</b>   | <b>\$924,352</b>   | <b>\$1,001,524</b> | <b>\$1,122,725</b> | <b>\$1,155,720</b> | <b>\$1,200,981</b> | <b>\$1,260,761</b> |
| <b>REVENUE/EXPENDITURE SURPLUS/(GAP)</b>   | <b>\$16,269</b>    | <b>\$8,245</b>     | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$12,976</b>    | <b>\$28,177</b>    |
| <b>YEAR END FUND BALANCE</b> w/o additional reserve contribution   | <b>\$242,554</b>   | <b>\$266,601</b>   | <b>\$274,846</b>   | <b>\$234,910</b>   | <b>\$228,266</b>   | <b>\$228,266</b>   | <b>\$241,242</b>   |
| Adjustments  | \$7,778            |                    |                    |                    |                    |                    |                    |
| <b>Additional Reserve Contribution</b>   | <b>\$16,269</b>    | <b>\$8,245</b>     |                    |                    |                    | <b>\$12,976</b>    | <b>\$28,177</b>    |
| <b>TOTAL YEAR END FUND BALANCE</b>   | <b>\$266,601</b>   | <b>\$274,846</b>   | <b>\$274,846</b>   | <b>\$234,910</b>   | <b>\$228,266</b>   | <b>\$241,242</b>   | <b>\$269,419</b>   |
| Debt Service as a Percent of Water and Sewer Operating Budget  | 37.6%              | <b>35.5%</b>       | 36.6%              | 34.5%              | 35.1%              | 35.3%              | 34.5%              |
| Estimated Water Production (MGD)   | 164.0              | <b>164.0</b>       | 164.0              | 164.0              | 164.0              | 164.0              | 165.0              |
| Total End of Fiscal Year Operating Reserve   | \$266,601          | <b>\$274,846</b>   | \$274,846          | \$234,910          | \$228,266          | \$241,242          | \$269,419          |
| Total Operating Reserve as a Percent of Water and Sewer Rate Revenue   | 31.1%              | <b>29.8%</b>       | 27.7%              | 21.9%              | 20.0%              | 20.0%              | 21.0%              |
| Total Workyears (all funds)  | 1,796              | <b>1,836</b>       | 1,836              | 1,836              | 1,836              | 1,836              | 1,836              |
| <b>Assumptions:</b>  |                    |                    |                    |                    |                    |                    |                    |
| 1. The County Executive's operating budget recommendation is for FY24 only and incorporates the Executive's revenue and expenditure assumptions for that budget.   |                    |                    |                    |                    |                    |                    |                    |
| 2. The FY25-29 projections reflect WSSC Water's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended Budget for WSSC Water. 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 FY24 water and sewer operating budget for WSSC Water.   |                    |                    |                    |                    |                    |                    |                    |
| 3. The FY24 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY24 budget jointly approved by Montgomery and Prince George's counties. The FY24 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC Water's proposed FY24 budget. The FY24 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC Water budget for FY24. The FY25-29 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 Water. |                    |                    |                    |                    |                    |                    |                    |
| 4. The total FY24 estimated workyears shown correspond to the actual workyears as of December, 2022.   |                    |                    |                    |                    |                    |                    |                    |
| 5. Estimates of revenue in FY25-29 assume the rate increases projected by WSSC Water in the Average Water and Sewer Rate Increase line.  |                    |                    |                    |                    |                    |                    |                    |
| 6. Totals in this chart and WSSC Water's FY24 Proposed Long-Range Fiscal Plan for Water and Sewer Operating Funds may not match due to rounding.   |                    |                    |                    |                    |                    |                    |                    |

## OUR LEADERSHIP AND ORGANIZATION



The flowchart above is an interim organizational structure. Future changes may occur. Section II – Organizational Budgets and Measures in the upcoming FY 2024 Approved Budget book will be updated in the event the organizational structure is revised

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