



AGENCY DESCRIPTION

WSSC Water is a bi-county agency directed by a board of six commissioners, three each from Prince George's County and Montgomery County. The commissioners are appointed by the respective jurisdiction's Executive and confirmed by its County Council.

WSSC Water is responsible for providing water and sanitary sewer service within the Washington Suburban Sanitary District, which includes most of Montgomery and Prince George's Counties and which, in Montgomery County, excludes the Town of Poolesville and portions of the City of Rockville.

PROGRAM DESCRIPTION AND OBJECTIVES

The principal objective of the Capital Improvements Program (CIP) is the programming of planning, design, land acquisition, and construction activities on a yearly basis for major water and sewerage facilities. These facilities may be necessary for system improvements and/or service to existing customers, to comply with Federal and/or State environmental mandates, and to support new development in accordance with the counties' approved plans and policies for orderly growth and development.

The CIP submission includes all major projects, defined as extensions, projects, or programs involving water and sewer facilities. Major projects include: water mains 16 inches in diameter or larger, sewer mains 15 inches in diameter or larger, water or sewage pumping stations, force mains, storage facilities, and other major facilities.

The section following this narrative ordinarily shows only the WSSC Water project description forms (PDFs) for which the Executive recommends changes to the Commission's request. Those PDFs would be preceded by project briefs which provide a description of the change and the Executive's rationale. The complete set of PDFs submitted by the Commission can be found on the WSSC Water website at <https://www.wsscwater.com>.

In addition, a report noting the Commission's request by project follows the same report outlining the County Executive's recommendation by project. For this year's proposed CIP budget, these additional documents will not follow this narrative given that the Executive is not recommending changes to the budget proposed by WSSC Water.

PROGRAM CONTACTS

Contact Rosanna LaPlante of WSSC Water at 301.206.8710 or Julie Knight of the Office of Management and Budget at 240.777.2760 for more information regarding this agency's capital budget.

CAPITAL PROGRAM REVIEW

This narrative applies only to the Montgomery County and bi-county water and sewerage projects. Projects that serve only Prince George's County are not included.

Agency Request

The total of \$2.14 billion in six-year expenditures proposed by WSSC Water for FY25-30 is \$89.5 million (4.0 percent) less than the FY24-29 approved total of \$2.23 billion. The decrease in six-year costs is the result of cost changes in both the water and sewer projects.

The FY25-30 CIP request includes 28 ongoing projects, 3 pending closeout projects, and 2 closeout projects. There are 10 Information Only projects.

The following table compares the proportion of funding for Montgomery, Prince George's, and bi-county projects in the Commission's proposed CIP:

WSSC WATER PROPOSED FY25-30 CIP				
MONTGOMERY COUNTY/PRINCE GEORGE'S COUNTY/BI-COUNTY SPLIT				
	FY25		6-Year	
	\$ (000)	% of Total	\$ (000)	% of Total
Montgomery County Water Projects	8,552	1.8%	13,233	0.5%
Montgomery County Sewer Projects	11,980	2.5%	73,090	2.9%
Prince George's County Water Projects	65,088	13.6%	175,973	6.9%
Prince George's County Sewer Projects	62,507	13.0%	240,578	9.4%
Bi-County Water Projects	160,961	33.6%	1,034,565	40.4%
Bi-County Sewer Projects	170,300	35.5%	1,019,931	39.9%
TOTAL	479,388	100.0%	2,557,370	100.0%
All Montgomery County Projects	20,532	4.3%	86,323	3.4%
All Prince George's County Projects	127,595	26.6%	416,551	16.3%
All Bi-County Projects	331,261	69.1%	2,054,496	80.3%

Source: WSSC Water Proposed FY25-30 CIP

Executive Recommendation

The County Executive recommends adoption of the FY25-30 CIP as proposed by WSSC Water.

HIGHLIGHTS

- Continue development of capital projects aimed to address long-term issues in water and sewer management.
- Continue projects whose purpose is to support the extensive water and sewer infrastructure and numerous support facilities, including addressing regulatory changes, regulatory mandates, health and safety issues and business risk exposure.
- Completion of the Piscataway Bio-Energy project, the largest and most technically advanced project ever constructed by WSSC Water, to use innovative technology to recover resources and produce green energy.
- Expansion of the consolidated Laboratory Division building and replacement of equipment in the building to accommodate increased workload.
- Replace and upgrade assets at the WSSC Water Support Center.
- Continue to address the consent decrees related to the Potomac Water Filtration Plant to allow WSSC Water to meet new discharge limitations.

SPENDING CONTROL LIMITS

In order to reduce the magnitude of water and sewer rate increases, the Montgomery and Prince George's County Councils adopted a

spending affordability process in April 1994. The process requires the counties to set annual ceilings on WSSC Water's water and sewer rates and debt (both bonded indebtedness and debt service), and then to adopt corresponding limits on the size of the capital and operating budgets.

While the spending limits technically apply only to the first year of the six-year program, the purpose of the limits includes controlling debt, debt service, and rate increases over the longer term. The FY25 spending control limits adopted by the Montgomery County Council are shown below with their outyear projections. For FY25, while WSSC Water proposed a 11.6% rate increase and the County Executive recommended a 9% increase, the Montgomery and Prince George's County Councils set a 8.5% rate increase.

The chart below lists the various spending control limits for FY25 and outyear projections for FY26-30.

FY25 WSSC WATER SPENDING CONTROL LIMITS ADOPTED BY THE MONTGOMERY COUNTY COUNCIL (AND OUTYEAR PROJECTIONS)						
	FY25	FY26	FY27	FY28	FY29	FY30
New Debt Requirement (\$000)	\$390,262	\$414,741	\$342,039	\$365,842	\$369,105	\$363,313
Total W/S Operating Budget (\$000)	\$1,014,059	\$1,166,226	\$1,231,917	\$1,290,274	\$1,341,955	\$1,396,377
Debt Service (\$000)	\$361,968	\$381,332	\$401,396	\$420,166	\$437,188	\$453,180
Average Rate Increase	8.5%	12.5%	6.0%	5.5%	4.2%	4.2%

Source: Montgomery County Council Resolution 20-310 and WSSC Water Proposed FY25 SAG

WSSC WATER'S LEVEL OF BONDED INDEBTEDNESS

Debt Service

The County Executive and County Council monitor WSSC Water's bonded indebtedness and debt service level. Total outstanding water and sewer bond debt has risen 33.3 percent since FY19, and total water and sewer debt service is up 19.8 percent over the same period, as shown in the following table:

WSSC BONDED INDEBTEDNESS AND DEBT SERVICE						
(\$ in Millions)	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATE
	FY19	FY20	FY21	FY22	FY23	FY24
End of Fiscal Year - Total Outstanding Bond Debt (Includes Bond Anticipation Notes)	\$3,162.1	\$3,245.3	\$3,462.5	\$3,727.0	\$3,961.7	\$4,123.2
Outstanding Water and Sewer Bond Debt	\$3,027.7	\$3,114.5	\$3,336.1	\$3,609.5	\$3,838.2	\$4,037.4
Total Debt Service - All Operating Funds	\$292.7	\$292.3	\$292.0	\$289.2	\$307.6	\$334.7
Debt Service as a % of Total Operating Exp.	36.3%	38.0%	37.6%	38.2%	36.6%	35.5%
Debt Service in Water/Sewer Operating Exp.	\$275.4	\$279.8	\$281.8	\$280.3	\$300.1	\$330.0
Water/Sewer Debt Service as a % of Total Water/Sewer Operating Expenditures	35.1%	36.5%	36.3%	37.2%	36.6%	35.5%

Source: WSSC Water Budget Division

The debt service ratio is projected to be 35.7 percent in FY25. The table below lists projected debt ratios for FY25-30.

PROJECTED WSSC DEBT SERVICE RATIO UNDER THE COUNTY'S APPROVED SPENDING CONTROL LIMITS						
	FY25	FY26	FY27	FY28	FY29	FY30
Debt Service as a % of Total Water and Sewer Operating Expenditures	35.7%	32.7%	32.6%	32.6%	32.6%	32.5%

Source: WSSC Water Budget Division

Debt Capacity

State law provides for the option of a tax levy against all assessable property in the Washington Suburban Sanitary District by Montgomery and Prince George's counties to pay for the principal and interest on WSSC Water bonds. This provision, which would be exercised only if requested by WSSC Water, does not constitute a pledge of the full faith and credit of the two counties. The amount of debt that WSSC Water issues is therefore a factor in rating agency assessments of the creditworthiness of Montgomery County. In addition, increasing levels of debt service can lead to increases in the combined water and sewer rate.

"INFORMATION ONLY" PROJECTS

WSSC Water is obligated by State law to submit for CIP review and approval only major water and sewerage projects. However, the Commission undertakes other kinds of capital projects which are shown separately in the CIP. These "Information Only" projects may be included for a number of reasons including: fiscal planning purposes; to improve the reader's understanding of the full scope of a specific set of projects; or in response to a request from one or both of the county governments. "Information Only" projects are subject to review and approval as part of the annual WSSC Water Operating and Capital Budgets, which are acted on by the Council in the spring.

The FY25-30 "Information Only" projects include the Water Treatment and Storage, Water Distribution, Wastewater Collection, General Facilities, Innovation and Investment Priorities, and Mixed-use projects.

The total FY25-30 budget for the "Information Only" projects is \$2,225.8 million, a 18.61 percent increase from the \$1,876.5 million approved for the FY24-29 CIP. This increase is primarily the result of the addition of two new projects focused on maintenance and upgrades to WSSC Water's service infrastructure, including improving climate change resilience at key facilities.

Total proposed FY25-30 spending on the Water and Sewer Reconstruction "Information Only" projects will increase by \$240.5 million (17.8 percent). The accompanying metrics for miles of water main replacement and sewer main rehabilitation can be seen below in the following table.

SMALL WATER AND SEWER MAIN RECONSTRUCTION INCLUDED IN WSSC WATER'S PROPOSED FY25-30 CIP								
Categories	Approved	FY25-30						FY25-30
	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Total
Water Main Replacement (mi.)	25	30	35	40	45	50	50	250
Sewer Main Rehabilitation (mi.)	25	26	26	25	25	25	25	152

Source: WSSC Water Budget Division

PROGRAM FUNDING

The WSSC Water CIP is funded through a variety of sources described below.

WSSC Water Bonds

WSSC Water raises revenue for CIP projects by issuing water and sewer bonds. These bonds are amortized through periodic charges to the users of water and sewer services. Bond funding for the FY25-30 six-year CIP, as recommended by the County Executive, is \$1,756.3 million.

System Development Charge

The System Development Charge (SDC) is a charge to new development to pay for the part of the CIP which is needed to

accommodate growth. WSSC Water collects SDC revenue from charges to builders based on the number and type of plumbing fixtures installed in new construction projects. The County Executive recommends that \$104.0 million in SDC funds be used to fund growth projects from FY25-30.

State Aid

The total State Aid budgeted for the FY25-30 six-year CIP and recommended by the County Executive is \$3.4 million. WSSC Water asserts that all Commission projects receiving State Aid conform to the requirements of local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

Federal Aid

The total Federal Aid budgeted for the FY25-30 six-year CIP and recommended by the County Executive is \$13.1 million.

Municipal Financing

The WSSC Water CIP contains projects in which neighboring jurisdictions such as the District of Columbia and the City of Rockville join the Commission in financing the construction of sewerage facilities serving the metropolitan area. These jurisdictions contribute an agreed-upon share of the project cost. A total \$46.9 million in project expenditures is recommended to be financed by these jurisdictions during FY25-30.

Contributions

When the actual costs of water and sewerage facilities required to serve new development are estimated to exceed expected revenues, the difference may be financed by developers in the form of contributions. Contributions toward CIP projects are estimated at \$217.1 million from FY25-30.

STATUTORY AUTHORITY

The Montgomery County CIP review process for WSSC Water is governed by laws and regulations of the State of Maryland, the Charter of Montgomery County, and the Montgomery County Code. Relevant projects authorized for Montgomery County review include only Montgomery and bi-county water and sewer projects.

The Montgomery County Executive reviews relevant WSSC Water CIP proposals and includes them, along with comments and recommendations, in the Executive's Recommended Capital Improvements Program Budget. After a public hearing and subsequent committee work sessions, the Montgomery County Council approves by resolution WSSC Water's six-year capital program and annual operating and capital budgets, with modifications as desired.

Bi-county projects are projects located completely or partially within Montgomery County or Prince George's County that are designed to provide service in whole or in substantial part to the other county. A proposed bi-county project may be disapproved only with the concurrence of the governing body of the county which is to receive the designated service. However, the county in which the project is to be physically located has the authority to direct modifications in project location and scheduling, provided that such modifications or changes do not prevent the service from being available when needed.

This authority to modify the project location may only be exercised during the year in which the project is first introduced. Thereafter, the authority to make modifications is limited to those changes that would not result in substantial net additional costs to WSSC Water, unless the county directing the modification reimburses WSSC Water for any additional net cost increases resulting from the modification.

WSSC Water is responsible for constructing approved capital projects on a schedule as close as possible to the schedule set forth in the adopted CIP. The Commission is limited to undertaking only those projects which are scheduled in the first year of the program. However, it is not obligated to implement any project determined to be not financially feasible.