
Washington Suburban Sanitary Commission

MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC) is a bi-county governmental agency established in 1918 by an act of the Maryland General Assembly. It is charged with the responsibility of providing water and sanitary sewer service within the Washington Suburban Sanitary District, which includes most of Montgomery and Prince George's counties. In Montgomery County, the Town of Poolesville and portions of the City of Rockville are outside of the District.

WSSC'S PROPOSED BUDGET

WSSC's proposed budget is not detailed in this document. The Commission's budget can be obtained from WSSC's Budget Group at the WSSC Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707 (phone 301.206.8110) or from their website at <http://www.wsscwater.com>.

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts public hearings in both counties. WSSC then prepares and submits the proposed capital and operating budgets to the County Executives of Montgomery and Prince George's counties by March 1.

By March 15 of each year, the County Executives of Montgomery and Prince George's counties are required by law to transmit the proposed budgets, recommendations on the proposed budgets, and the record of the public hearings held by WSSC to their respective County Councils.

Each County Council may hold public hearings on WSSC's proposed operating and capital budgets, but no earlier than 21 days after receipt from the County Executive. Each County Council may add to, delete from, increase, or decrease any item in either budget. Additionally, each Council is required by law to transmit by May 15 any proposed changes to the other County Council for review and concurrence. The failure of both Councils to concur on changes constitutes approval of the item as originally proposed by WSSC. Should the Councils fail to approve the budgets on or before June 1 of each year, WSSC's proposed budgets are adopted.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***Operate and maintain a system of three reservoirs impounding 14 billion gallons of water, two major water filtration plants, six wastewater treatment plants, 5,500 miles of water mains, and 5,400 miles of sewer mains 24 hours a day, seven days a week.***
- ❖ ***Treat and deliver 168.0 million gallons of water per day to over 447,000 customer accounts, and treat 214.0 million gallons of wastewater per day in a manner that meets or surpasses all Federal and State water and wastewater quality standards and permit requirements.***
- ❖ ***Inspect, repair, and install acoustic fiber optic cable (an early warning system) for 10 miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains. During FY15, WSSC will continue inspecting PCCP water mains at 36 inches or smaller.***
- ❖ ***Continue to renew WSSC's underground infrastructure through the Water and Sewer Reconstruction Programs. In FY15, the Commission will reconstruct 60 miles of small water mains (nine more miles than in FY13) and rehabilitate 56 miles of residential sewers.***
- ❖ ***Fund the final year of the eight-year phase-in to achieve full funding for liabilities related to post-employment benefits other than retirement, based on Governmental Accounting Standards Board Statement No. 45.***
- ❖ ***Continue to increase the operating reserve and meet the goal of having reserves equal to 10 percent of water and sewer rate revenues in FY15. (The reserve percentage will rise to 10.0% in FY15 from an estimated FY14 level of 9.3%.)***
- ❖ ***Begin funding a large valve assessment, repair, and replacement program for valves 16" or greater with the goal of repairing or replacing 100 valves per year of the 775 valves of this kind in the WSSC system.***
- ❖ ***Begin funding a Knowledge Capture and Transfer program to improve knowledge transfer between employees leaving the Commission and those tasked with continuing operations.***

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

Spending Control Limits

The spending control limits process requires that the two counties set annual ceilings on WSSC's water and sewer rate increase and on debt (bonded indebtedness as well as debt service) and then adopt corresponding limits on the size of the capital and operating budgets. The two councils must not approve capital and operating budgets in excess of the approved spending control limits unless a majority of each council votes to approve them. If the two councils cannot agree on expenditures above the spending control limits, they must approve budgets within these limits.

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

| FY15 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 | 6.0% | 6.0% | 6.00% | 6.00% |
| New Debt (\$millions) | \$384.6 | \$384.6 | \$384.6 | \$384.6 |
| Water and Sewer Debt Service (\$millions) | \$227.0 | \$227.0 | \$227.0 | \$227.0 |
| Total Water and Sewer Operating Expenses (\$millions) | \$678.6 | \$678.6 | \$678.1 | \$678.1 |

FY15 COUNTY EXECUTIVE RECOMMENDATIONS

Operating Budget

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

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

Capital Budget

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

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

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

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

Note: Total expenditures include the water and sewer operating funds, the general bond debt service fund, and the three capital funds.

PROGRAM CONTACTS

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

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

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

Assumptions:

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

WSSC Organization Chart

