

T&E COMMITTEE #2
April 16, 2015

Worksession

MEMORANDUM

April 14, 2015

TO: Transportation, Infrastructure, Energy & Environment Committee

FROM:  Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Worksession: FY16 Washington Suburban Sanitary Commission (WSSC)
Operating Budget**

Summary of Council Staff Recommendations

- Concur with WSSC to maintain System Development Charge rates for FY16 at current approved levels, but to increase the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment as allowed for under State law.
- Approve the FY16 Proposed Budget with a 1.0 percent rate increase as proposed by WSSC.
- Approve the recalibrated Account Maintenance Fee and new Infrastructure Investment Fee (phased in over two years) as proposed by WSSC.
- Approve funding for the Customer Assistance Program as proposed by WSSC. Legislation enabling (and requiring) this program was passed by the State Legislature.
- Approve FY16 compensation adjustments for WSSC staff comparable to compensation adjustments for County Government staff. (Council Staff estimates the equivalent cost for WSSC employees at \$3.74 million, which is below the \$5.8 million included in the Proposed WSSC CIP).
- Approve new language in the WSSC Budget resolution referencing a new benchmarking study of WSSC to be performed by a consultant.

The following officials and staff are expected to attend this meeting:

WSSC

Roscoe Moore, Commissioner
Jerry Johnson, General Manager/CEO
Yvette Downs, Chief Financial Officer
Leticia Carolina-Powell, Acting Budget Group Leader

County Government

Dave Lake, Manager, Water and Wastewater Management, Department of Environmental Protection
(DEP)
Elyse Greenwald, Management and Budget Specialist, OMB

Attachments to this Memorandum

Excerpts from the Proposed FY16 WSSC Budget (©1-33)

County Executive's FY16 Recommended Budget Section for WSSC (©34-38)

Summary Table of FY16 Additional and Reinstated Programs (©39)

Detail of FY16 Additional and Reinstated Programs (©40-45)

Rate Increase Components (©46)

Rate Increase History (©47)

Slide: National Trends – Rate Increases since 2002 (©48)

Budget Highlights

Below are some major highlights of WSSC's Proposed FY16 Budget:

- The combined total of the Capital and Operating Budget is \$1.396 billion, an increase of \$63.4 million (or 4.8 percent) from the Approved FY15 amount of \$1.333 billion.
- The total proposed Operating Budget is \$715.1 million, an increase of \$7.9 million (or 1.1 percent) from the Approved FY15 Operating Budget of \$707.2 million.
- Assumes implementation of changes to the Account Maintenance Fee (FY16 revenue increase of \$9.5 million) and new Infrastructure Investment Fee (phased in over two years with FY16 revenue increase of \$19.4 million).
- Assumes implementation of a new customer assistance program (reducing FY16 revenue by \$1.7 million) that would waive the Account Maintenance Fee and Infrastructure Investment Fee for eligible customers.
- 1.0 percent average rate increase (equivalent to a 6.0 percent rate increase taking into account the above noted changes in the Account Maintenance Fee and phase-in over two years of a new Infrastructure Investment Fee. *During the spending control limits process last fall, the Montgomery and Prince George's County Councils both recommended a 2.1 percent rate increase ceiling (equivalent to a 7.0 percent rate increase taking into account the fee changes).*

About two-thirds of the 6.0 percent equivalent rate increase is needed to cover revenue shortfalls and operating reserve contributions. The remainder is required to cover debt service, PAYGO, and additional and reinstated programs.

- Water production is projected at 166 million gallons per day (mgd), which is a reduction from the amount assumed in FY15 (168 mgd) and the same as assumed for FY16 during the spending control limits process last fall. *FY15 water production is running lower (164.0 mgd) than original projections (168.0 mgd). Water production for FY14 was 160.6 mgd, which was a slight drop from the FY13 actual of 161.2 mgd. However, for the FY08 through FY12 five year period, average water production was 168.0 mgd.*
- Includes \$54.9 million (a slight decrease of \$281,000, or 0.5 percent, from FY15) for regional sewage disposal costs for WSSC sewage treated at the Blue Plains Wastewater

Treatment Facility. *WSSC estimates that the cost per thousand gallons of treatment of WSSC sewage at Blue Plains is \$1.11, compared to \$1.76 at WSSC facilities.*

- Includes \$7.8 million (\$5.25 million rate impact) for “additional and reinstated” programs in both the Operating Budget and CIP. This includes an increase of 18 positions, plus additional equipment and contractual costs. NOTE: WSSC is proposing to use \$2.1 million in excess fund balance for one-time initiatives in FY16. *(More discussion is provided later in this memorandum. Additional details are attached on ©39-45.)*
- Includes \$29.7 million for 20 miles of large diameter pre-cast concrete cylinder pipe (PCCP) water main inspection, repairs, and acoustic fiber optic (AFO) installation, as well as acoustic fiber optic monitoring of all previously installed AFO (\$26 million was approved for FY15 to address 18 miles). *During FY13, WSSC completed the first inspection cycle of all PCCP water mains 48 inches in diameter and greater (77 miles). This program is a high priority of the Council, and the FY16 proposed program spending represents a continued strong commitment to this effort. WSSC is also inspecting approximately 11 miles of smaller diameter (36-and 42-inch) pipe.*
- Funds 55 miles of water main reconstruction (down from 60 miles budgeted in FY15). *The FY16 request is consistent with WSSC’s goal of a steady state of approximately 55 miles of replacement per year (or about a 100-year replacement cycle).*
- Assumes \$19.0 million for retiree health costs (last year, WSSC completed the final year of an eight-year scheduled ramp-up, in response to GASB 45 reporting requirements) to increase funding ultimately up to the current \$19 million level per year. *The eight year schedule is consistent with other agencies’ approved plans as of FY10. However, budget pressures over the past several years have caused other agencies to fall behind on their funding plans.*

Schedule

On February 27, WSSC transmitted its proposed FY16 Operating Budget to the Montgomery and Prince George’s County Executives and County Councils. On March 16, the County Executive transmitted his recommendations to the Council. The Bi-County meeting to resolve any CIP and Operating Budget differences with Prince George’s County is scheduled for May 7.

General Information about WSSC

The Washington Suburban Sanitary Commission (WSSC) provides public water and sewer services to nearly 1.8 million residents in a sanitary district covering nearly 1,000 square miles in Montgomery and Prince George's Counties. WSSC has 3 reservoirs and 2 water treatment plants (providing about 170 mgd of drinking water) and maintains 7 wastewater treatment plants (including the Blue Plains Plant in Washington DC). WSSC has more than 5,500 miles of water mains and more than 5,400 miles of sewer mains. WSSC has about 448,000 customer accounts (see ©31 for more statistical information) and is one of the ten largest water and wastewater utilities in the country.

WSSC's governing board consists of six commissioners, three from Montgomery County and three from Prince George's County, serving staggered 4 year terms. The positions of Chair and Vice Chair alternate annually between the counties. The six commissioners are:

Montgomery County

Adrienne A. Mandel, Vice Chair
Gene W. Counihan
Dr. Roscoe Moore, Jr.

Prince George's County

Omar M. Boulware, Chair
Chris Lawson
Mary Hopkins-Navies

General Manager Jerry Johnson was hired in the fall of 2009 after a long tenure in a similar position with the District of Columbia Water and Sewer Authority (DCWater). Mr. Johnson announced plans to retire at the end of his current contract, which expires at the end of June. The Commissioners have initiated a process for hiring a new General Manager.

An organizational chart is attached on ©38. The Chair's budget transmittal letter and other excerpts from the Proposed FY16 budget are attached on ©1-33.

About 63 percent of all WSSC sewage and 84 percent of Montgomery County's sewage (generated within the WSSC service area) are treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. This plant is managed by DCWater.¹ WSSC makes operating and capital payments each year to DCWater, consistent with the Blue Plains Intermunicipal Agreement (IMA) of 2012. Blue Plains-related costs are a major element of the sewer program and reflect a majority of overall CIP expenditures. The projected FY16 operating payment is \$54.9 million (about 7.7 percent of WSSC's Proposed Operating Budget).

County Executive Recommendations for the FY16 WSSC Budget

(See Operating Budget Excerpt on ©34-38)

In his March 16 transmittal, the County Executive recommended approval of WSSC's FY16 proposed budget expenditures, but did not recommend the increased account maintenance fee or the new Infrastructure Investment Fee. Instead, the Executive recommends a 6.0 percent rate increase, which would provide the same amount of revenue.

The County Executive also supports WSSC's proposed salary enhancements of \$5.8 million (assuming these salary enhancements are no greater than those provided for Montgomery County Government employees).

Performance Measures and Benchmarking Study

WSSC has included a number of performance measures in its FY16 Proposed Budget. Most of these measures speak to water quality, quality of service, timeliness of service, and customer

¹ The Montgomery and Prince George's County Governments each have two representatives (with two alternates) on the eleven-member DCWater Board of Directors. Fairfax County has one representative. The other six members represent the District of Columbia. The Montgomery, Prince George's, and Fairfax County board members only vote on "joint use" issues (i.e., issues affecting the suburban jurisdictions). These board members do not vote on issues affecting only the District of Columbia.

satisfaction. Council staff believes these measures highlight WSSC's success in delivering high-quality service. As noted in WSSC's budget document, "WSSC has never exceeded a maximum contaminant level (MCL) or failed to meet a treatment technique (TT) requirement established by the US. Environmental Protection Agency (EPA) in accordance with the Safe Drinking Water Act."

As noted in past years, in general, Council Staff believes WSSC is doing an excellent job in measuring its drinking water quality, responses to customer concerns, and customer satisfaction.

WSSC also provides some efficiency measures (see ©29-30 for a sample). However, Council Staff has previously noted that it would be helpful if WSSC published information on how these measures and other fiscal measures compare over time to other similarly-sized water and sewer utilities. WSSC has not had a comprehensive benchmarking study since a Competitive Action Program (CAP) effort was done in the late 1990's. That effort (which included benchmarking and then substantial multi-year follow-up by WSSC work teams) ultimately led to a reduction in WSSC staffing from 2,120 in FY96 to 1,458 in FY06 (a reduction of 662 positions, or over 30 percent of the workforce).

Since FY06, WSSC has steadily increased its workforce. The Approved FY15 budget assumes 1,729 positions. The Proposed FY16 budget assumes 1,747 positions. WSSC's rates have also increased substantially. Over the past 10 years, rates have increased 90 percent (with an average of 7.8 percent per year). Expenditures have increased about 45 percent over that same time (about 4.7 percent per year).²

Much of WSSC's ramp-up in staffing and rates has been a result of its increased infrastructure recapitalization work in recent years to address aging water/sewer pipe infrastructure. WSSC has also faced increased environmental regulation costs over time (such as its sanitary sewer overflow (SSO) Consent Decree).

On March 23, the Council's T&E Committee held a joint meeting with the Prince George's County Council's TH&E Committee, and the two committees agreed to have its Council staffs work with WSSC to develop the scope of a benchmarking study to be done by an outside consultant. This work is underway, and a draft scope of work will be provided to both Councils prior to the May 7 Bi-County meeting. WSSC has indicated that this study should take about 6 months (once WSSC provides a notice to proceed to a consultant) and that the contract costs can be absorbed within existing resources.

Council Staff recommends that both the Montgomery and Prince George's County Council WSSC Budget approval resolutions include language referencing this study. Potential draft language is provided below:

"WSSC will initiate, with consultant support, a benchmarking study of its major cost centers to compare its various operations to other water and sewer utilities throughout the country. Both

² The rate of increase in water and sewer rates over the past 10 years is approximately double that of the rate of increase in expenditures. This is because WSSC's primary source of funding (volumetric water and sewer fees) has been flat, despite increases in the population served, due to declining per capita water usage. This trend has resulted in rate increases being needed to offset revenue shortfalls, in addition to funding increased expenditures.

Councils will be briefed on the results of this study and will jointly decide whether to pursue any additional phases of review."

System Development Charge (SDC) Fees and Exemptions

WSSC's Proposed CIP and draft Operating Budget assumes no change in the SDC rate. However, WSSC supports increasing the maximum rate the charge could be increased in future years by a CPI adjustment for FY16, as permitted under State law. The proposed charge and the maximum allowable charge are presented in Table 1.

**Table 1:
Proposed SDC Charges**

Item	FY16 Charge	Max. Allowable Charge
Apartment		
- Water	\$896	\$1,269
- Sewer	\$1,140	\$1,618
1-2 toilets/residential		
- Water	\$1,344	\$1,906
- Sewer	\$1,710	\$2,422
3-4 toilets/residential		
- Water	\$2,240	\$3,176
- Sewer	\$2,850	\$4,040
5 toilets/residential		
- Water	\$3,135	\$4,445
- Sewer	\$3,991	\$5,658
6+ toilets/residential*		
- Water	\$88	\$125
- Sewer	\$115	\$164
Non-residential*		
- Water	\$88	\$125
- Sewer	\$115	\$164

*costs shown are per fixture unit

The SDC fund itself is discussed in more detail in the Council CIP packet from March 17 (Agenda Item #12).

Council Staff is supportive of WSSC's approach, with the caveat that the issue of SDC rates is an annual decision. NOTE: Both the maximum rate and the adopted rate will be noted in the annual Council resolution approved in mid-May.

Account Maintenance Fee and Infrastructure Investment Fee

One major new element in WSSC's Proposed FY16 Budget is a recalibrated account maintenance fee and a new Infrastructure Investment Fee (phased in over two years). As shown in Table #2 below, these fees combined would generate an additional \$28.9 million in revenue in FY16, which is equivalent to a 5.0 percent rate increase (on top of the 1.0 percent increase also proposed by WSSC).

**Table 2:
Rate Impact of Changes to Account Maintenance Fee and
New Infrastructure Renewal Fee**

	FY15	FY16	Change from FY15	
	Approved	Proposed	\$\$\$	Rate Impact
Account Maintenance Fee	22,900,000	32,374,000	9,474,000	1.6%
Infrastructure Investment Fee	-	19,418,000	19,418,000	3.4%
Totals	22,900,000	51,792,000	28,892,000	5.0%

*NOTE: Each 1.0% increase results in about a \$0.53 monthly impact on an average residential customer's bill, Therefore, the average customer impact from WSSC's Proposed Budget is \$0.53*6 = \$3.18 per month.*

Background

In January 2014, the Municipal & Financial Services Group, in association with PEER Consultants, P.C., completed a Water and Sewer Rate Study for WSSC. This rate study was initiated as a result of recommendations from the Bi-County Infrastructure Working Group³ to look at WSSC's current volumetric rate structure and account maintenance fee, options for creation of a new infrastructure fee, and the potential creation of a new customer affordability program.

The consultant report looked at these issues and made recommendations to update the account maintenance fee (the fee has not been adjusted since its inception in the 1990s)⁴ and create a new infrastructure fee and affordability program (discussed later). The consultant did not recommend any changes to the volumetric rate structure at this time.

Currently, WSSC relies on its volumetric water and sewer fees for about 95 percent of its revenue. However, over the past decade, water production has been flat, even as the population served in the water and sewer district has increased by about 10 percent. This steady reduction in per capita water usage has resulted in reduced revenue for WSSC, which is compounded by

³ The Bi-County Infrastructure Working Group was formed in 2010 to consider how best to finance WSSC's major infrastructure recapitalization needs while managing debt and minimizing rate increases. The group included representatives from the Montgomery and Prince George's Council Staffs, Executive staff from both counties, WSSC staff, and WSSC Commissioner Gene Counihan from Montgomery County and former WSSC Commissioner Antonio Jones from Prince George's County.

⁴ Council Staff believes the account maintenance fee change should be considered in the context that the recalibration is intended to capture costs originally intended to be captured by the fee when it was first created. As those costs have gone up over time (unrelated to volumetric use), the fee has remained unchanged. The recalibration is intended to bring the fee up to a level to accomplish its original intent.

WSSC's graduated rate structure.⁵ Given this continuing trend, the Working Group agreed that a revenue structure that included a larger mix of fixed fees should be considered.

The Working Group supported the consultant recommendations, as did the WSSC Commissioners in March 2014. For both fee changes, the Working Group recommended that the new revenue structure should be "revenue neutral" in that any additional revenue obtained from the changes in fixed fees should be offset by reductions in the volumetric fees.

The Working Group also agreed with the consultant recommendation to not consider broader changes to the volumetric rate structure at this time, but that a review of the rate structure should be considered within the next few years.

Both Councils were later briefed on these recommendations in July 2014. These issues were discussed again during discussion of WSSC's FY16 spending control limits last October.

Customer Impact

The impact of the fees on the average residential customer (equivalent to a 5.0% rate increase) was noted earlier. However, the fixed fee changes will result in varying impacts on ratepayers (with some ratepayers seeing overall increases in their bill and other ratepayers seeing decreases in their bills). This is a key reason why the Executive is not recommending implementation of either of these fee changes. Because both of the fees are fixed fees, customers with relatively low water usage will see increases in their bills, while customers with relatively higher water usage will see decreases in their bills in FY16. (Over time, these disparities are reduced as future rate increases occur.) Therefore, these fee changes will make WSSC's overall rate structure slightly less water conservation oriented. The Executive goes on to note his concern that low water users "are often those with the lowest income."

The following chart shows how residential bills (at different levels of water consumption) would be affected under the proposed fee changes versus the County Executive's alternative of a 6.0 percent rate increase.

⁵ WSSC's graduated rate structure has a strong water conservation incentive, since ratepayers pay a higher rate for every gallon used as their average daily consumption moves up to the next block rate.

**Table #3
Avg Residential Customer Bill
Under Current Rates, WSSC Proposal, and 6.0% Rate Increase**

Sample Avg Daily Use	Block Step	Percent of Customers	Current Rates*			Proposed Rates/Fees**			6 Percent Rate Increase***		
			Annual	Quarterly	Monthly	Annual	Quarterly	Monthly	Annual	Quarterly	Monthly
40	0-49	7.4%	151.89	37.97	12.66	196.92	49.23	16.41	158.37	39.59	13.20
			% change from current rates >>>>>			29.6%			4.3%		
75	50-99	21.1%	275.87	68.97	22.99	322.06	80.51	26.84	289.78	72.44	24.15
						16.7%			5.0%		
110	100-149	25.2%	431.05	107.76	35.92	479.06	119.77	39.92	454.27	113.57	37.86
						11.1%			5.4%		
160	150-199	19.3%	685.82	171.45	57.15	736.24	184.06	61.35	724.32	181.08	60.36
						7.4%			5.6%		
210	200-249	11.7%	989.09	247.27	82.42	1,042.29	260.57	86.86	1,045.80	261.45	87.15
						5.4%			5.7%		
260	250-299	6.5%	1,311.86	327.97	109.32	1,368.20	342.05	114.02	1,387.94	346.98	115.66
						4.3%			5.8%		
310	300-349	3.4%	1,650.73	412.68	137.56	1,710.57	427.64	142.55	1,747.13	436.78	145.59
						3.6%			5.8%		
360	350-399	1.8%	1,995.29	498.82	166.27	2,059.00	514.75	171.58	2,112.37	528.09	176.03
						3.2%			5.9%		
410	400-449	1.1%	2,332.15	583.04	194.35	2,398.60	599.65	199.88	2,469.44	617.36	205.79
						2.8%			5.9%		
460	450-499	0.6%	2,686.75	671.69	223.90	2,757.61	689.40	229.80	2,845.31	711.33	237.11
						2.6%			5.9%		

*Current Rates: Includes \$11 quarterly Account Maintenance Fee (AMF).

**Proposed Rates: Assumes 1% rate increase plus \$16 quarterly AMF & \$6 quarterly infrastructure Investment Fee.

***6 Percent Rate Increase: Assumes \$11 quarterly AMF and no Infrastructure Investment Fee.

When comparing the percentage of increase in a bill, the chart shows that, in FY16, customers using less than an average of 200 gallons per day (about 70 percent of customer accounts) will pay more than under a straight 6 percent rate increase, while customers using an average of 200 gallons per day or more would see a lower comparative increase. The difference in bill increase is highest with water usage in the lowest three block steps (representing about 54 percent of residential customer accounts), since fixed fees make up a higher percentage of a customer's bill in these blocks. In future years, with the fixed fees unchanged and with future rate increases factored in, the differences at the lower water usage levels would begin to level out.

Given that per customer water usage has declined over the past 20 years, one can argue that water conservation efforts have been a success. While the fee changes marginally reduce the conservation orientation of the rate structure, the rate structure still retains its block structure and higher charge per gallon of water as usage bumps up to the next block. Council Staff does not believe these fixed fee changes would affect this conservation trend.

With regard to the fee increases having a disproportionate impact on low-income customers, WSSC does not have data correlating water usage by customer household income. The fact that many low-income customers may live in multi-family housing on large shared meters may further complicate this analysis. Also, properties with large families (or perhaps even families doubling up in homes) currently are "penalized" under the current block rate structure, since the block one is billed in is based on average daily water usage by the account (not per capita). Increases in fixed fees with a correspondingly lower volumetric rate increase would reduce this "large family" penalty.

Also relevant in this discussion is that the State Legislature recently passed legislation creating WSSC's customer assistance program. Under this program, WSSC expects to provide a substantial ongoing benefit to approximately 17,800 eligible customer accounts across the WSSC

service area (based on current MEAP eligibility in the two counties). The benefit would include waivers of: the full Account Maintenance Fee (not just the proposed increase), the Infrastructure Investment Fee, and the existing Bay Restoration Fee. The Bay Restoration Fee waiver is available now and almost 400 WSSC customers receive the waiver. WSSC hopes to build the Bay Restoration Fee waiver process into its new customer assistance program. The total benefit for most eligible residential customers would be \$7.33 per month for the fee changes (not counting the fee waiver for the \$5.00 per month Bay Restoration Fee). These waivers would result in eligible customers paying lower WSSC bills in FY16 than they are currently paying in FY15 as shown on Table 3.5 below.

**Table #3.5:
Impact of Customer Assistance Program on Customer Bill**

Sample Avg Daily Use	Block Step	Percent of Customers	Proposed Rates/Fees		
			Monthly	CAP*	Net
40	0-49	7.4%	16.41	(7.33)	9.08
			% change from current rates >>>>>		-28.3%
75	50-99	21.1%	26.84	(7.33)	19.51
			16.7%		-15.1%
110	100-149	25.2%	39.92	(7.33)	32.59
			11.1%		-9.3%
160	150-199	19.3%	61.35	(7.33)	54.02
			7.4%		-5.5%
210	200-249	11.7%	86.86	(7.33)	79.53
			5.4%		-3.5%
260	250-299	6.5%	114.02	(7.33)	106.69
			4.3%		-2.4%
310	300-349	3.4%	142.55	(7.33)	135.22
			3.6%		-1.7%
360	350-399	1.8%	171.58	(7.33)	164.25
			3.2%		-1.2%
410	400-449	1.1%	199.88	(7.33)	192.55
			2.8%		-0.9%
460	450-499	0.6%	229.80	(7.33)	222.47
			2.6%		-0.6%

*Customer Assistance Program assumes a waiver of the Account Maintenance Fee, and Infrastructure Investment Fee.

Council Staff recommends approval of the fee changes proposed by WSSC. Any “revenue neutral” change in the rate structure will result in some customers paying more and some customers paying less. However, the policy basis for the fixed fee changes has been well established and was reviewed by WSSC’s consultant, the Infrastructure Funding Working Group, and WSSC Commissioners. Both Councils were provided detailed briefings on these proposals as well. The recent State action on legislation creating WSSC’s proposed customer assistance program will mean that the lowest income WSSC customers will not be adversely affected by the fee changes (and will also potentially have streamlined access to get a fee waiver for the Bay Restoration Fee).

Other Fees

A list of WSSC fees (and proposed revenue changes) is attached on ©18-23. Most of these fees have to do with construction activity. Neither WSSC nor the Council has received any concerns from the building industry regarding the fee schedule.

Spending Control Limits

Background

In April 1994, the Council adopted Resolution No. 12-1558, which established a spending affordability process for the WSSC budget. Under this process, which stems from the January 1994 report of the Bi-County Working Group on WSSC Spending Controls, each Council appoints a Spending Affordability Committee (SAC). For Montgomery County, the SAC is the Transportation, Infrastructure, Energy and Environment Committee.

There are four spending control limits: Maximum Average Rate Increase, Debt Service, New Debt, and Total Water and Sewer Operating Expenses.

Councilmembers should keep in mind that the spending control limits only provide a ceiling regarding what the Councils direct WSSC to propose in its budget. The limits do not cap what the Councils can approve within the regular budget process that concludes in May of each year.

FY16 Spending Control Limits

Last fall, the T&E Committee and the Council reviewed WSSC's major revenue and expenditure assumptions as part of the FY16 spending control limits process. WSSC developed a "base case" scenario (roughly a "same services" scenario with some enhancements) that included a 2.1 percent rate increase and assumed a recalibration of the account maintenance fee and creation of a new Infrastructure Investment Fee. The T&E Committee was briefed on these proposed fee changes on July 21, 2014.

The Montgomery County and Prince George's County Councils supported a 2.1 percent rate ceiling with the assumed revenue changes proposed by WSSC, but with a two-year phase-in of the Infrastructure Investment Fee. The "effective" rate increase (i.e., the equivalent rate increase that would be needed if the fee changes were not done) would be 7.0 percent.

Table 4 below shows how WSSC's Proposed FY16 Budget compares to the approved limits and to the County Executive's FY16 budget recommendations. The FY16 Proposed WSSC Budget is within each of the limits recommended by both Councils, except for "New Debt." In that case, WSSC is assuming slightly less PAYGO than projected last fall because debt service payments for FY16 are expected to be less than previously estimated, and so less PAYGO is needed to meet WSSC's 25 percent coverage goal. However, with PAYGO reduced, new debt is slightly higher.

Table 4:
FY16 Spending Control Limits Approved by Each Council
versus the FY16 Proposed WSSC Budget and CE Recommendation

Spending Control Limit Categories	Recommended Limits		WSSC	CE
	MC	PG	Proposed	Rec
New Debt (in \$000s)	442.5	442.5	445.5	445.5
Water and Sewer Debt Service (in \$000s)	235.5	235.5	235.5	235.5
Water/Sewer Operating Expenses (in \$000s)	701.8	701.8	693.6	678.1
Maximum Avg. Rate Increase	2.1%	2.1%	1.0%	6.0%

Fund Balance Status

WSSC's fund balance projections and potential uses for excess fund balance were previously discussed last fall during the Council's spending control limits discussion. An updated chart is presented below:

Table 5:
Estimated Excess Fund Balance Calculation (in \$000s)

	Estimated Fund Balance (end of FY14)	153,294
FY15	Billing Factor Adjustment	(5,643)
	PAYGO	(5,000)
	FY15 Operating Reserve Contribution (to achieve goal of 10% of revenues)	(2,300)
	AMI/Billing System Replacement	(3,500)
	Watershed Improvements	(1,500)
	Additional and Reinstated: IT Strategic Plan	(9,000)
	Additional and Reinstated: Supply Chain Management Re-engineering	(1,000)
	Additional and Reinstated: IT Data Modular Center	(2,000)
	Additional and Reinstated: Electric Rate Case Intervention Services	(250)
	Budgeted Reserve	(53,300)
	Projected Unreserved Fund Balance (end of FY15)	69,801
FY16-19	FY16 REDO Extinguishment	(1,500)
	AMI/Billing System Replacement	(2,000)
	FY16 Operating Reserve Contribution (to achieve goal of 10% of revenues)	(6,300)
	Contact Center Optimization	(1,300)
	IT Strategic Plan	(8,000)
	Implementation of Space Study Recommendations for Support Facilities	(12,500)
	Additional and Reinstated: Easements and Land Acq. For Watershed Protection	(1,600)
	Additional and Reinstated: Supply Chain Management Transformation	(555)
	Additional and Reinstated: Vibration Analysis Pilot	(150)
	Additional and Reinstated: Analysis of Water Productions Trends and Projections	(125)
	Additional and Reinstated: Climate Change Vulnerability Assessment	(300)
	Additional and Reinstated: Communications & Community Relations Special Projects	(156)
	Additional and Reinstated: Strategic Energy Plan Implementation	(200)
Additional and Reinstated: Warehouse Distribution & Inventory Optimization Study	(500)	
Additional and Reinstated: Globally Harmonized System of Classification & Labeling of	(100)	
	Projected Unreserved Fund Balance (end of FY15)	34,515
FY17-20	FY17-20 REDO Extinguishment	(8,500)
	FY17-20 AMI Billing System Replacement	(6,000)
	FY17-20 Climate Change Vulnerability Assessment	(1,000)
	FY17-20 Strategic Energy Plan implementation	(1,000)
	FY17-20 Additional Operating Reserve Increase	(14,800)
	Estimated Unallocated Fund Balance	3,215

Both Montgomery and Prince George's County Council Staffs have been supportive of WSSC's use of excess fund balance to fund items such as PAYGO, one-time items, and special projects rather than to provide one-time rate relief. **Using one-time excess fund balance for rate relief would result in a revenue shortfall the following year, which could cause rates to rise higher in that second year than would otherwise be required.**

The additional and reinstated programs to be funded with excess fund balance total \$3.7 million. The use of fund balance for these items is taken into account when considering the rate increase requirement later in this memorandum.

WSSC's February 2015 Monthly Status Report assumes revenues to be \$26.2 million less than budgeted, primarily as a result of lower than previously projected water production. However, expenditures are also expected to be lower than projected (by about \$26.9 million) as a result of savings in regional sewage disposal charges, various operating expenses, and debt service. Therefore, there is minimal overall financial change since the spending control limits discussion last fall. **Council Staff suggests that any additional unallocated reserve, if realized, can be considered in the context of the FY17 spending control limits process this fall.**

Revenues

Table 6:

WSSC Revenue Trends: FY15 to FY16

Revenue	Approved FY15	Requested FY16	change	% change	Impact on Rate (%)
Water and Sewer Rate Revenue	586,255,000	579,276,000	(6,979,000)	-1.2%	1.20
Customer Affordability Program	-	(1,700,000)	(1,700,000)	n/a	0.29
Account Maintenance Fee	22,900,000	32,374,000	9,474,000	41.4%	(1.64)
Infrastructure Renewal Fee	-	19,418,000	19,418,000	n/a	(3.35)
Interest Income	1,000,000	1,000,000	-	0.0%	-
Plumbing/Inspection Fees	6,880,000	6,800,000	(80,000)	-1.2%	0.01
Rockville Sewer Use	2,694,000	2,773,000	79,000	2.9%	(0.01)
Miscellaneous	17,000,000	17,120,000	120,000	0.7%	(0.02)
Total Revenues	636,729,000	657,061,000	20,332,000	3.2%	(3.51)
Use of Fund Balance	30,193,000	21,486,000	(8,707,000)	-28.8%	1.50
Adjustments for REDO and SDC I	11,167,000	9,228,000	(1,939,000)	-17.4%	0.33
Funds Available	678,089,000	687,775,000	9,686,000	1.4%	(1.67)

Revenue trends were discussed in detail during last fall's spending control limits process. The above chart compares WSSC's FY16 revenue assumptions (assuming no water/sewer rate increase) with FY15 approved revenues. The chart shows that water/sewer rate revenue (WSSC's dominant source of revenue) is expected to decline by \$6.98 million. WSSC has also assumed reduced revenue from the implementation of a customer assistance program (-\$1.7 million) that is the subject of recently passed State legislation. WSSC is proposing to use less fund balance for FY16 expenditures and is also continuing its gradual reduction in the REDO offset (as that fund will be exhausted over time). These reductions are more than offset by WSSC's proposed recalibrated account maintenance fee and new Infrastructure Investment Fee (both discussed earlier). Overall, these changes result in a net reduction in the rate requirement by almost 1.7 percent.

This trend of flat to declining revenues is not new and is the result of overall water consumption in the WSSC service area being essentially unchanged from 20 years ago, despite some growth in the WSSC customer base. Per capita water usage is down 17.8 percent since FY96. While water conservation is a good thing from an environmental standpoint, it means WSSC's dominant revenue source has been stagnant, putting more pressure on rates.

Also, new in FY15 is WSSC's assumption of a write-down of revenue (\$1.7 million) to accommodate the new customer affordability program (discussed earlier).

FY16 WSSC Proposed Budget

Summary Charts

The following chart presents summary budget data for WSSC for the FY15 Approved and FY16 Proposed Budgets.

**Table 7:
WSSC Expenditures by Fund (in \$000s)**

	Approved	Proposed	Change	
	FY15	FY16	\$	%
Capital				
Water Supply	265,079	266,623	1,544	0.6%
Sewage Disposal	341,997	396,756	54,759	16.0%
General Construction	18,305	17,539	(766)	-4.2%
Total Capital	625,381	680,918	55,537	8.9%
Operating				
Water Operating	298,593	303,163	4,570	1.5%
Sewer Operating	379,496	390,411	10,915	2.9%
Subtotal W&S Operating	678,089	693,574	15,485	2.3%
Interest and Sinking	29,101	21,508	(7,593)	-26.1%
Total Operating	707,190	715,082	7,892	1.1%
Grand Total	1,332,571	1,396,000	63,429	4.8%

The combined total of the FY16 Capital and Operating Budget is \$1.4 billion, an increase of \$63.4 million (or 4.8 percent) from the Approved FY15 amount of \$1.33 billion.

The total proposed FY16 Operating Budget is \$715.1 million, an increase of \$7.9 million (or 1.1 percent) from the Approved FY15 Operating Budget of \$707.2 million.

The following chart summarizes the Approved and Proposed operating expenditures by major category.

**Table 8:
Total Operating Expenditures by Category**

Expense Categories	Approved	Proposed	Change	
	FY15	FY16	\$\$	%
Salaries and Wages	107,705	113,379	5,674	5.3%
Heat, Light, and Power	22,906	23,353	447	2.0%
Regional Sewage Disposal	55,176	54,895	(281)	-0.5%
All Other	267,065	268,236	1,171	0.4%
Debt Service	254,338	255,219	881	0.3%
Total	707,190	715,082	7,892	1.1%

Apart from the “All Other” category (which includes a variety of operating expense items), debt service continues to be the biggest single expenditure item (about 36 percent of total operating expenditures).

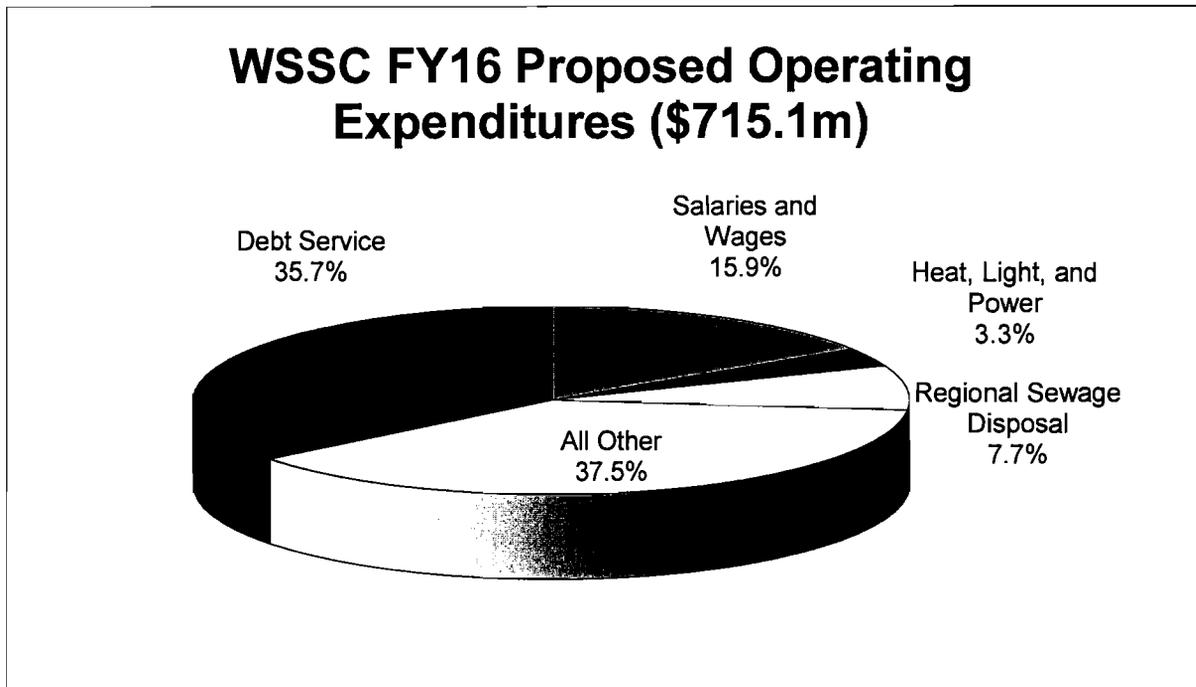
The heat, light, and power category is up slightly for FY16⁶ (by 2.0 percent). This follows small declines the past two years and more substantial declines in previous years as a result of reductions in the weighted average unit price of electricity and also reductions in natural gas usage. Over the past 9 years, WSSC has also pursued a number of electricity retrofit initiatives, funded mostly through a large performance contract with Constellation Energy, that have helped offset operational changes increasing WSSC’s energy requirements (such as installation of ultraviolet disinfection processes). WSSC also has made a major long-term investment in wind power through wholesale purchases from a wind farm in Pennsylvania. This purchase provides approximately 29 percent of WSSC’s power needs at fixed kWh rates for a ten year period ending in March 2018. WSSC expects to advertise for a new 10 year agreement to follow the expiring agreement.

The “All Other” category includes all operating costs not otherwise broken out above and also includes operations and maintenance (\$62.7 million), employee benefits (\$61.4 million), bio-solids management and hauling (\$15.1 million), chemicals (\$11.5 million), implementation of the IT Strategic Plan (\$10.8 million), and a number of other smaller items.

⁶ WSSC’s FY16 budget for heat, light, and power DOES NOT assume any whole or partial sunset in Montgomery County’s energy tax increase from four years ago. If a sunset were to occur in whole or in part, WSSC would achieve some additional budget savings in FY16 from lower energy costs for its facilities located in Montgomery County.

Compensation

Salary and wages remain a comparatively small, although still significant, part of the WSSC Operating budget (as shown in the following pie chart).



Even adding employee benefits (which are included in the “All Other” category) to look at personnel costs as a whole, personnel costs for FY16 make up less than 25 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County Government, where personnel costs are 53.3 percent of County Government expenditures in the FY16 Recommended Budget. MCPS’ personnel costs represent about 90 percent of its budget.

“Salaries and Wages”⁷ costs within the Operating Budget are estimated to increase by 5.9 percent. This increase covers WSSC’s proposed salary enhancements totaling \$5.8 million (\$4.6 million impact on rates) as well as 18 new positions (discussed in more detail later), with an estimated ratepayer impact of \$900,000. The type of salary enhancements to be provided were left to the two Councils to decide, based on their decisions regarding County Government employee compensation.

WSSC’s personnel costs (and increases) are a small part of WSSC’s budget. The ratepayer impact of the \$5.8 million in salary enhancements (assuming a ratepayer impact of \$4.6 million) equates to about a 0.8 percent rate increase. *Note: since WSSC’s budget is funded by ratepayers rather than by tax dollars, WSSC’s compensation increases do not directly compete for the same tax-supported funding that covers other County agency employees. However, both the County Executive and the Council have expressed support for the concept of the equitable treatment of employees across agencies, especially in the context of annual pay increases.*

⁷ Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other” expense category and total about \$61.4 million for FY16.

For FY16, the County Executive's agreements with the three unions (and passed on to non-represented employees) include 2.0 percent cost of living adjustments for all employees and 3.5 percent service increments to eligible employees not at the top of their salary grade (typically about 2/3 of the workforce). The Executive also agreed to create a deferred retirement option program (DROP) to sworn deputy sheriffs and uniformed correctional officers. A similar DROP is already in place for police officers and firefighters.

The Council's Government Operations and Fiscal Policy (GO) Committee will discuss compensation and benefits for all agencies and the County's collective bargaining agreements on April 23.

WSSC's total salary costs for each one percent COLA is \$1,355,700. Each one percent merit (i.e., service increment) costs \$294,560. Based on these numbers, WSSC's \$5.8 million for compensation adjustments appears higher than the compensation adjustments to be provided to County Government employees. Equivalent increases for WSSC employees (2.0 percent COLA and 3.5% service increments) would cost about \$3.74 million.

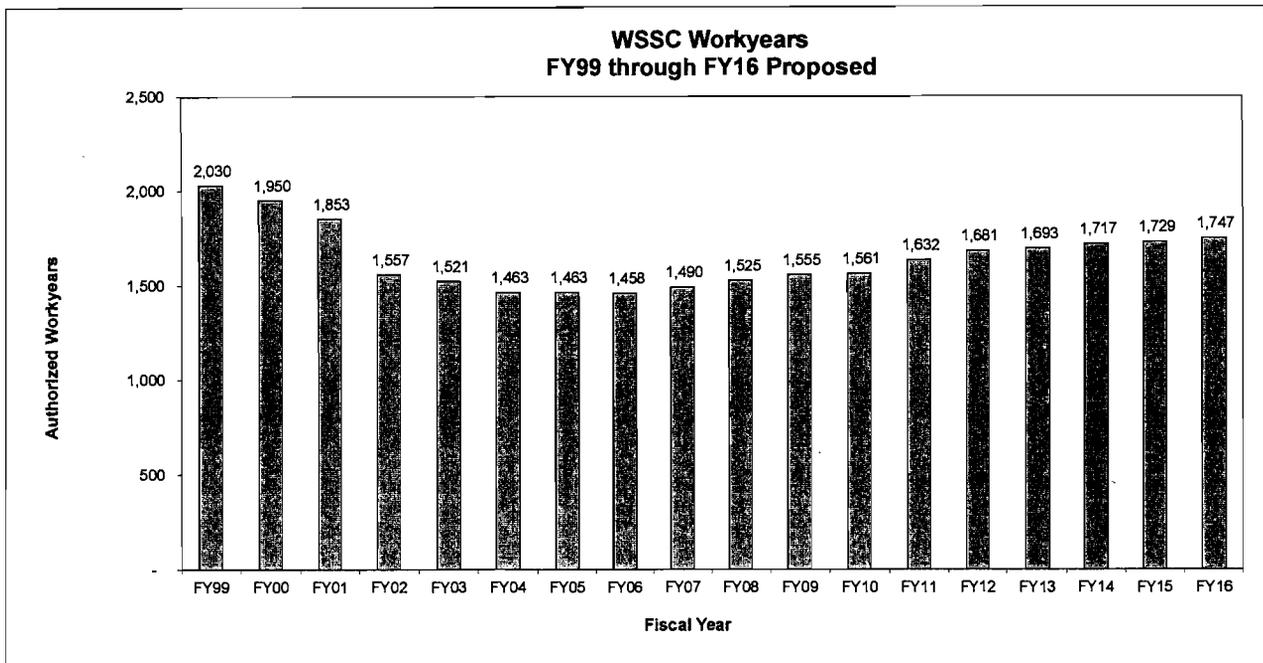
Complicating matters further, the Prince George's County Executive's FY16 Recommended Budget assumes no COLAs or merits, five employee furlough days, and a reduction in force of 110 positions. Assuming the Prince George's County Council takes a similar approach to its compensation as noted above, the two Councils may need to resolve a significant difference in their respective compensation recommendations.

Council Staff supports the concept of treating employees consistently across all agencies, whenever possible, in the context of compensation adjustments. WSSC's additional compensation as proposed would be higher than what would be needed to match what County Government employees are assumed to receive under the County Executive's recommendation. Based on this, Council Staff is supportive of a lower compensation amount for WSSC (\$3.7 million instead of \$5.8 million, with an estimated ratepayer impact of \$2.93 million instead of \$4.59 million). The estimated impact on rates is about .29%. Given this minimal impact, Council Staff suggests leaving the proposed 1.0 percent rate increase alone and having the surplus revert to fund balance.

Council Staff will work with WSSC and Prince George's County Council Staff to develop specific COLA and merit pay recommendations for the two Councils to act on at the Bi-County Meeting on May 7.

Workyear Trends

After about a 1/3 reduction in the workforce achieved as a result of a Competitive Action Program (CAP) and retirement incentive program, WSSC has been adding workyears since FY07. Workyears by organizational unit for the Approved FY15 and FY16 Proposed budget are presented on ©32-33. The chart below presents workyear trends since FY99.



For FY16, 18 new positions are requested, as summarized on ©37. The total annual cost of these new positions is about \$1.2 million, with \$900,000 in water and sewer rate-related costs. More information on each new position was provided by WSSC and is attached on ©38-41. Eleven of the positions are directly involved in the large valve and PCCP programs. Four positions are to be directly funded in the CIP with no ratepayer impact. The other three positions involve operations (hydraulic planning), asset management, and construction communication.

Council Staff recognizes that WSSC’s operating and capital workload is growing substantially and that much of the additional staffing approved over the past several years has been needed to support this work throughout WSSC. The benchmarking study under development now will include a look at staffing levels across WSSC’s major cost centers and will help provide a snapshot of how WSSC compares to other water and sewer utilities and whether future increases or decreases in staffing can be expected.

New and Expanded Programs

The chart on ©37 presents a list of additional and reinstated programs included in the FY16 Proposed Budget. Each of the items is described in more detail on ©38-41. These items total about \$7.8 million, with an operating budget impact of about \$3.2 million (including costs for new staffing detailed earlier). Several items totaling \$2.1 million are assumed to be funded via the use of fund balance. Overall, these items (including the new positions described earlier) would result in a rate increase requirement of approximately 0.9 percent. However, with the fund balance funded items removed, the rate increase impact is 0.55 percent.

Closing the Gap

Each 1.0 percent of rate increase provides an estimated \$5.8 million in revenue. WSSC’s Proposed budget assumes a 1.0 percent rate increase, combined with the fee changes discussed

earlier. These changes, plus the expenditures previously discussed, are summarized on the chart on ©46 which presents all of the elements (plus and minus) that go into the rate increase request for FY16.

Summary of Council Staff Recommendations

- Concur with WSSC to maintain System Development Charge rates for FY16 at current approved levels, but to increase the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment as allowed for under State law.
- Approve the FY16 Proposed Budget, with a 1.0 percent rate increase as proposed by WSSC.
- Approve the recalibrated Account Maintenance Fee and new Infrastructure Investment Fee (phased in over two years) as proposed by WSSC.
- Approve funding for the Customer Assistance Program as proposed by WSSC. State legislation enabling (and requiring) this program was passed by the State Legislature.
- Approve FY16 compensation adjustments for WSSC staff comparable to compensation adjustments for County Government staff. (The equivalent cost for WSSC employees is estimated at \$3.74 million, which is below the \$5.8 million included in the Proposed WSSC CIP.)
- Approve new language in the WSSC Budget resolution referencing a new benchmarking study of WSSC to be performed by a consultant.

Attachments

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PROPOSED BUDGET
FY 2016

July 1, 2015 – June 30, 2016



Washington Suburban Sanitary Commission

Fiscal Year 2016 Proposed Budget

Omar M. Boulware, Chair

Hon. Adrienne A. Mandel, Vice Chair

Gene W. Counihan, Commissioner

Mary Hopkins-Navies, Commissioner

Chris Lawson, Commissioner

Dr. Roscoe M. Moore, Jr., Commissioner

ATTEST: Sheila R. Finlayson, Esq., Corporate Secretary

On our cover: Almost 17,000 solar panels are providing green power to two WSSC wastewater treatment plants. The installations span several acres at our Western Branch Wastewater Treatment Plant in Upper Marlboro and our Seneca Wastewater Treatment Plant in Germantown. The facilities are the result of a public-private partnership with Washington Gas Energy Systems and Standard Solar, Inc. Together the solar arrays at the two plants are expected to generate approximately 6.6 million kWh of solar energy each year and reduce WSSC's carbon footprint by approximately 3.5 percent, equal to 3,200 metric tons of greenhouse gases annually.



Washington Suburban Sanitary Commission

14501 Sweitzer Lane Laurel, MD 20707-5901
(301) 206-8000 1(800) 828-6439 TTY: (301) 206-8345 www.wsscwater.com

February 27, 2015

To The Honorable:

Rushern L. Baker, III, Prince George's County Executive
Isiah Leggett, Montgomery County Executive

Mel Franklin, Chair, Prince George's County Council
George Leventhal, President, Montgomery County Council

Members of Prince George's County Council
Members of Montgomery County Council

Elected Officials, Valued Customers, and Interested Citizens:

We are hereby transmitting the Fiscal Year 2016 (FY'16) Proposed Capital and Operating Budget Document for the Washington Suburban Sanitary Commission (WSSC). In January, a preliminary FY'16 budget was published and distributed for review by interested customers, citizens, and officials. Public Hearings were held on Wednesday, February 4, and Thursday, February 5, 2015. The FY'16 Proposed WSSC Budget is now submitted to the County Executives and Councils of Prince George's and Montgomery Counties for hearings and other procedures as directed by Section 17-202 of the Public Utilities Article, Annotated Code of Maryland, before a final budget is adopted for the next fiscal year, beginning July 1, 2015.

This proposed budget reflects our continued mission to provide safe and reliable water, life's most precious resource, and return clean water to the environment, all in an ethical, sustainable, and financially responsible manner. The programs, goals, and objectives included in this budget seek to achieve the Commission's mission through the following strategic priorities:

- Sustain Infrastructure
- Ensure Financial Stability
- Optimize Workforce Management
- Integrate Supply Chain Management and Supplier Diversity
- Deliver Excellent Customer Service
- Ensure Security and Safety
- Enhance Communications and Stakeholder Relationships
- Demonstrate Environmental Stewardship

The preliminary proposed budget for Fiscal Year 2016 provides for a combined 1.0% average increase in water and sewer rates. This proposed increase meets the Spending Affordability Guidelines approved by Prince George's and Montgomery Counties (both recommended 2.1%). The preliminary budget also proposes changes to the Commission's Ready to Serve Charge including recalibration of the existing Account Maintenance Fee (AMF) component and the phased-in implementation of an Infrastructure Investment Fee component. The changes to the Ready to Serve Charge will not result in net new revenues to the Commission as the revenues from the fees will be used to offset revenues from rates dollar-for-dollar. The 1% rate increase combined with the changes to the Ready to Serve Charge will add \$4.20 per month to the bill of a customer using 160 gallons per day.

Managing a water distribution and sanitary sewer system involves certain fixed costs that are not related to individual usage. In 1990, the Commission instituted a separate AMF to recover 100% of the fixed costs associated with having an account with WSSC. Examples of these costs include billing, meter reading, meter replacement and private fire protection. This fee has not been adjusted since its inception and currently recoups only 70% of these costs with the remaining 30% being subsidized with revenues from rates. This budget proposes the recalibration of the AMF to fully recover the cost of providing customer account services.

A new Infrastructure Investment Fee component of the Ready to Serve Charge would provide a dedicated, predictable, and transparent funding source for the Commission's large and small diameter water and sewer pipe reconstruction programs from the approved Capital Improvements Program. As recommended by the two Counties in the Spending Affordability Guidelines, the fee would be phased-in over two years; 50% of the fee total in FY'16, 100% of the fee total in FY'17.

For similar utilities across the country, the typical range for fixed fees and charges generated as a percentage of revenues is from 10% to 30%. By comparison, the Commission's percentage of our revenues from fixed fees and charges is far below the industry average at approximately 5% to 10% of revenues. The changes to the Ready to Serve Charge would increase the portion of the Commission's revenues that are fixed, thereby relieving some of the pressure on rates. Without the proposed changes to the Ready to Serve Charge, the proposed rate increase would be 6.0%.

Like many utilities across the country, WSSC continues to face the challenge of balancing increasing costs for infrastructure and operations and affordability to our customers. The Bi-County Infrastructure Funding Working Group recommended the creation of a more aggressive Customer Affordability Program (CAP) to target economically disadvantaged customers and provide financial assistance with water and sewer bills. The Commission is again seeking enabling legislation from the Maryland General Assembly to establish a CAP. The FY'16 budget includes \$1.7 million in revenue offsets to create, implement, and begin administering a CAP.

Water and Sewer Infrastructure

The state of WSSC's infrastructure remains a significant concern as our buried assets continue to age. On the water side, the FY'16 budget proposes the rehabilitation of 57 miles (the approximate length of the Capital Beltway) of smaller water mains (less than 16 inches in diameter), house connections, large meters and vaults. Large diameter water rehabilitation continues to increase and includes \$29.7 million in support of the Prestressed Concrete Cylinder Pipe (PCCP) program. The Commission is expanding the program to assess, repair, and replace large water valves which began in FY'15. On the wastewater side, all trunk sewer inspections, Sewer System Evaluation Surveys (SSES) work and all other related collection system evaluations required under the Consent Decree are complete. Rehabilitation work is now underway in all environmentally sensitive area (ESA) basins. The total cost of this program has increased due to the construction of extensive access roads, by-pass pumping, and stream stabilization required to complete the Consent Decree construction activities in the ESA within the constraints of the permits.

FY'16 Proposed Capital and Operating Budgets

Our Proposed Budget for FY'16 for all operating and capital funds totals \$1.4 billion or \$63.4 million (4.8%) more than the FY'15 Approved Budget and includes a 1.0% rate increase. The budget includes funds for an additional 18 workyears to support critical programs and enhanced customer service. The new positions will support reconstruction of the Commission's infrastructure including the PCCP Program, large valve assessment/repair/replacement, as well as operations. In addition to investments in the Commission's physical infrastructure, the budget also provides for investment in the Commission's internal infrastructure through the use of strategic contributions from Fund Balance. Funds are included to complete the Commission's Supply Chain Management (SCM) initiative and fund the third year of the Information Technology (IT) Strategic Plan. The goal of the SCM initiative is to drive costs out of the organization through strategic sourcing to acquire the products and services needed to run the Commission. The IT Strategic Plan is an aggressive undertaking to improve our operations, contain costs, and vastly improve customer service. Just as we invest in our aging infrastructure, it is imperative that we invest in planning, designing, and implementing IT systems that will replace legacy systems and drastically improve business processes. The Proposed Budget also includes funds to begin a Climate Change Vulnerability Assessment and to begin the implementation of the Strategic Energy Plan to further reduce our energy consumption.

Comparative Expenditures by Fund

	FY'15 Approved	FY'16 Proposed	FY'16 Over / (Under) FY'15	% Change
<u>Capital Funds</u>				
Water Supply	\$265,079,000	\$266,623,000	\$1,544,000	0.6 %
Sewage Disposal	341,997,000	396,756,000	54,759,000	16.0 %
General Construction	18,305,000	17,539,000	(766,000)	(4.2) %
Total Capital	625,381,000	680,918,000	55,537,000	8.9 %
<u>Operating Funds</u>				
Water Operating	298,593,000	303,163,000	4,570,000	1.5 %
Sewer Operating	379,496,000	390,411,000	10,915,000	2.9 %
General Bond Debt Service	29,101,000	21,508,000	(7,593,000)	(26.1) %
Total Operating	707,190,000	715,082,000	7,892,000	1.1 %
GRAND TOTAL	\$1,332,571,000	\$1,396,000,000	\$63,429,000	4.8 %

The FY'16 Proposed Budget further secures the long-term fiscal sustainability of the Commission with a contribution of \$6.3 million from Fund Balance to maintain the operating reserve at 10% of water and sewer rate revenues. At this point in our budget process, we are including a pool of funds for salary enhancements. The specific use of these funds will be determined during the budget approval process as the two Counties decide how they will address salary enhancements for their employees.

The FY'16 Proposed Capital Budget of \$680.9 million represents an increase of \$55.5 million (8.9%) from the FY'15 Approved Budget. The change can be primarily attributed to the significant increase in the Trunk Sewer Reconstruction project due to the construction of extensive access roads, by-pass pumping, and stream stabilization required to complete Consent Decree construction.

The FY'16 Proposed Operating Budget of \$715.1 million represents an increase of \$7.9 million (1.1%) from the FY'15 Approved Operating Budget. The primary drivers of the increase in operating costs are water and sewer debt service, expansion of the Large Valve Program, salary enhancements and new workyears. These costs are partially offset by reduced general bond debt service

expenses, cost decreases for regional sewage disposal, chemicals, bio-solids hauling and reduced spending on the SCM initiative as it winds down.

Spending Affordability

The Commission, in cooperation with the Montgomery County and Prince George’s County governments, continues to participate in the spending affordability process. The spending affordability process focuses debate, analysis, and evaluation on balancing affordability considerations against providing the resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates, and provide the facilities needed for growth. In October 2014, the Montgomery County Council and Prince George’s County Council approved resolutions establishing four limits on the WSSC’s FY’16 budget.

WSSC FY’16 Proposed Budget vs. Spending Affordability Limits
 (\$ in Millions)

	<u>FY’16 Proposed Budget</u>	<u>Prince George’s County Limit</u>	<u>Montgomery County Limit</u>
New Water and Sewer Debt	\$445.6	\$442.5	\$442.5
Total Water and Sewer Debt Service	\$235.5	\$235.5	\$235.5
Total Water/Sewer Operating Expenses	\$693.6	\$701.8	\$701.8
Water/Sewer Bill Increase	1.0%	2.1%	2.1%

The proposed budget provides for:

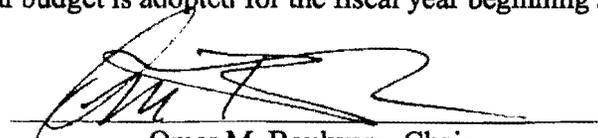
- Funding the first year of the FYs 2016-2021 Capital Improvements Program;
- Increasing funding for the large diameter Water Reconstruction Program;
- Increasing funding for the Sewer Reconstruction Program;
- Complying with the Sanitary Sewer Overflow Consent Decree;
- Inspecting and monitoring our large diameter water main transmission system;

- Expanding the program dedicated specifically to the assessment, repair and/or replacement of large water valves 16" or larger;
- Promptly paying \$255.2 million in debt service on \$2.5 billion in outstanding debt to WSSC bondholders;
- Meeting or surpassing all federal and state water and wastewater quality standards and permit requirements;
- Keeping maintenance service at a level consistent with the objective of arriving at the site of a customer's emergency maintenance situation within 2 hours of receiving the complaint and restoring service within 24 hours of a service interruption;
- Paying the WSSC's share of operating (\$55 million in FY'16) and capital costs (\$99 million in FY'16; \$319 million FY'16-FY'21) for the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant;
- Funding for employee salary enhancements;
- Operating and maintaining a system of 3 reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 6 wastewater treatment plants, 5,600 miles of water main, and 5,500 miles of sewer main 24 hours a day, 7 days a week;
- Continuing to make recommended safety and access improvements in our watershed;
- Maintaining an operating reserve of 10% of water and sewer rate revenues; and
- Funding the annual required contribution for non-retirement post-employment benefits based on Government Accounting Standards Board Statement No. 45.

In addition to reviewing expenses and revenues for water and sewer services, we have analyzed the cost and current fee levels for other WSSC services. Based upon these analyses, some new fees and adjustments to current fees are recommended in Table X (page 18).

Budget Review Process

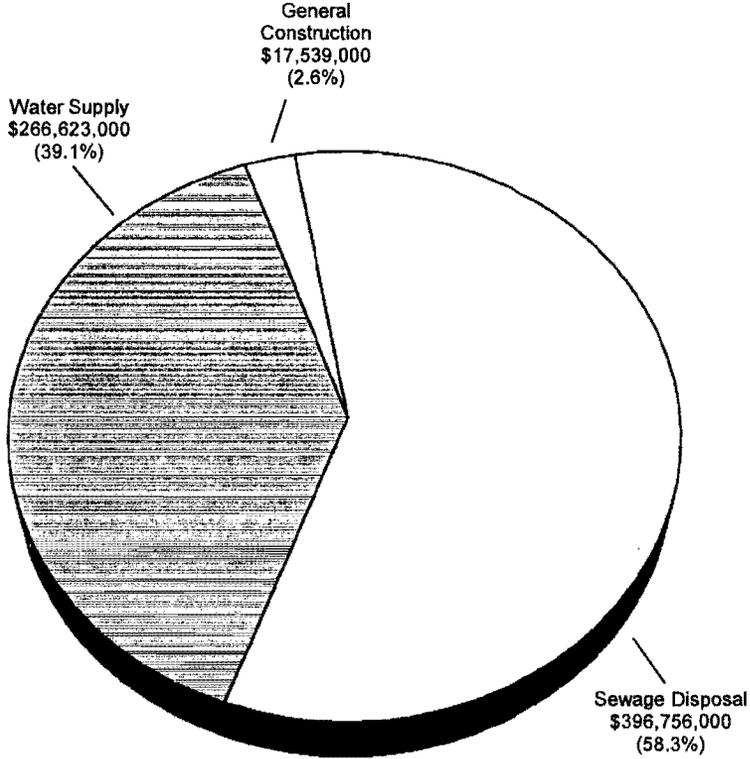
The Proposed Budget is subject to the Counties' hearings, procedures, and decisions, as provided under Section 17-202 of the Public Utilities Article, Annotated Code of Maryland, before the final budget is adopted for the fiscal year beginning July 1, 2015.



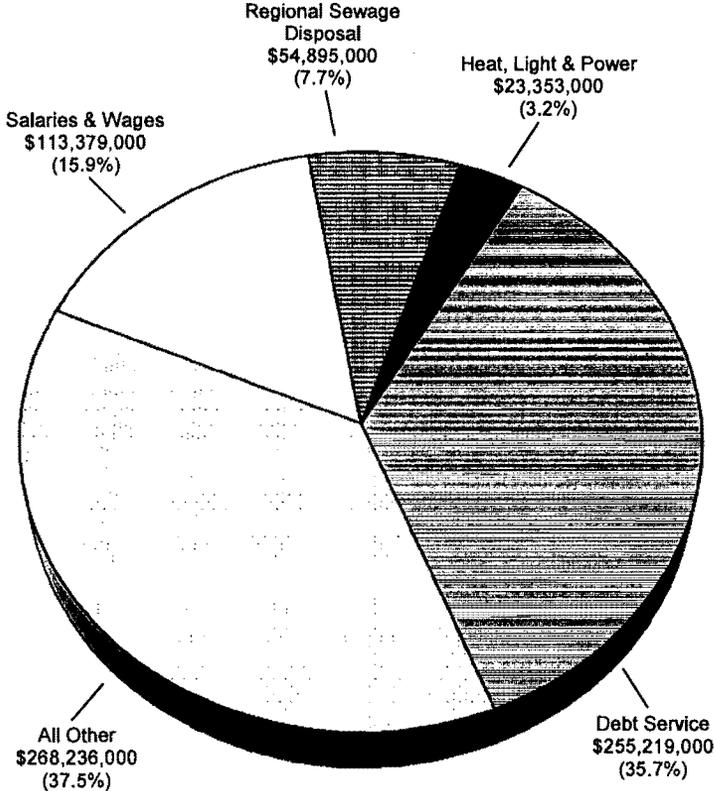
Omar M. Boulware, Chair
Washington Suburban Sanitary Commission

FY 2016 PROPOSED BUDGET

CAPITAL = \$680,918,000



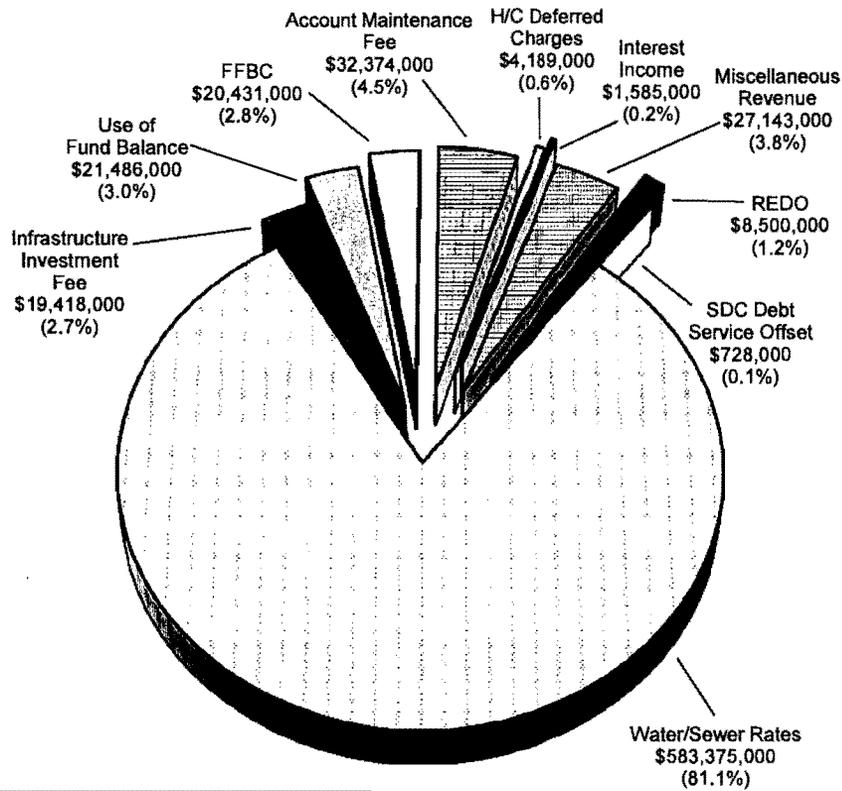
OPERATING = \$715,082,000



GRAND TOTAL = \$1,396,000,000

FY 2016 PROPOSED BUDGET OPERATING

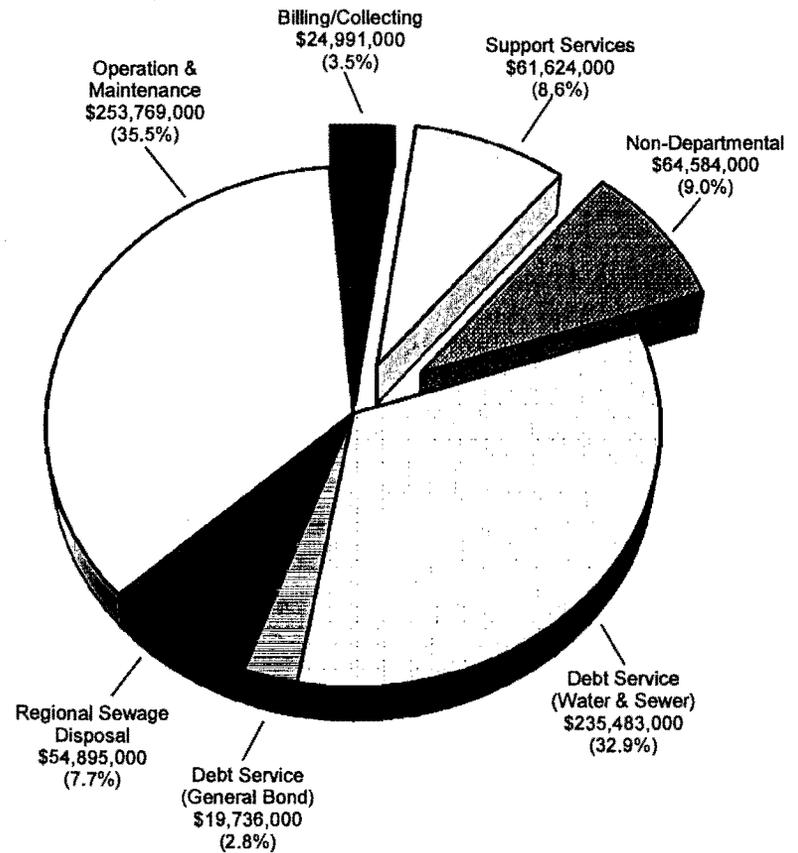
FUNDING SOURCES



REDO = Reconstruction Debt Service Offset
 SDC = System Development Charge
 H/C = House Connection
 FFBC = Front Foot Benefit Chargee

TOTAL SOURCES = \$719,229,000

FUNDING USES



TOTAL USES = \$715,082,000

TABLE I

Comparative Expenditures by Fund

	FY'13 Actual	FY'14 Actual	FY'15 Approved	FY'16 Proposed	FY'16 Over / (Under) FY'15
Capital Funds					
Water Supply	\$ 182,393,000	\$ 170,166,000	\$ 265,079,000	\$ 266,623,000	\$ 1,544,000
Sewage Disposal	356,179,000	346,043,000	341,997,000	396,756,000	54,759,000
General Construction	8,617,000	9,433,000	18,305,000	17,539,000	(766,000)
Total Capital	547,189,000	525,642,000	625,381,000	680,918,000	55,537,000
Operating Funds					
Water Operating	236,478,000	260,747,000	298,593,000	303,163,000	4,570,000
Sewer Operating	301,807,000	313,919,000	379,496,000	390,411,000	10,915,000
General Bond Debt Service	44,527,000	39,457,000	29,101,000	21,508,000	(7,593,000)
Total Operating	582,812,000	614,123,000	707,190,000	715,082,000	7,892,000
GRAND TOTAL	\$ 1,130,001,000	\$ 1,139,765,000	\$ 1,332,571,000	\$ 1,396,000,000	\$ 63,429,000

TABLE II

Comparative Expenditures by Major Expense Category

(\$ in Thousands)

Expense Categories	FY'14 Actual			FY'15 Approved			FY'16 Proposed		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Salaries & Wages	\$ 23,882	\$ 95,986	\$ 119,868	\$ 24,684	\$ 107,705	\$ 132,389	\$ 26,856	\$ 113,379	\$ 140,235
Heat, Light & Power	-	24,443	24,443	-	22,906	22,906	-	23,353	23,353
Regional Sewage Disposal	-	44,631	44,631	-	55,176	55,176	-	54,895	54,895
Contract Work	214,754	-	214,754	348,052	-	348,052	421,992	-	421,992
Consulting Engineers	58,613	-	58,613	63,753	-	63,753	60,359	-	60,359
All Other	228,393	199,996	428,389	188,817	267,065	455,882	171,711	268,236	439,947
Debt Service	-	249,067	249,067	75	254,338	254,413	-	255,219	255,219
TOTAL	\$ 525,642	\$ 614,123	\$ 1,139,765	\$ 625,381	\$ 707,190	\$ 1,332,571	\$ 680,918	\$ 715,082	\$ 1,396,000

TABLE V

Combined Water/Sewer Operating Funds - FY'16 Proposed Rate Impact

(\$ in Thousands)

(1.0% AVERAGE RATE INCREASE PROPOSED FOR FY'16)

<u>Funding Sources</u>	<u>FY'16 Proposed</u>
<u>Revenues at Current Rates</u>	
Consumption Charges at 166.0 MGD	\$ 577,576
Account Maintenance Fee	32,374
Infrastructure Investment Fee *	19,418
Interest Income	1,000
Miscellaneous Revenues	<u>26,693</u>
Sub-Total	657,061
Reconstruction Debt Service Offset	8,500
SDC Debt Service Offset	728
Use of Fund Balance	<u>21,486</u>
Total Funding Sources	<u>687,775</u>
<u>Requirements</u>	
Operating, Maintenance & Support Services Expenses	433,520
Debt Service	235,483
PAYGO	18,271
Operating Reserve Contribution	<u>6,300</u>
Total Requirements	<u>693,574</u>
Shortfall to be Covered by Rate Increase	<u>\$ (5,799)</u>
 PROPOSED AVERAGE WATER AND SEWER RATE INCREASE	 1.0%

* To be phased in over two years

TABLE VI

Annual Customer Bills At Various Consumption Levels

Average Daily Consumption (ADC) Gallons Per Day	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
100 (36,500 GAL/YR) 3/4" Residential Meter	\$ 333.45	\$ 354.98	\$ 377.61	\$ 395.86	\$ 443.51
160 (58,400 GAL/YR) 3/4" Residential Meter	571.94	611.65	652.53	685.82	736.24
500 (182,500 GAL/YR) 3/4" Residential Meter	2,451.18	2,631.85	2,819.83	2,973.13	3,046.33
1,000 (365,000 GAL/YR) 2" Meter	5,288.45	5,675.35	6,073.20	6,394.40	6,730.45
5,000 (1,825,000 GAL/YR) 3" Meter	26,392.50	28,363.50	30,389.25	32,031.75	33,408.00
10,000 (3,650,000 GAL/YR) 6" Meter	54,895.00	58,983.00	63,180.50	66,611.50	69,466.50

Annual customer bills include the Account Maintenance Fee shown on page 16 and the Infrastructure Investment Fee shown on page 17.

TABLE VII

WSSC Water/Sewer Rate Schedules Effective July 1, 2014 & Proposed for Implementation July 1, 2015

(Rates per Thousand Gallons)

(1.0% AVERAGE RATE INCREASE PROPOSED FOR FY'16)

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	Water Rates		Sewer Rates		Combined Water & Sewer Rates	
	July 1, 2014 Rates Per 1,000 Gallons	July 1, 2015 Rates Per 1,000 Gallons	July 1, 2014 Rates Per 1,000 Gallons	July 1, 2015 Rates Per 1,000 Gallons	July 1, 2014 Rates Per 1,000 Gallons	July 1, 2015 Rates Per 1,000 Gallons
0-49	\$ 3.17	\$ 3.20	\$ 4.22	\$ 4.26	\$ 7.39	\$ 7.46
50-99	3.54	3.57	4.93	4.98	8.47	8.55
100-149	3.89	3.94	5.75	5.80	9.64	9.74
150-199	4.36	4.41	6.63	6.69	10.99	11.10
200-249	5.10	5.16	7.23	7.29	12.33	12.45
250-299	5.53	5.59	7.83	7.90	13.36	13.49
300-349	5.85	5.92	8.35	8.42	14.20	14.34
350-399	6.09	6.16	8.76	8.84	14.85	15.00
400-449	6.33	6.40	8.96	9.04	15.29	15.44
450-499	6.50	6.58	9.24	9.32	15.74	15.90
500-749	6.62	6.70	9.43	9.51	16.05	16.21
750-999	6.78	6.86	9.64	9.72	16.42	16.58
1,000-3,999	6.91	6.99	10.05	10.14	16.96	17.13
4,000-6,999	7.07	7.15	10.28	10.37	17.35	17.52
7,000-8,999	7.16	7.25	10.43	10.52	17.59	17.77
9,000 & Greater	7.29	7.37	10.70	10.80	17.99	18.17

Current Flat Rate Sewer Charge - \$104.00 per quarter
 Proposed Flat Rate Sewer Charge - \$104.00 per quarter

TABLE VIII

Account Maintenance Fees Proposed for Implementation July 1, 2015

<u>Meter Size</u>	<u>Current FY'15 Quarterly Charges</u>	<u>Proposed FY'16 Quarterly Charges</u>
<u>Small Meters</u>		
5/8" to 1-1/2" (Residential)	\$ 11.00	\$ 16.00
<u>Large Meters</u>		
1-1/2" (Commercial)	31.00	24.00
2"	51.00	27.00
3"	92.00	66.00
4"	145.00	142.00
6"	237.00	154.00
10"	458.00	246.00
<u>Detector Check Meters</u>		
2" to 4"	53.00	-
2"	-	33.00
4"	-	177.00
6"	73.00	255.00
8"	197.00	461.00
10"	256.00	633.00
<u>Fire Service Meters</u>		
4"	-	182.00
6"	-	293.00
8"	-	452.00
10"	-	682.00
12"	-	989.00

TABLE IX

Infrastructure Investment Fees Proposed for Implementation July 1, 2015

<u>Meter Size</u>	<u>Current FY'15 Quarterly Charges</u>	<u>Proposed FY'16 Quarterly Charges *</u>
<u>Small Meters</u>		
5/8" (Residential)	\$ -	\$ 5.50
3/4"	-	6.00
1"	-	7.00
1-1/2"	-	59.50
<u>Large Meters</u>		
1-1/2" (Commercial)	-	42.00
2"	-	92.50
3"	-	292.50
4"	-	406.50
6"	-	632.50
10"	-	2,212.50
<u>Fire Service Meters</u>		
4"	-	249.50
6"	-	308.00
8"	-	1,262.00
10"	-	1,357.00
12"	-	2,607.00

* The Infrastructure Investment Fee is to be phased in over two years. The proposed amount represents 50% of the total fee. The full fee is proposed to be implemented in FY'17 and remain fixed over the existing five year period.

TABLE X

Miscellaneous Fees and Charges – Proposed Changes

The Commission provides a number of services for which separate fees or charges have been established. Recent review of the costs required to provide these services indicates a need to change the amounts charged for some of the services. The fee and charge changes listed below are proposed to be effective July 1, 2015.

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2015</u>
1. Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gasfitting Inspections		
New Single Family Detached Dwellings	\$550	** \$600
New Attached Dwellings (townhouse/multiplex excluding apartments)	550	** 600
All Other Residential:		
Water/Well Hookup	75	** 85
Meter Yoke Inspection (meter only installation)	75	** 85
Water Hookup Converting from Well (includes 2 inspections)	150	** 170
Sewer/Septic Hookup	75	** 85
First Plumbing Fixture	75	** 85
Each Additional Fixture	25	** 30
SDC Credit Fixture Inspection (per fixture)	20	** 25
Minimum Permit Fee	170	** 180
Permit Reprocessing Fee	50	50
Long Form Permit Refund Fee	170	170
Long Form Permit Re-Issue Fee	170	** 180
All Non-Residential:		
Plan Review (without Permit Application)		
50 Fixtures or Less	360	360
51-200 Fixtures	1,220	1,220
Over 200 Fixtures	2,430	2,430
2 nd or 3 rd Review (with or without Permit Application)		
50 Fixtures or Less	145	145
51-200 Fixtures	275	275
Over 200 Fixtures	580	580
Water/Well Hookup	140	140
Meter Yoke Inspection (meter only installation)	140	140
Sewer/Septic Hookup	140	140
FOG Interceptor	140	140
First Plumbing Fixture	140	140
Each Additional Fixture	35	35
SDC Credit Fixture Inspection (per fixture)	20	** 25
Minimum Permit Fee	210	210
Permit Reprocessing Fee	50	** 55
Long Form Permit Refund Fee	210	210
Long Form Permit Re-Issue Fee	210	210

* New Fee
** Changed Fee

TABLE X

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2015</u>
2. Site Utility (On-Site) Review Fee		
Base Fee	\$2,900	\$2,900
Additional Fee per 100 feet	250	250
Minor (Waived) Site Utility (On-Site) Fee	660	** 725
3. License Fees for the Regulated Trades		
Reciprocal Master Plumber, Gasfitter		
- Initial Registration per type	\$80/2 years	** \$85/2 years
- Registration Renewal all types	80/2 years	** 85/2 years
- Late Registration Renewal	50	50
Examined		
- Master Plumber, Gasfitter		
- Initial Registration per type	105/4 years	105/4 years
- Registration Renewal all types	105/4 years	105/4 years
- Late Registration Renewal	50	50
- Cross Connection Technician Registration	25	25
- Sewer and Drain Cleaner Registration and Renewal	40/2 years	40/2 years
- Sewer and Drain Cleaner Late Registration Renewal	20	20
- Journeyman License		
- Initial Registration per type	30/2 years	30/2 years
- Registration Renewal	30/2 years	30/2 years
- Late Registration Renewal	20	20
- License Transfer Fee	30	30
- License Replacement Fee	15	15
- Apprentice License Registration/Renewal	10	10
4. Short Form Permit Fee (up to 3 fixtures) – Non-Refundable	\$60	** \$75

* New Fee

** Changed Fee

TABLE X

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2015</u>
5. Fee for Sale of Copies of Plans, Plats & 200' Reference Maps		
Xerographic	\$3.50/sheet	** \$5.00/sheet
Sepia/Mylar	5.00/sheet	5.00/sheet
6. Septic Hauler Discharge Permit Sticker		
<u>Category I</u>		
<u>Residential & Septic Waste & Grease</u>		
1 - 49 gallons	\$210/vehicle	** \$230/vehicle
50 - 799 gallons	3,015/vehicle	** 3,315/vehicle
800 - 2,999 gallons	8,585/vehicle	** 9,450/vehicle
3,000 - gallons and up	20,375/vehicle	** 22,415/vehicle
January through June	50% of fee	50% of fee
Transfer and/or Replacement Permit Sticker	65	** 75
Industrial/Special Waste Disposal Fee	265/1,000 gallons	** 295/1,000 gallons
Zero Discharge Permit Fee	65	** 75
Temporary Discharge Permit Fee	65 + Sewer Rate/1,000 gallons	** 75 + Sewer Rate/1,000 gallons
Sewer Rate – Domestic Low Strength Wastewater	9.67/1,000 gallons of truck capacity	** 10.05/1,000 gallons of truck capacity
Sewer Rate – Domestic High Strength Wastewater	44.04/1,000 gallons of truck capacity	** 44.74/1,000 gallons of truck capacity
7. Long Form Permit Transfer Fee	\$115	** \$130
8. Small Meter Replacement Fee (at Customer Request)	\$170	** \$180
9. Meter Replacement Fee (Damaged or Stolen Meter)		
5/8" Encoder (outside)	\$150	\$150
5/8" Encoder	150	150
3/4" Encoder (outside)	150	150
3/4" Encoder	150	150
1" Encoder (outside)	150	** 165
1" Encoder	150	** 165
1-1/2" Encoder	650	** 680
2" Standard	900	** 1,000
3" Compound	2,750	** 2,900
4" Compound	3,400	** 3,600
6" Compound	5,050	** 5,300
2" MVR	1,100	1,100
3" MVR	1,750	** 1,850

* New Fee

** Changed Fee

TABLE X

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2015</u>
4" MVR	2,500	** 2,650
6" MVR	3,900	** 4,100
2" Detector Check	1,250	** Delete
4" Detector Check	3,100	** Delete
6" Detector Check	3,600	** Delete
8" Detector Check	4,800	** Delete
10" Detector Check	6,500	** Delete
12" Detector Check	9,000	** Delete
4" FM w/2" MVR	7,000	7,000
6" FM w/3" MVR	8,500	** 8,925
8" FM w/4" MVR	9,950	** 10,450
10" FM w/6" MVR	14,225	14,225
12" FM	16,250	16,250
10. Meter Testing Fees		
5/8" to 1"	\$190	** \$210
1-1/2"	330	** 365
2" and up	385	** 425
11. Sub-Meter Installation Fee		
One-time Sub-Meter Charge - Small	\$225	\$225
One-time Sub-Meter Charge - Large	400	** 440
One-time Inspection Fee	50	50
Minimum Permit Inspection Fee	170	** 180
12. Temporary Fire Hydrant Connection Fee		
3/4" Meter - Deposit		
2 Weeks or Less w/approved payment record	\$0	\$0
Over 2 Weeks/Less than 2 weeks w/unapproved payment record	330	** 340
3" Meter - Deposit		
2 Weeks or Less w/approved payment record	0	0
Over 2 Weeks/Less than 2 weeks w/unapproved payment record	2,200	2,200
Service Charge		
2 Weeks or Less (3/4" meter)	40	40
2 Weeks or Less (3" meter)	130	130
Over 2 Weeks (3/4" and 3" meters)	130	** 145

* New Fee
 ** Changed Fee

TABLE X

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2015</u>
Water Consumption Charge - 3/4" Meter	Current approved rate for 1,000 gallons ADC; \$30 minimum	Current approved rate for 1,000 gallons ADC; \$30 minimum
Water Consumption Charge - 3" Meter	Current approved rate for 1,000 gallons ADC; \$195 minimum	Current approved rate for 1,000 gallons ADC; \$195 minimum
Late Fee for Return of Meter	\$7/day	\$7/day
Fee on Unpaid Temporary Fire Hydrant Meter Billings (per month)	1½%	1½%
Loss/Destruction of Meter	Replacement Cost	Replacement Cost
Loss/Destruction of Wrench	40	40
13. Fee for Truck Inspections with Attached Fire Hydrant Meter	\$45/2 years	** \$50/2 years
14. Missed Appointment Fee		
First Missed Appointment or Turn-On	\$60	** \$75
Each Additional Missed Appointment	85	** 100
15. Patuxent Watershed Civil Citation Fee (State Mandated) ** (previously called Patuxent Watershed Civil Citation Fee)		
First Offense	\$50	** \$150
Each Additional Offense within Calendar Year	100	** 300
16. Connection Abandonment Fee		
County Roads (Except Arterial Roads) - Water	\$900	** \$1,200
County Roads (Except Arterial Roads) - Sewer	1,400	** 1,600
State Roads and County Arterial Roads - Water	1,400	** 1,600
State Roads and County Arterial Roads - Sewer	1,900	** 2,000
17. Fire Hydrant Inspection Fee	\$90/hydrant	** \$100/hydrant
Controlled Access Surcharge Fee	25	25
18. Civil Citation Fees - Sediment Control, Theft of Service, and Plumbing Civil Citations (State Mandated) ** (previously called Civil Citation Fees - Sediment Control, Theft of Service, and Plumbing Civil Citations)		
First Offense	\$250	\$250
Second Offense	500	500
Third Offense	750	750
Each Violation in Excess of Three	1,000	1,000

* New Fee

** Changed Fee

TABLE X

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2015</u>
19. Fire Hydrant Flow Test Fee		
No Current Test	\$550	** \$575
Current Test	75	75
20. Shut Down/Charge Water Main Fee	\$750	** \$825
Shut Down/Complex Water Main Fee	1,400	** 1,540
21. Fee for Review and Inspection of Site Work Potentially Impacting WSSC Pipelines		
Simple Review	\$300	\$300
Complex Review	1,500	** 1,725
Inspection	200	200
22. Meter Reinstallation Correction Fee	\$275	** \$310
23. Sewer Meter Maintenance Fee	\$8,200/year	** \$9,020/year
Quarterly Calibrations	2,050/quarter	** 2,255/quarter
24. Discharge Authorization Permit Fee		
Significant Industrial User – Initial Permit	\$3,575/4 years	** \$3,950/4 years
Significant Industrial User – Renewal	1,760/4 years	** 1,940/4 years
Temporary Discharge Permit (Non – SIU)	3,575	** 3,950
25. Property Inspection Fee	\$70	** \$80
26. Lobbyist Registration Fee (State Mandated) ** (previously called Lobbyist Registration Fee)	\$100	\$100
27. Government Referred Plan Review Fee		
Major Development – Over 10 Units	\$1,100	** \$1,250
Minor Development – 10 or Less Units	550	** 600
Re-Review Fee for Major Development	550	** 600
Re-Review Fee for Minor Development	275	** 300
28. Residential Outside Meter Housing Upgrade/Pipe Alteration	\$4,600	** \$4,700

* New Fee

** Changed Fee

TABLE X

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2015</u>	<u>CURRENT MAXIMUM ALLOWABLE CHARGE</u>	<u>PROPOSED MAXIMUM ALLOWABLE CHARGE</u>
29. *** System Development Charge				
Apartment				
Water	\$896	\$896	\$1,257	\$1,269
Sewer	1,140	1,140	1,602	1,618
1-2 toilets/residential				
Water	1,344	1,344	1,887	1,906
Sewer	1,710	1,710	2,398	2,422
3-4 toilets/residential				
Water	2,240	2,240	3,145	3,176
Sewer	2,850	2,850	4,000	4,040
5 toilets/residential				
Water	3,135	3,135	4,401	4,445
Sewer	3,991	3,991	5,603	5,658
6+ toilets/residential (per fixture unit)				
Water	88	88	124	125
Sewer	115	115	162	164
Non-residential (per fixture unit)				
Water	88	88	124	125
Sewer	115	115	162	164

*** No increase is proposed for the System Development Charge for FY'16 in any category. The maximum allowable charge is being adjusted pursuant to Division II, Section 25-403(c) of the Public Utilities Article of the Annotated Code of Maryland, based on the 1.0% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers for all items in the Washington, D.C. metropolitan area from November 2013 to November 2014.

(24)

EXPLANATION OF THE BUDGET

(Continued)

5. New Debt - The debt service estimates for FY'16 assume that \$185.5 million in Water bonds and \$254.3 million in Sewer bonds will be issued in FY'16, in addition to repayment of existing debt. An estimated \$5.7 million in 20-year sewer loans will be borrowed from the Maryland Department of the Environment (MDE). The WSSC water and sewer issues will be 29-year bonds with an estimated 5.5 percent net interest rate.

6. Salary and Wage Increase – Funding for employee salary enhancements in a manner coordinated with the Counties is included in the budget.

The following major workload indices and demand projections were used to develop the proposed budget.

WORKLOAD DATA	ACTUAL					ESTIMATED						
	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21
Water to be supplied (MGD)	168.7	175.0	165.7	161.2	160.6	168.0	166.0	166.0	166.0	166.0	166.0	166.0
Sewage to be treated (MGD)	200.3	182.4	183.7	177.2	195.2	214.2	215.8	217.5	219.2	220.9	222.6	224.1
Water lines to be added by the WSSC (miles)	1.5	0	.3	**7.3	.5	2	2	2	2	2	2	2
Sewer lines to be added by the WSSC (miles)	0	0	0	0.4	.0	1	1	1	1	1	1	1
Water lines to be added – contributed (miles)*	9.9	12.5	20.5	15.3	26.3	25	25	25	25	25	25	25
Sewer lines to be added – contributed (miles)*	10.4	19.7	19.4	12.6	25.7	25	25	25	25	25	25	25
Population to be served (thousands)	1,727	1,734	1,742	1,749	1,757	1,764	1,778	1,791	1,805	1,818	1,832	1,845
House connections to be added												
Water	1,126	1,574	2,591	2,269	2,880	2,800	2,800	2,800	2,800	2,800	2,800	2,900
Sewer	909	1,417	2,374	2,018	2,335	2,600	2,600	2,600	2,600	2,600	2,600	2,600

* Contributed lines are built by developers and maintained by the WSSC (includes Bolling Air Force Base).

** Includes Laytonsville Project (4.4 miles).

EXPLANATION OF THE BUDGET

(Continued)

VII. KEY PROVISIONS OF THE FY'16 BUDGET

The total proposed budget for all funds is approximately \$1.4 billion—\$680.9 million in capital and \$715.1 million in operating. A 1.0 percent average increase in water and sewer rates, recalibration of the account maintenance fee and the phased-in implementation of an infrastructure fee are required to fund water and sewer operating expenses. The budget provides for:

- Implementing the first year of the FYs 2016-2021 Capital Improvements Program;
- Treating and delivering 166.0 MGD of water to over 449,400 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards;
- Treating 215.8 MGD of wastewater and responsibly managing up to 1,000 tons of biosolids per day in a manner that meets or exceeds federal and state permit requirements and regulations;
- Operating and maintaining a system of 3 water reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 6 wastewater treatment plants, 5,600 miles of water main, and 5,500 miles of sewer main, 24 hours a day, 7 days a week;
- Paying the WSSC's share of the cost of operating the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant;
- Maintaining an operating reserve of 10% of water and sewer rate revenues;
- Paying debt service of \$255.2 million—of which \$235.5 million is in the Water and Sewer Operating Funds;
- Funding the annual required contribution for post-employment benefits other than retirement based on Government Accounting Standards Board Statement No. 45;
- Continuing to provide maintenance services at a level consistent with the objective of responding to the customer within 2 hours of receiving notification of a maintenance problem and restoring service to the customer within 24 hours from the time a service interruption occurs;
- Complying with the Sanitary Sewer Overflow Consent Order;
- Answering at least 95 percent of all customer billing calls received;
- Maintaining and fueling 1,092 vehicles, maintaining approximately 781 pieces of large field equipment, and operating 6 repair facilities;

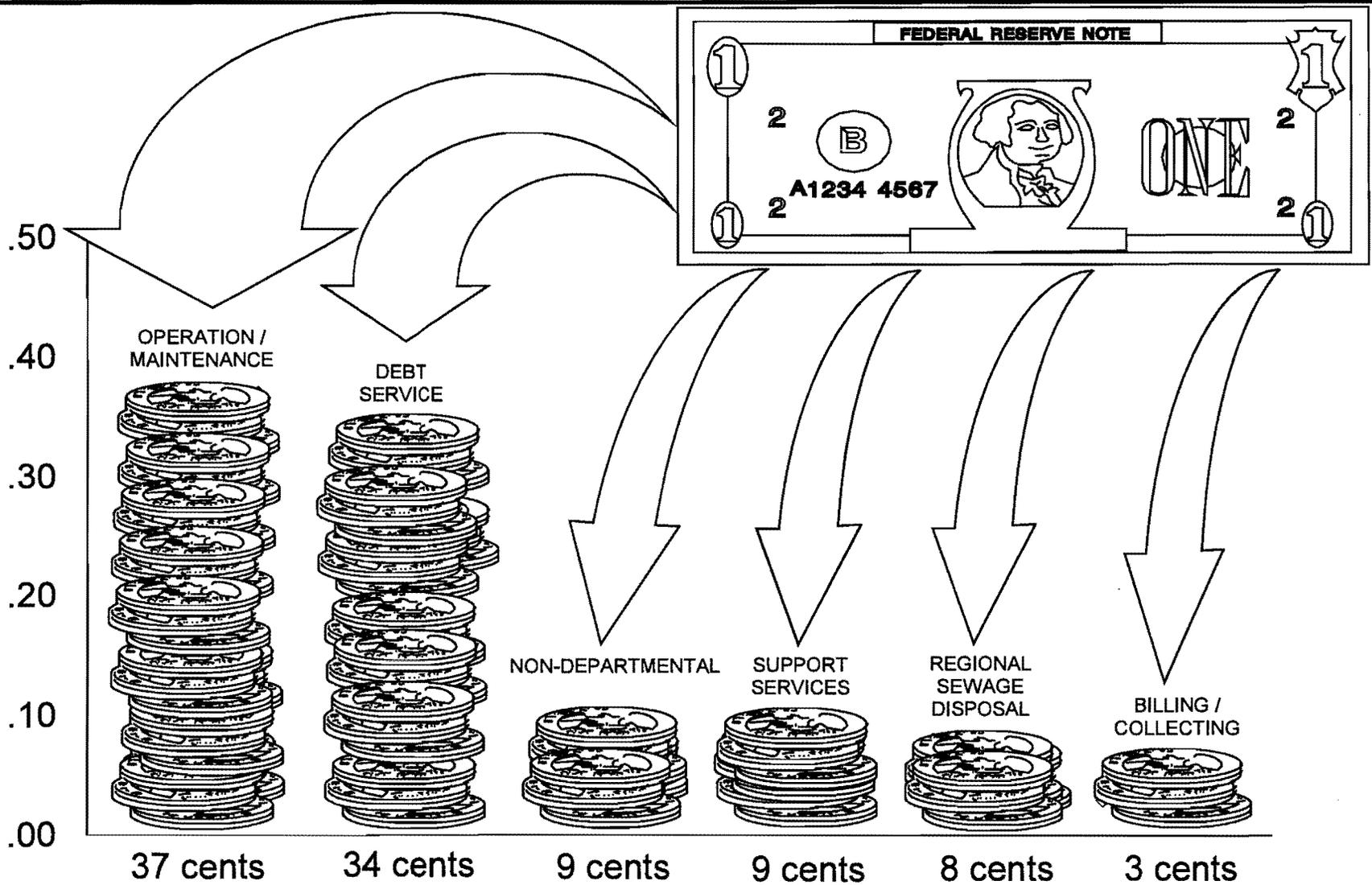
EXPLANATION OF THE BUDGET

(Continued)

- Replacing 26 pieces of major equipment which are needed to support construction, operations, and maintenance activities;
- Replacing 243 and purchasing an additional 13 vehicles which are needed to support construction, operations, and maintenance activities; and
- Funding employee salary enhancements in a manner coordinated with the Counties, and continuing other benefits.

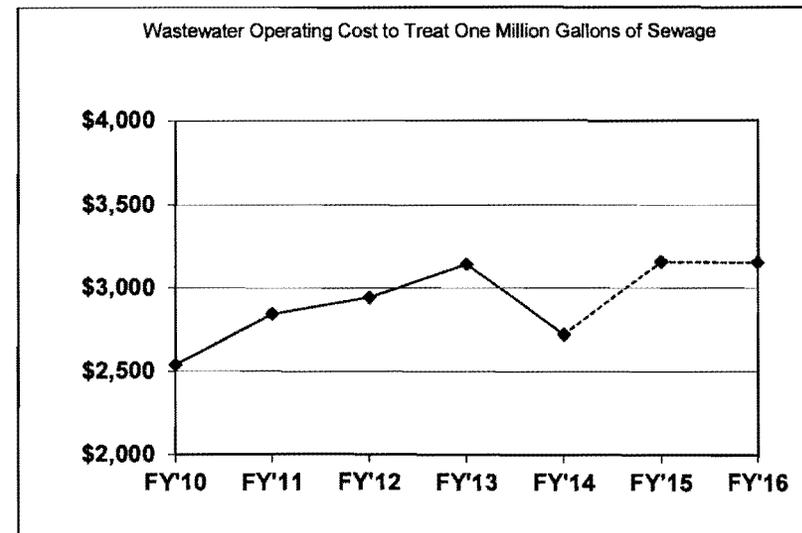
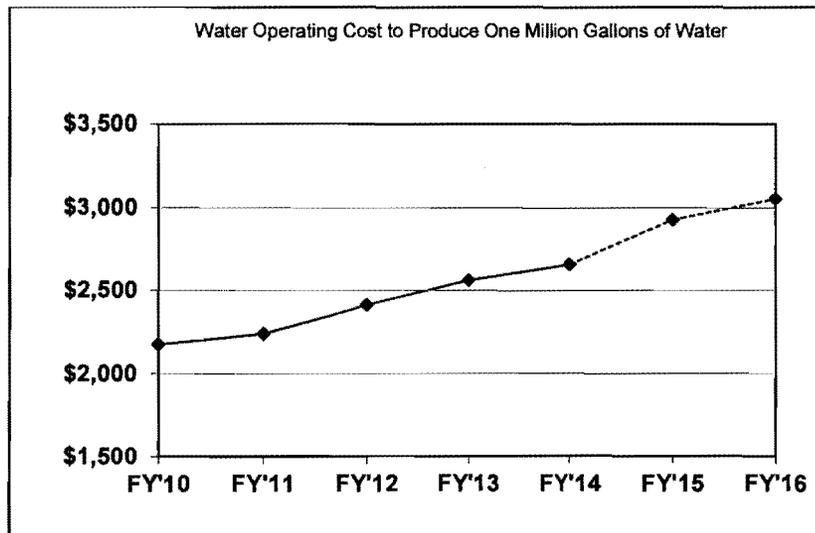
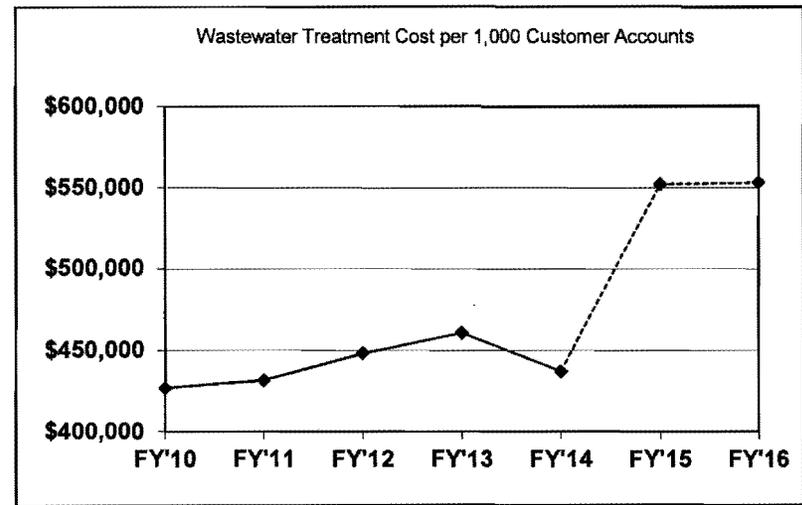
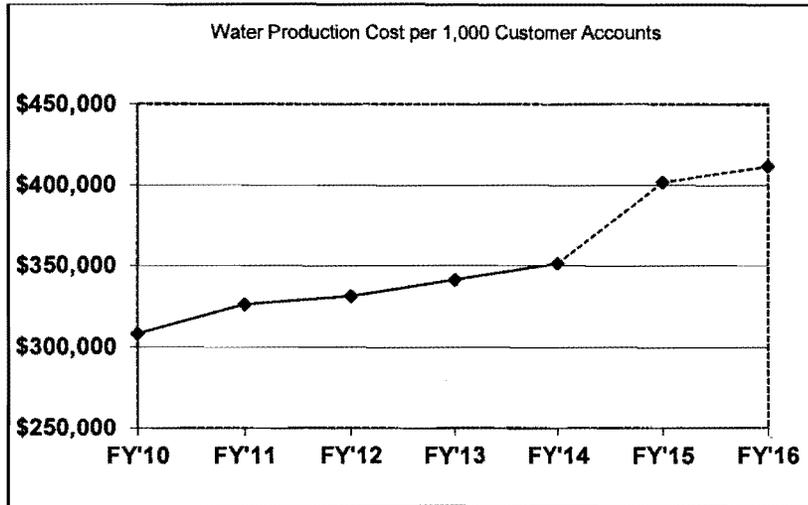
FY'16 PROPOSED BUDGET

(How Each Dollar of a Water and Sewer Bill Is Spent)



WSSC

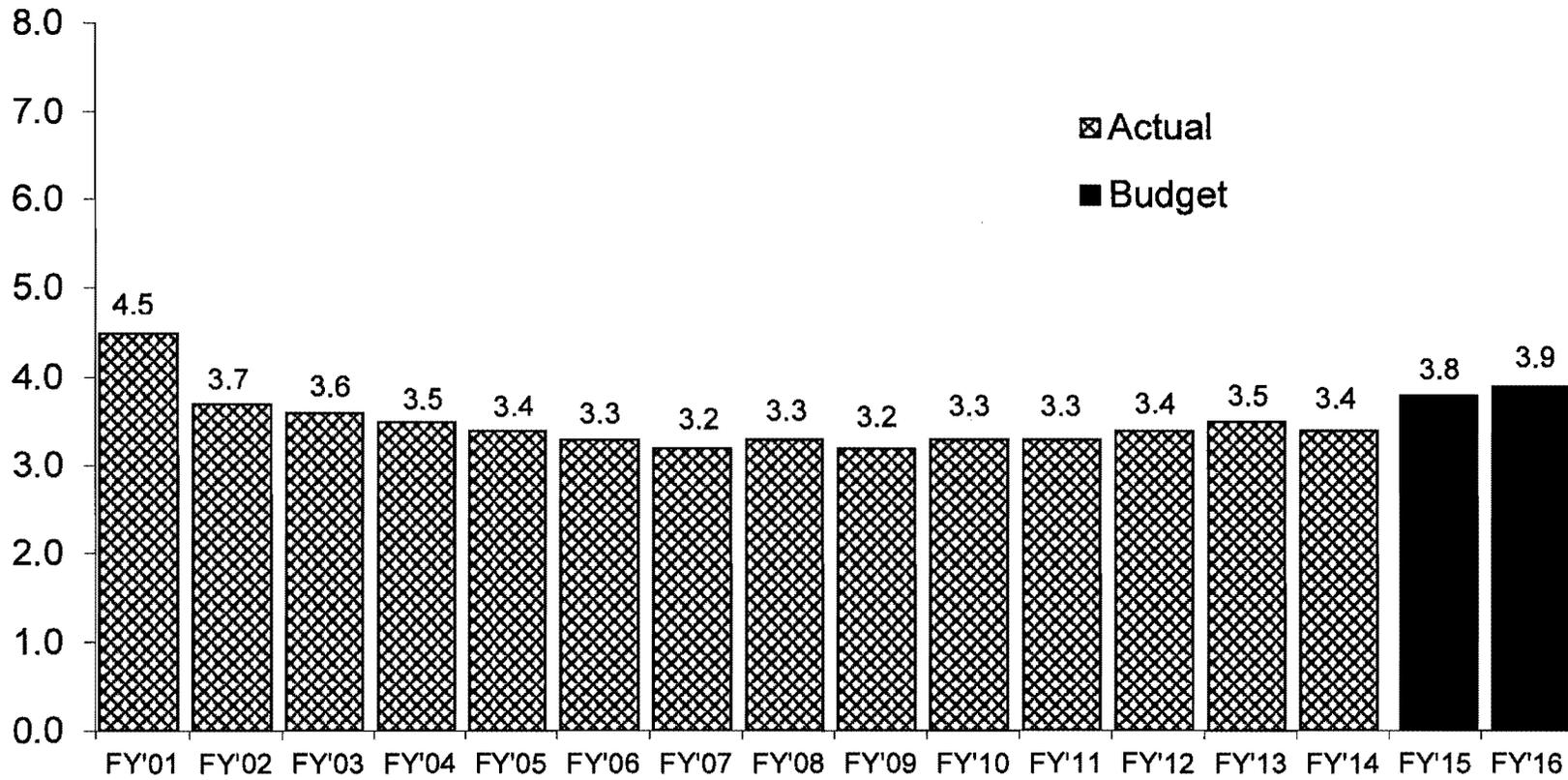
OPERATING EFFICIENCY MEASURES



Note: FY'15 & FY'16 are budgeted, not actual.

29

WORKYEARS PER 1,000 CUSTOMER ACCOUNTS



SELECTED STATISTICAL DATA

	<u>FY'10</u> <u>ACTUAL</u>	<u>FY'11</u> <u>ACTUAL</u>	<u>FY'12</u> <u>ACTUAL</u>	<u>FY'13</u> <u>ACTUAL</u>	<u>FY'14</u> <u>ACTUAL</u>	<u>FY'15</u> <u>APPROVED</u>	<u>FY'16</u> <u>PROPOSED</u>
Population Served	1,727,000	1,734,000	1,742,000	1,749,000	1,757,000	1,764,000	1,778,000
Customer Accounts	434,773	438,193	439,805	441,480	443,827	447,080	449,427
Water Produced (average MGD)	168.7	175.0	165.7	161.2	160.6	168.0	166.0
Water Produced (millions of gallons)	61,590	63,861	60,648	58,830	58,603	61,320	60,590
Water Mains Maintained (miles)	5,438	5,451	5,471	5,494	5,521	5,548	5,575
Water Mains Constructed (miles added by WSSC)	1.5	-	0.3	7.3	0.5	2.0	2.0
Water Mains Constructed (miles added by developers)	9.9	12.5	20.5	15.3	26.3	25.0	25.0
Water House Connections Maintained	440,019	441,593	444,184	446,453	449,333	452,053	454,933
Water House Connections Installed	1,126	1,574	2,591	2,269	2,880	2,800	2,800
Water Meters Issued	8,769	13,696	11,598	18,554	14,675	19,860	16,365
Sewage Systems Total Flow (average MGD)	200.3	182.4	183.7	177.2	195.2	214.2	215.8
Sewage Systems Total Flow (millions of gallons)	73,089	66,581	66,950	64,666	71,232	78,183	78,767
Sewer Mains Maintained (miles)	5,324	5,344	5,363	5,376	5,402	5,428	5,454
Sewer Mains Constructed (miles added by WSSC)	-	-	-	0.4	-	1.0	1.0
Sewer Mains Constructed (miles added by developers)	10.4	19.7	19.4	12.6	25.7	25.0	25.0
Sewer House Connections Maintained	417,301	418,718	421,092	423,110	425,445	428,310	430,645
Sewer House Connections Installed	909	1,417	2,374	2,018	2,335	2,600	2,600
Maintenance Work Orders (Emergency and Routine)	75,253	84,473	84,906	99,469	108,482	88,100	90,600
Vehicles in Fleet	883	927	933	955	1,079	970	1,092
Miles Traveled by Fleet	5,563,414	5,514,312	5,866,778	5,250,810	5,028,532	5,890,245	5,313,819
Water Meter Readings Completed	1,933,411	1,937,265	2,006,837	1,967,090	1,987,261	2,006,950	2,052,208
Authorized Positions	1,561	1,632	1,681	1,693	1,717	1,729	1,747
Authorized Workyears	1,561	1,632	1,681	1,693	1,717	1,729	1,747
Actual Employment Level - Beginning	1,455	1,468	1,528	1,549	1,549	1,550	
Actual Employment Level - Ending	1,468	1,528	1,549	1,549	1,550		
Actual Workyears	1,449	1,486	1,522	1,535	1,530		

Comparative Expenditures by Organizational Unit

	FY'15 Approved		FY'16 Proposed	
	Workyears	Amount	Workyears	Amount
Commissioners Office/Corporate Secretary's Office	2	\$ 352,500	2	\$ 407,200
Internal Audit	10	1,167,000	10	1,212,700
General Manager's Office	6	1,053,100	6	1,062,200
Intergovernmental Relations Office	4	639,600	5	723,800
Strategic Systems Management Office	7	951,000	7	951,400
General Counsel's Office	16	3,997,400	16	4,014,600
Communications & Community Relations Office	17	2,209,700	18	2,405,000
Human Resources Office	23	3,862,000	25	4,046,000
Small, Local and Minority Business Enterprise Office	9	1,308,600	9	1,295,500
Fair Practice Office	1	120,200	1	116,000
Procurement Office	27	3,654,600	27	2,972,100
Engineering & Construction Team	371	594,878,300	378	647,964,200
Production Team	297	154,763,300	299	152,244,500
Logistics Office	176	30,370,500	174	30,669,000
Finance Office	60	5,836,000	61	6,126,100
Utility Services Team	496	108,357,700	505	111,844,900
Customer Relations Team	94	10,166,200	94	10,643,400
Information Technology Team	113	40,430,300	110	37,923,500
Non-Departmental (Finance)	-	44,581,500	-	44,255,400
Non-Departmental (Human Resources)	-	33,459,500	-	35,556,800
Debt Service	-	254,413,000	-	255,219,000
PAYGO	-	19,996,000	-	18,271,000
Depreciation Expense	-	13,703,000	-	15,369,700
Operating Reserve Contribution	-	2,300,000	-	6,300,000
Salary Enhancements	-	-	-	4,406,000
SUMMARY-TOTAL	<u>1,729</u>	<u>\$ 1,332,571,000</u>	<u>1,747</u>	<u>\$ 1,396,000,000</u>

Comparative Personnel Complement by Organizational Unit

	<u>FY'14 Actual</u>		<u>FY'15 Approved</u>		<u>FY'16 Proposed</u>	
	<u>Authorized Positions</u>	<u>Workyears</u>	<u>Authorized Positions</u>	<u>Workyears</u>	<u>Authorized Positions</u>	<u>Workyears</u>
Commissioners Office/Corporate Secretary's Office	*8	2.0	*8	2.0	*8	2.0
Internal Audit	10	9.7	10	10.0	10	10.0
General Manager's Office	6	5.0	6	6.0	6	6.0
Intergovernmental Relations Office	4	2.3	4	4.0	5	5.0
Strategic Systems Management Office	7	5.0	7	7.0	7	7.0
General Counsel's Office	16	14.9	16	16.0	16	16.0
Communications & Community Relations Office	17	16.2	17	17.0	18	18.0
Human Resources Office	23	30.5	23	23.0	25	25.0
Small, Local and Minority Business Enterprise Office	8	5.9	9	9.0	9	9.0
Fair Practice Office	1	1.0	1	1.0	1	1.0
Procurement Office	26	15.0	27	27.0	27	27.0
Engineering & Construction Team	368	328.7	371	371.0	378	378.0
Production Team	299	276.4	297	297.0	299	299.0
Logistics Office	176	139.7	176	176.0	174	174.0
Finance Office	60	55.0	60	60.0	61	61.0
Customer Care Team **	583	542.4	-	-	-	-
Utility Services Team **	-	-	496	496.0	505	505.0
Customer Relations Team **	-	-	94	94.0	94	94.0
Information Technology Team	111	80.7	113	113.0	110	110.0
SUMMARY-TOTAL	<u>1,717</u>	<u>1,530.4</u>	<u>1,729</u>	<u>1,729.0</u>	<u>1,747</u>	<u>1,747.0</u>

* Commissioners (6) not included in total positions or workyears.

** The Customer Care Team was reorganized effective FY'2015 into two teams: Utility Services and Customer Relations. The original Customer Relations Group from the Customer Care Team moved to the Customer Relations Team, and a Customer Relations Team Office was newly formed. The remaining Customer Care Groups formed the new Utility Services Team.

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						
(S000s)						
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.

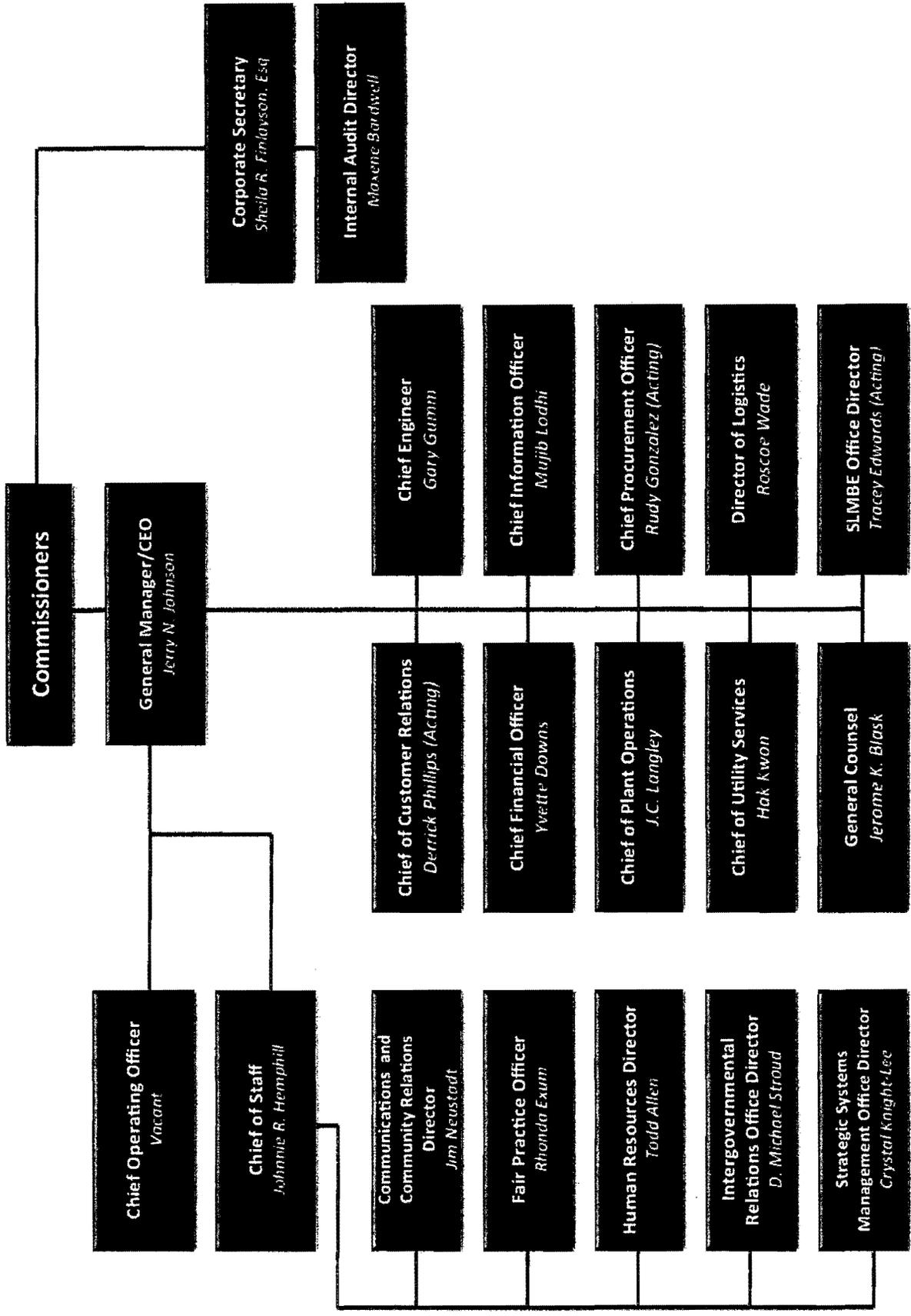
WSSC PROPOSED BUDGET: SIX-YEAR FORECAST FOR WATER AND SEWER OPERATING FUNDS

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	-96,883	-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	9,053	(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	53,000	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:

- 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



Increased FY'16 Expenditure Assumptions Over and Above Inflation Factor

FY'16 Additional & Reinstated Programs:

New Workyears Impacting Water & Sewer Rates

Large Valve Assessment, Repairs, Replacement

- 4 Utility Technicians
- 1 Principal Engineer

PCCP Program

- 5 Utility Technicians

PCCP Management Program

- 1 Project Manager

Operations

- 1 Operational Hydraulic Planner

Asset Management Program

- 1 Asset Management Project Manager

Construction Communication

- 1 Construction Communication Coordinator

14 Subtotal Workyears

New Workyears With No Water & Sewer Rate Impact

Water Main Reconstruction Program (capital)

- 1 Contract Manager

Electronic As-Built Preparation

- 1 Engineering Assistant IV

Relocations

- 1 Lead Project Manager
- 1 Associate Project Manager

18 Total Workyears

	Cost	W/S Impact
<i>New Workyears Impact</i>	\$ 1,245,600	\$ 899,200
<i>Benefits</i>	436,000	314,700

Other Additional & Reinstated Programs

Large Valve Assessment, Repairs, Replacement	1,879,300	1,708,800
PCCP Program (Maintenance trucks, pick-up trucks & equipment)	325,700	45,200
Wellness Program	240,000	192,000
Easement & Land Acquisition for Watershed Protection (PAYGO)	1,600,000	-
Vibration Analysis Pilot	150,000	150,000 *
Analysis of Water Production Trends & Projections	125,000	125,000 *
Climate Change Vulnerability Assessment	300,000	300,000 *
Strategic Energy Plan Implementation	200,000	200,000 *
Warehouse Distribution & Inventory Optimization Study	500,000	500,000 *
Communications & Community Relations Special Projects	156,000	156,000 *
Globally Harmonized System of Classification and Labeling	100,000	100,000 *
Supply Chain Management Transformation (final year)	555,000	555,000 *
<i>Total Other Additional & Reinstated Programs</i>	6,131,000	4,032,000
Total Additional & Reinstated Programs	\$ 7,812,600	\$ 5,245,900

*Projects funded via use of fund balance. (2,086,000)

Water & Sewer operating impact of additional & reinstated programs. **\$ 3,159,900**

WSSC
FY 2016 ADDITIONAL & REINSTATED PROGRAM REQUESTS SUMMARY

Program: LARGE VALVE ASSESSMENT, REPAIRS, & REPLACEMENT PROGRAM

Request: 1 Principal Engineer, 4 Utility Technicians

Cost including vehicles & equipment: \$2,318,320, Water/Sewer Impact: \$2,147,820

Justification:

Many of the valves that were installed in the 1920's thru the 1960's (approx. 775 valves) are past their useful life. Often times, these valves cannot be operated without repairs. In many instances, when repairs are needed, the parts cannot be purchased because the manufacturers are no longer in business. While the WSSC currently uses an outside contractor to service its small diameter valves, the larger diameter valves (16" and larger) now require immediate and aggressive attention. In collaboration with the Asset Management Program, this initiative is for the continuous assessment, inspection and exercising of approximately 430 valves annually starting with FY'15 through FY'22. Program also includes repairs to approximately 85 valves per year through FY'22, right-of-way clearing and temporary roads to access valves for about 50 valves per year.

Program: PCCP PROGRAM

Request: 5 Utility Technicians

Cost including vehicles & equipment: \$709,100 Water/Sewer Impact: \$428,600

Justification:

There is currently only one crew supporting the PCCP inspection program. As the program continues to develop, inspections are less seasonal. The dedicated PCCP crews will be more effective due to their experience in entering confined spaces to support inspection efforts. These Utility Technicians would also be used to support other programs, such Large Valve Rehabilitation.

Program: PCCP MANAGEMENT PROGRAM

Request: 1 Project Manager

Cost including benefits: \$132,300 Water/Sewer Impact: \$132,300

Justification:

The PCCP program has increased the annual inspection rate from 12 miles to 18 miles. The inspections, along with Acoustic Fiber Optic (AFO) monitoring, are identifying critical pipe segments in need of repair or replacement. Due to the intense nature of this work, the current PCCP team is at capacity for providing the necessary on-site field investigations, the associated contract management for the inspections and AFO technologies, coordinating the scheduling of planned and emergency shut-downs, and recommending repair or replacements. The requested Project Manager will be involved in the management of inspection and AFO monitoring task orders, determining repair recommendations, the management of the PCCP inspection schedule, and prioritizing inspection efforts.

Program: OPERATIONS

Systems Control

Request: 1 Operational Hydraulic Planner

Cost including benefits: \$107,734, Water/Sewer Impact: \$83,253

Justification:

The number of water main replacement contracts, PCCP lines that are scheduled each year to be inspected, CIP projects, water storage facilities out of service for rehabilitation and additional water main emergency work have been steadily increasing. The increasing number of long duration shutdowns is having a detrimental impact on the water system. This is also impacting water quality, increasing water velocity in pipes, and potentially causes construction delays when multiple contracts are requesting shutdowns across the same transmission system. It is

also important to evaluate the impacts of the frequently required increases in pressure to meet system needs and minimize high pressures as much as possible. This position will assist in scheduling, monitoring, coordinating all shutdowns in the water distribution system.

Program: ASSET MANAGEMENT PROGRAM

Request: 1 Asset Management Project Manager

Cost including benefits: \$111,915, Water/Sewer Impact: \$54,192

Justification:

This position was identified as part of the Asset Management Program Long Term Organization Structure approved in November 2008. This is a key position to manage the development and analysis of the capital investment requirements needed to sustain infrastructure, provide economic analysis and input to the Enterprise Asset Management Program business planning process, develop the Enterprise Asset Management Plan, and manage the new CIP/ESP Validation and Prioritization.

Program: CONSTRUCTION COMMUNICATION

Request: 1 Construction Communication Coordinator

Cost including benefits: \$121,500, Water/Sewer Impact: \$97,200

Justification:

The number of construction projects has and continues to increase. Communications to customers, HOAs, neighbors, and other stakeholders around construction projects is not coordinated. There is no uniform procedure on communicating with stakeholders nor is there a procedure on developing a uniform message or a message tailored to the type of construction. Some communications are handled by contractors, others by project managers. Sometimes there are changes or delays and often customers are not informed. The proposed workyear would address these issues.

Program: CATHODIC PROTECTION

Request: 1 Contract Manager

Cost including benefits: \$98,280, Water/Sewer Impact: \$0

Justification:

The Commission will begin an extensive cathodic protection rehabilitation program on our large water transmission mains in FY'16. It is anticipated that 27 miles of transmission main will have existing cathodic protection repaired, upgraded and/or replaced each fiscal year. It is anticipated that this amount of work will translate into the need to manage at least 5 concurrent cathodic protection contracts at any given time during the fiscal year. Accordingly, one contract manager is needed to handle this additional work load. It would be appropriate to use a merit employee rather than a contractual employee for this position since this program does not have an end point.

Program: ELECTRONIC AS-BUILT PREPARATION

Request: 1 Engineering Assistant IV

Cost including benefits: \$76,000, Water/Sewer Impact: \$0

Justification:

Recently, the WSSC has significantly improved the process of as-built preparation for the water rehabilitation contracts. Instead of marking changes in red on a hard copy of the plans and using ties to locate appurtenances, electronic as-builts have been prepared using AutoCad. All appurtenances are now located using hand held GPS units and added to the AutoCAD as-built file. We would like to expand this effort by preparing electronic as-builts for sewer rehabilitation contracts and System Enhancement Unit jobs. Currently, we are using three consultant inspectors to perform this function and there is a significant backlog of work to prepare as-builts for 43 miles of

water main rehabilitation. Since this initiative adds significant value to the as-built process, we are requesting one (1) Engineering Assistant IV to permanently establish this program and expand it to include 20 miles of sewer rehabilitation contracts and 12 miles of SEU work. This initiative converts a pilot using consultant inspectors to improve as-built preparation into a lasting part of the organization.

Program: RELOCATIONS

Request: 2 Project Managers

Cost including benefits: \$211,200, Water/Sewer Impact: \$0

Justification:

These positions support the relocations program and will not impact water and sewer rates as it is part of the CIP.

Program: WELLNESS PROGRAM

Request: \$240,000 Water/Sewer Impact: \$192,000

Justification:

The purpose of this program is to show employees that the Commission cares about their wellbeing; to take advantage of some of the Affordable Care Act provisions; to provide educational and hands-on opportunities for members to learn about the choices available to them for healthy living; to reduce absenteeism & increase productivity at work; to increase moral & retention rate. We will partner with internal and external resources, including our carriers and other companies to develop programs and strategies to promote health & wellness; evaluate aggregate health risk assessment data to determine priorities to be addressed, the type and number of educational programs needed; benchmark best practices; assemble data and metrics for an annual report on the effectiveness of the wellness program in improving employee health as well as reducing the Commission's health care cost; provide on-going review and measurement of the program's success; recommend changes to the programs and provide on-going communications regarding the wellness program. All of the Montgomery County agencies have dedicated staffing and financial resources in place for such programs. The Montgomery County Council has made wellness a priority and has high expectations that each agency will go above and beyond to have comprehensive programs in place for their employees.

Program: WATERSHED PROTECTION

Request: \$1,600,000, Water/Sewer Impact: \$0

Justification:

Despite almost 20 years of partnership with local government agencies aimed at protecting the Patuxent reservoirs as drinking water sources, little has been accomplished other than studies. Partner agencies consider the reservoirs' watershed to be a low priority, compared to other waterways in their jurisdictions that need protection and improvement. Funding resources from partners range from extremely limited to non-existent. As the water supplier and owner of the reservoirs, WSSC is looked upon as the beneficiary of improved water quality, and it has been argued by the partners that WSSC should pay for the improvements. A limited source water protection effort by WSSC, completed as a Supplemental Environmental Program in compliance with the SSO Consent Decree, totaled \$3.47 million on land purchases (39.66 acres) and conservation easements (32.81). These acquisitions of larger, isolated parcels have only limited benefits for drinking water source protection compared to measures focused on riparian buffers along streams, which are smaller in area but provide many important water quality benefits.

It is proposed that initiative be funded out of the Fund Balance.

Program: STRATEGIC ENERGY PLAN IMPLEMENTATION

Request: \$200,000, Water/Sewer Impact: \$0 (Total cost is \$1.2 million over 5 years)

Justification:

The WSSC has a \$24 million energy budget. The Strategic Energy Plan needs to be finalized, expanded and updated annually in order for WSSC to optimize costs, consumption and load shifting opportunities. The Strategic Plan will result in the rollout of energy metrics (such as kWh/million gallons) to all Commission users and reduction of energy consumption per unit (kWh/MG, kWh/SF, etc.). Year 1: Develop goals beyond water and wastewater treatment facilities (i.e., remote pumping stations, fleet vehicles, depots and buildings), assistance in developing and prescreening projects with regard to energy impact with the goals of the AMP, assist other WSSC departments in detailed development, evaluation and revisions to policies and procedures as recommended in the SEP. Year 2: Evaluate future resource options, energy efficiency investments against WSSC energy supply requirements and forecasted market conditions to provide a basis for future decisions on block energy purchases, long-term wind and solar contracts, and other alternatives for energy purchases. Prepare RFP for next 10 year electricity supply and wind contract. Year 2-5: assist the Energy Management office in guiding energy projects through the AMP process, providing input to be used by AMP Business Case consultants, assist WSSC in development, implementation, and on-going maintenance of SEP support systems (as recommended by the SEP), including detailed sub-metering plan and software applications to provide appropriate reporting to various WSSC stakeholders, assist WSSC in managing facility energy audit program (based on life cycle audit plan).

It is proposed that initiative be funded out of the Fund Balance.

Program: CLIMATE CHANGE VUNERABILITY ASSESSMENT, ADAPTATION & MITIGATION PLAN

Request: \$300,000, Water/Sewer Impact: \$0 (Total cost is \$1.3 million over 5 years)

Justification:

WSSC infrastructure planning currently does not address changing wet weather conditions, sea level rise, storm surge, and other considerations inherent in Climate Change as evidenced by scientific consensus - the Intergovernmental Panel on Climate Change (IPCC) and The National Climate Assessment. Both AWWA and WEF have recommended and many other water/wastewater utilities have conducted assessments to assess Climate Change vulnerability, strategies for reducing these risks, and mitigation of greenhouse gas (GHG) emissions. While WSSC currently has a GHG Action (reduction plan), that is only a piece of the overall Climate Change resiliency planning that needs to be accomplished for WSSC to be fully prepared for the next 50-80 years to protect our infrastructure and to maintain our status as a first class provider of water and wastewater treatment services to our ratepayers.

It is proposed that initiative be funded out of the Fund Balance.

Program: VIBRATION ANALYSIS PILOT

Request: \$150,000 Water/Sewer Impact: \$0

Justification:

An asset strategies consultant has recommended that several of our large and expensive assets have vibration analysis as part of their condition assessment and tracking of degradation. The resulting data would be monitored, documented and reviewed to identify potential catastrophic failures before they occur. The data would also be used to determine current condition of the asset. This service would be piloted on very large pumps and motors.

It is proposed that initiative be funded out of the Fund Balance.

Program: SAFETY

Implementation of Globally Harmonized System of Classification and Labeling (GHS)

Request: \$100,000 Water/Sewer Impact: \$0

Justification:

The primary benefit of the GHS is to increase the quality and consistency of information provided to workers, employers and chemical users by adopting a standardized approach to hazard classification, labels and safety data. The GHS provides a single set of harmonized criteria for classifying chemicals according to their health and physical hazards and specifies hazard communication elements for labeling and safety data sheets. Under the GHS, labels would include signal words, pictograms, and hazard and precautionary statements and safety data sheets would have standardized format. This system was agreed on at an international level by governments, industry, and labor, and adopted by the UN in 2002 with a goal of 2008 for implementation.

It is proposed that initiative be funded out of the Fund Balance.

Program: ANALYSIS OF WATER PRODUCTION TRENDS & PROJECTIONS

Request: \$125,000 Water/Sewer Impact: \$0

Justification:

Historically, the Commission's water production figures have been flat. In response to these trends, the Commission lowered its water production projection for the FY'15 budget and held future water production figures constant. However, recent trends are showing declining water production figures (several recent months have experienced the lowest production numbers in 20 years). The primary criterion to evaluate revenues is sufficiency, i.e. how much money is generated. Water and sewer rate revenues account for almost 90% of the Commission's operating revenues. Flat water production places tremendous stress on the sufficiency of these revenues. As water production declines, water and sewer rates have to be increased just to generate the same amount of money as the previous year in order to maintain the status quo, let alone fund any additional needs or initiatives. When Commission staff is queried as to why water production is flat or declining, only anecdotal evidence is provided. Some of the most valuable information provided during the recent utility rate study was that the average residential customer uses 159 gallons per day and that this figure has been declining for each of the past three fiscal years. The proposed initiative would build upon this data analysis by going back further in the customer data in the CSIS system to ascertain a more precise understanding of historic water production trends and project these trends into the future.

It is proposed that initiative be funded out of the Fund Balance.

Program: WAREHOUSE DISTRIBUTION & INVENTORY OPTIMIZATION STUDY

Request: \$500,000 Water/Sewer Impact: \$0

Justification:

WSSC has increased capital project improvement efforts resulting in increased volume of inventory transactions (receipts and issues). Operations are further impacted by the physical deterioration and inadequacies of physical storage features at the Central Commission warehouse (Anacostia) - the facility has been in operational existence since the 1960's without substantial renovations. As an example, industry packaging standards (pallet configuration) have changed to a state that is not compatible with warehouse racking systems. Warehouse capacities (including lighting, racking, environmental features, and configuration) are not optimizing the use of operational, administrative, and human resources. Limitations and restrictions also create significant safety and workplace environment concerns. A consultant would be tasked with developing a plan for optimizing warehouse distribution and inventory management at Anacostia and the depots.

It is proposed that initiative be funded out of the Fund Balance.

Program: COMMUNICATIONS & COMMUNITY RELATIONS SPECIAL PROJECTS

Request: \$156,000, Water/Sewer Impact: \$0

Justification:

In an effort to sustain relationships with our stakeholders and provide educational opportunities for the community, Communications is proposing several special projects. The first is the development of a "Can the Grease" program for middle school students in MCPS, similar to the one that exists in PGCPs. This will allow WSSC, in partnership with MCPS, to develop a lesson plan so that every student can learn the importance of the "Can the Grease" program. This funding will also include upgrading WSSC's Kids Page which will help us teach and instruct our community's future leaders on important topics relating to water and wastewater in an engaging way that supports Maryland's core curriculum standards. In addition, the requested funds will support the creation of an educational video on water treatment. The animated film will be geared towards upper primary students (3rd – 6th grade) in both counties. Lastly, the funds will assist with WSSC Historical Archiving. Converting photographs, negatives, and documents to a digital format will facilitate the ease of accessibility of information through the use of a network-based program.

It is proposed that initiative be funded out of the Fund Balance.

Program: SUPPLY CHAIN MANAGEMENT TRANSFORMATION (final year)

Request: \$555,000 Water/Sewer Impact: \$0

Justification:

Supply Chain Transformation, as it is implemented, will allow WSSC to reduce the costs of doing business. Our transformation efforts will result in WSSC realizing value through cooperatively working with suppliers. This cooperative relationship with suppliers will include supplier identification, management and development. Enhanced supplier relationships will lead to improved demand management by WSSC. The success will be measured by the amount of savings generated by implementing transformation initiatives across six key dimensions: Best Practices, Innovation and Technology, Supply Chain Roles, Stretch Objectives from a Total Cost of Ownership perspective, and an Optimized Organization supported by Good Leadership. It will also result in a training program that focuses on those primarily accountable for managing contracts. It will support strategies around entrepreneurship and innovation by providing highly skilled procurement and supply chain management professionals and a commitment to continuous learning.

The success of this process will support our strategic priority by creating a culture and a center led sourcing process that will ultimately drive cost out of the business. It will allow WSSC to review the direct and indirect spend of all dollars over a selected period of time to determine best in class strategies to reduce multiple solicitations, and begin building supplier relationships for contractors to consider WSSC as the customer of choice. Realignment of responsibilities will help utilize cross functional teams to gather and evaluate data to select the most appropriate acquisition strategy, identify a negotiations approach and ultimately select the "right" supplier. The impact will not just be in Procurement but for all business units. The impact will be sustainable over multiple years, reflected in time reductions from cradle to grave purchasing, resource savings and lower costs of goods, supplies and services.

It is proposed that initiative be funded out of the Fund Balance.

Rate Increase Components (FY'16 Preliminary Proposed Budget)

	FY 2015 Approved	FY 2016 Estimate	Dollar Change	Rate Impact	Description
Revenue					
Water & Sewer Revenue	586,255,000	579,276,000	(6,979,000)	1.2%	Decrease in water production
Account Maintenance Fee	22,900,000	32,374,000	9,474,000	-1.6%	Increase in account maintenance fee recalibration
Infrastructure Fee	-	19,418,000	19,418,000	-3.4%	1st year of 2-year phase-in
Customer Affordability	-	(1,700,000)	(1,700,000)	0.3%	
Miscellaneous Revenue	27,574,000	27,693,000	119,000	0.0%	Based on historical miscellaneous revenue
Use of Fund Balance	-	1,500,000	1,500,000	-0.3%	REDO Extinguishment
Use of Fund Balance	2,300,000	6,300,000	4,000,000	-0.7%	For operating reserve contribution
Use of Fund Balance	5,643,000	-	(5,643,000)	1.0%	For billing factor reduction offset
Use of Fund Balance	12,250,000	11,686,000	(564,000)	0.1%	Additional & Reinstated one time use
Use of Fund Balance	3,500,000	2,000,000	(1,500,000)	0.3%	AMI
Use of Fund Balance - Watershed	1,500,000	-	(1,500,000)	0.3%	
Use of Fund Balance PAYGO	5,000,000	-	(5,000,000)	0.9%	
Reconstruction Debt Service Offset	10,000,000	8,500,000	(1,500,000)	0.3%	
SDC Debt Service Offset	1,167,000	728,000	(439,000)	0.1%	
Revenue Subtotal	678,089,000	687,775,000	9,686,000	-1.7%	
Debt Service					
Debt Service (Existing Debt)	227,042,000	196,132,000	(30,910,000)	-5.3%	
FY'16 New Debt	-	39,351,000	39,351,000	6.8%	Due to capital spending assumptions
Debt Service Subtotal	227,042,000	235,483,000	8,441,000	1.5%	
Expenses					
All Other	243,582,000	238,210,000	(5,372,000)	-0.9%	Reduction in expenses for chemicals, bio-solids hauling, gasoline & diesel oil, and IT Strategic Plan consulting services
Salaries & Wages	107,087,000	111,815,000	4,728,000	0.8%	
Additional & Reinstated Programs	-	5,247,000	5,247,000	0.9%	
Regional Sewage Disposal	55,176,000	54,895,000	(281,000)	0.0%	
Operating Reserve Contribution	2,300,000	6,300,000	4,000,000	0.7%	
Fund Balance PAYGO	5,000,000	-	(5,000,000)	-0.9%	
30 Year 1.25x Coverage PAYGO	14,996,000	18,271,000	3,275,000	0.6%	
Heat, Light & Power	22,906,000	23,353,000	447,000	0.1%	Based on projection from WSSC Energy Manager.
Expenses Subtotal	451,047,000	458,091,000	7,044,000	1.2%	
				Total	1.00%
Total Gross Expenses	678,089,000	693,574,000			

WSSC Rate Increase History

The Council periodically receives correspondence from WSSC customers concerned about WSSC's rate increases. The chart below presents WSSC's rate increases over the past 20 years.

Spending Control Limits & Actual Rates					
Fiscal Year	Approved* Limit	Actual	Fiscal Year	Approved* Limit	Actual
FY96	3.0%	3.0%	FY06*	2.5%	2.5%
FY97	3.0%	3.0%	FY07	3.0%	3.0%
FY98	3.0%	2.9%	FY08	5.3%	6.5%
FY99	2.0%	0.0%	FY09*	9.7%	8.0%
FY00	1.5%	0.0%	FY10*	9.5%	9.0%
FY01	0.0%	0.0%	FY11*	9.9%	8.5%
FY02*	2.0%	0.0%	FY12*	9.9%	8.5%
FY03	0.0%	0.0%	FY13	8.5%	7.5%
FY04	0.0%	0.0%	FY14*	8.0%	7.25%
FY05	3.0%	3.0%	FY15	6.0%	5.5%

*No agreement was reached in FYs 02,06,09,10,11,12, and 14. Limits shown for those years reflect Montgomery County Council recommendations.

Rate increases have been particularly high since FY08, ranging from 6.5 percent to as high as 9.0 percent. Complaints often focus on how these rates are significantly higher than inflation and higher than other water and sewer utilities in the region over the same period of time.

The compounded consumer price index (CPI) for the region since November 1996 to November 2014 was 54.9 percent, while rates have increased at a compounded amount of 113.1 percent from FY96 through FY15.

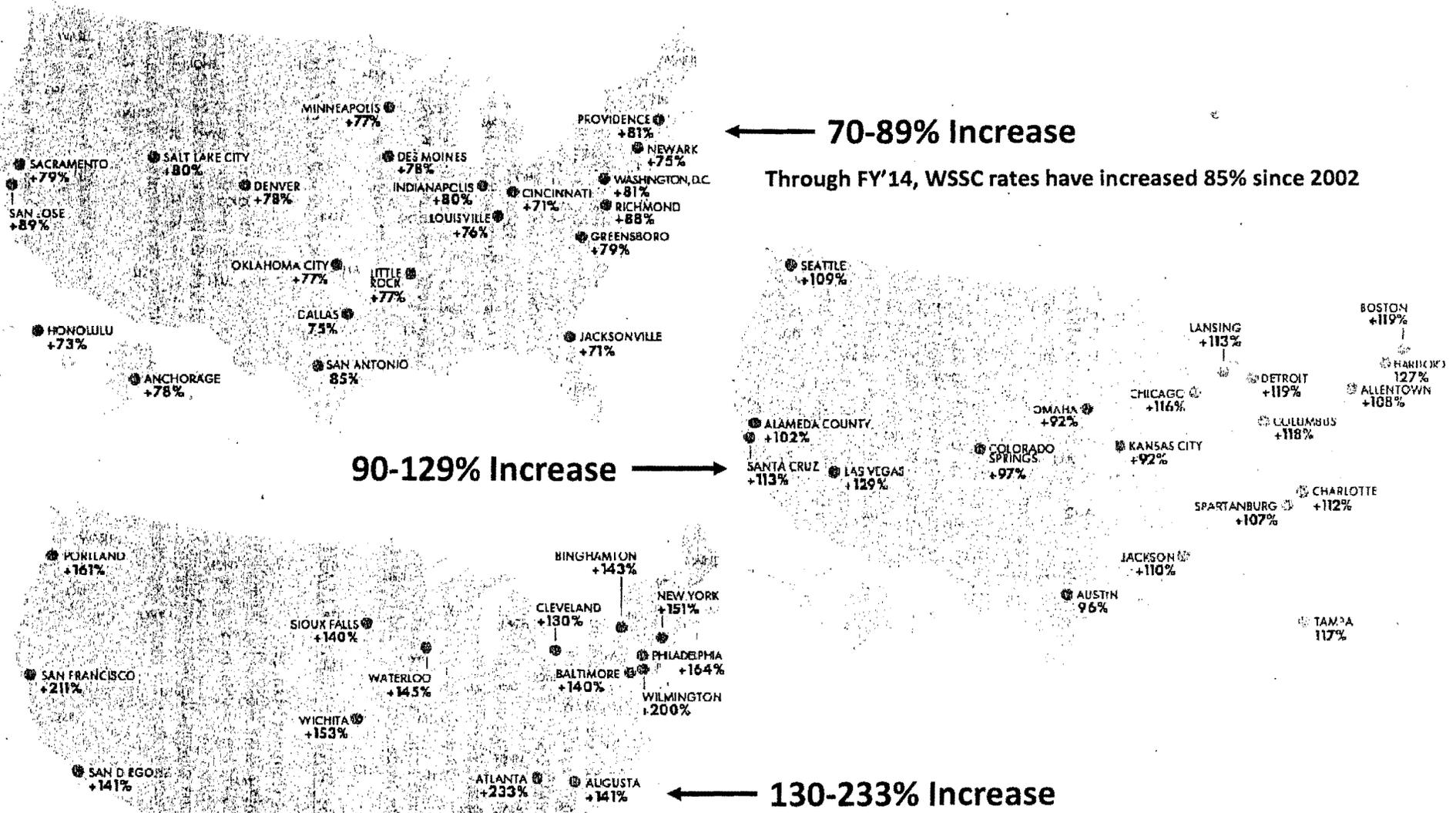
Interestingly, if WSSC were to have had the same overall compounded increase over the last 20 years, with the same rate increase every year, the rate increase would have been about 3.85 percent per year. However, rate increases from FY96 through FY07 were well below this level (including six straight years without a rate increase).

Last year, Council Staff asked WSSC for comparative rate increases for other utilities. The slide on ©48 shows rate increases since 2002 for a number of utilities. The utilities are clustered into categories of 70 to 89 percent, 90 to 129 percent and 130 to 233 percent. WSSC's rate increase from 2002 to FY14 is 85 percent. The regional CPI during that time was 34.4 percent. The chart shows that many water and sewer utilities have increased rates well above the CPI in the last decade. WSSC's rate increase over that time is not the lowest, but is in the lower third of the utilities presented.

Another reason for WSSC's recent large rate increases is WSSC's flat water production experience since FY96, resulting in the vast bulk of WSSC's revenue (water/sewer rate revenue) not increasing, and even declining, in some years.

WSSC's expenditures since FY2000 have increased about 58.6 percent, a bit higher than the CPI over the same period (about 45.9 percent) but not nearly as much as rates have increased. **This is further evidence that much of the rate pressure above CPI stems from revenue trends, not expenditure trends.**

National Trends – Rate Increases Since 2002



← 70-89% Increase

Through FY'14, WSSC rates have increased 85% since 2002

90-129% Increase →

← 130-233% Increase