



# 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 3 reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 6 wastewater treatment plants, 5,600 miles of water main, and 5,550 miles of sewer main 24 hours a day, 7 days a week.
- In FY18, WSSC will continue a robust study of the Commission's rate structure with planned implementation of a new rate structure in FY19.
- WSSC's Water and Sewer Reconstruction Programs will improve upon previous years' output. In FY18, the Commission is projected to rehabilitate 55 miles of sewer mains and lateral lines, 16 miles (41%) more than the FY15 actual output of 39 miles.
- Continue to inspect and repair large diameter pre-stressed concrete cylinder pipe (PCCP) water mains for 18 miles of pipe in FY18.
- Maintain current ratings for WSSC-issued debt by keeping a budgetary reserve equal to ten percent of water and sewer rate revenues.

## 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 FY18 spending control limits adopted by the Montgomery and Prince George's County Councils, compared to the spending control results projected under WSSC's Proposed FY18 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.

FY18 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	3.5%	3.5%	3.5%	3.5%
New Debt (\$millions)	\$570.0	\$570.0	\$570.0	\$570.0
Water and Sewer Debt Service (\$millions)	\$260.5	\$260.5	\$257.5	\$257.5
Total Water and Sewer Operating Expenses (\$millions)	\$730.5	\$730.5	\$724.9	\$724.9

## County Executive Recommendations

### Operating Budget

The County Executive recommends that WSSC's proposed FY18 budget be approved with:

- a water and sewer rate increase of 3.5% in FY18 consistent with the Commission's resource needs outlined in their proposed budget.

### Capital Budget

The County Executive recommended the WSSC FY18-23 Capital Improvements Program (CIP) budget be approved as submitted by the Commission. While the County Executive did not recommend changes to the proposed CIP budget, it is further recommended that the Commission work with Executive and Council staff as estimates continue to be refined for the Potomac Water Filtration Plant Consent Decree project. Major construction should not begin on this project until both counties approve the long-term implementation plan.

The County Executive further recommends the cost changes submitted by DC Water for the Blue Plains projects. FY18 fiscal projections for all funds and budgets are shown below.

Expenditures by Category - FY18 WSSC Proposed and Executive Recommended (\$000s)						
Expenditure Categories	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Change (CE Rec. vs. WSSC Proposed)
	Approved FY17	Proposed FY18	Recommended FY18	Recommended FY18	Recommended FY18	
Salaries and Wages	143,385	150,928	30,009	120,919	150,928	0.0%
Heat, Light, & Power	23,581	22,015	--	22,015	22,015	0.0%
Regional Sewage Disposal	54,501	53,617	--	53,617	53,617	0.0%
Contract Work	442,324	453,397	453,397	--	453,397	0.0%
Consulting Engineers	54,851	57,814	57,814	--	57,814	0.0%
All Other	416,982	397,925	155,491	242,434	397,925	0.0%
PAYGO	23,095	30,193	--	30,193	30,193	0.0%
Reserve Contribution	6,524	0	--	--	--	--
Debt Service	<u>261,437</u>	<u>271,602</u>	<u>0</u>	<u>271,602</u>	<u>271,602</u>	<u>0.0%</u>
<b>Total Budget</b>	<b>1,426,680</b>	<b>1,437,491</b>	<b>696,711</b>	<b>740,780</b>	<b>1,437,491</b>	<b>0.0%</b>
Note: Total expenditures include the water and sewer operating funds, the general bond debt service fund, and the three capital funds						

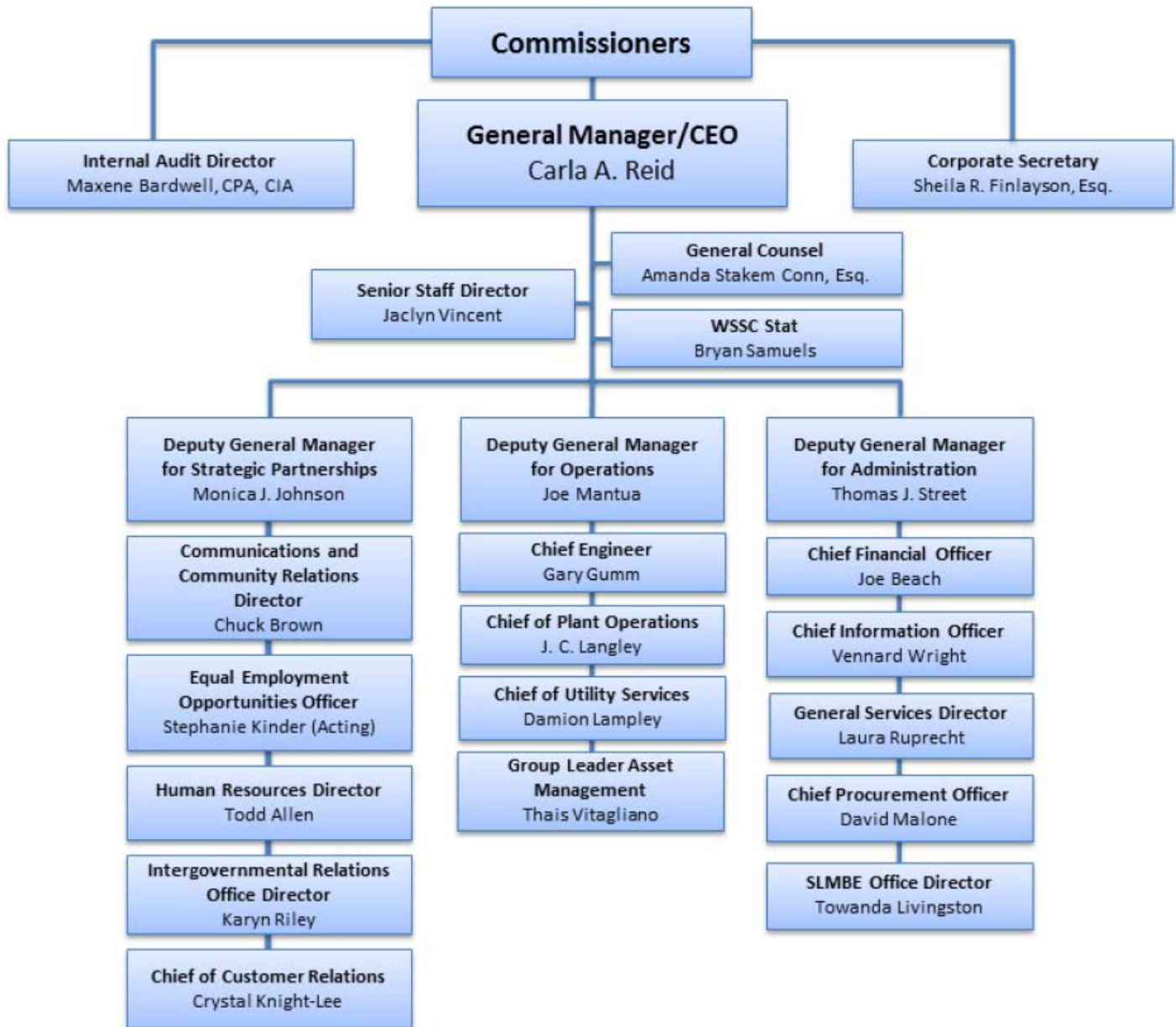
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## Program Contacts

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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 240.777.2766 for more information regarding this agency's operating budget.

# WSSC Organization Chart





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

FISCAL PROJECTIONS	FY17 ESTIMATED	FY18 PROPOSED	FY18 CE REC	FY19 PROJECTION	FY20 PROJECTION	FY21 PROJECTION	FY22 PROJECTION	FY23 PROJECTION
<b>SPENDING AFFORDABILITY RESULTS</b>								
New Water and Sewer Debt (\$millions)	\$528.0	\$570.0	\$570.0	\$505.1	\$510.2	\$428.9	\$331.8	\$317.1
Total Water and Sewer Operating Expenses (\$millions)	\$717.0	\$724.9	\$724.9	\$785.3	\$848.6	\$899.1	\$940.8	\$981.5
Debt Service (\$millions)	\$243.8	\$257.5	\$257.5	\$285.8	\$321.7	\$347.1	\$364.2	\$379.5
Average Water and Sewer Rate Increase	3.00%	3.50%	3.50%	11.60%	9.50%	7.20%	5.50%	4.80%
<b>BEGINNING FUND BALANCE (\$000)</b>	<b>149,857</b>	<b>130,061</b>	<b>130,061</b>	<b>118,481</b>	<b>117,981</b>	<b>117,481</b>	<b>117,481</b>	<b>117,481</b>
<b>REVENUES (\$000)</b>								
Water and Sewer Rate Revenue	579,236	600,902	600,902	600,892	670,750	734,542	787,679	830,657
Interest Income	700	700	700	700	700	700	700	700
Account Maintenance Fee	29,247	32,118	32,118	32,298	32,477	32,657	32,836	33,015
Infrastructure Investment Fee	38,962	38,360	38,360	38,489	38,618	38,747	38,876	39,004
Miscellaneous	22,811	33,532	33,532	31,148	31,825	32,529	33,346	33,376
<b>Total Revenues</b>	<b>670,956</b>	<b>705,612</b>	<b>705,612</b>	<b>703,527</b>	<b>774,370</b>	<b>839,175</b>	<b>893,437</b>	<b>936,752</b>
SDC Debt Service Offset	206	0	0	0	0	0	0	0
Reconstruction Debt Service Offset (REDO)	9,800	7,700	7,700	5,600	3,500	1,400	0	0
Use of Prior Year Net Revenue	26,050	11,580	11,580	6,283	6,948	5,385	4,372	4,495
<b>TOTAL FUNDS AVAILABLE</b>	<b>707,012</b>	<b>724,892</b>	<b>724,892</b>	<b>715,410</b>	<b>784,818</b>	<b>845,960</b>	<b>897,809</b>	<b>941,247</b>
<b>EXPENDITURES (\$000)</b>								
Salaries and Wages	114,088	120,276	120,276	124,587	130,194	136,053	142,175	148,573
Heat, Light, and Power	23,581	22,015	22,015	26,840	27,675	28,520	29,397	29,405
Regional Sewage Disposal	54,501	53,617	53,617	58,193	60,346	62,579	64,894	67,295
Debt Service	243,808	257,457	257,457	285,772	321,709	347,104	364,204	379,479
PAYGO	23,095	30,193	30,193	38,386	47,102	54,514	60,606	66,511
All Other	241,685	241,334	241,334	257,398	267,294	277,585	288,288	299,419
Reserve Contribution	6,254	0	0	5,783	6,448	5,385	4,372	4,495
Unspecified Expenditure Reductions				(81,549)	(75,950)	(65,780)	(56,127)	(53,930)
<b>TOTAL USE OF RESOURCES</b>	<b>707,012</b>	<b>724,892</b>	<b>724,892</b>	<b>715,410</b>	<b>784,818</b>	<b>845,960</b>	<b>897,809</b>	<b>941,247</b>
<b>REVENUE/EXPENDITURE SURPLUS/(GAP)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>YEAR END FUND BALANCE w/o additional reserve contribution</b>	<b>123,807</b>	<b>118,481</b>	<b>118,481</b>	<b>112,198</b>	<b>111,033</b>	<b>112,096</b>	<b>113,109</b>	<b>112,986</b>
<b>Additional Reserve Contribution</b>	<b>6,254</b>	<b>0</b>	<b>0</b>	<b>5,783</b>	<b>6,448</b>	<b>5,385</b>	<b>4,372</b>	<b>4,495</b>
<b>TOTAL YEAR END FUND BALANCE</b>	<b>130,061</b>	<b>118,481</b>	<b>118,481</b>	<b>117,981</b>	<b>117,481</b>	<b>117,481</b>	<b>117,481</b>	<b>117,481</b>
Debt Service as a Percentage of Water and Sewer Operating Budget	34.5%	35.5%	35.5%	39.9%	41.0%	41.0%	40.6%	40.3%
Estimated Water Production (MGD)	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0
Total End of Fiscal Year Operating Reserve	68,400	68,400	68,400	74,183	80,631	86,016	90,388	94,883
Total Operating Reserve as a Percentage of Water and Sewer Rate Revenue	11.8%	11.4%	11.4%	12.3%	12.0%	11.7%	11.5%	11.4%
Total Workyears (all funds)	1,776	1,776	1,776	--	--	--	--	--

## Assumptions:

1. The County Executive's operating budget recommendation is for FY18 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
2. The FY19-23 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 FY18 water and sewer operating budget for WSSC.
3. The FY17 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY17 budget jointly approved by Montgomery and Prince George's counties. The FY18 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC's proposed FY18 budget. The FY18 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC budget for FY18. The FY19-23 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.
4. The total FY17 estimated workyears shown correspond to the actual workyears as of January, 2017.
5. Estimates of revenue in FY19-23 assume the rate increases projected by WSSC in the Average Water and Sewer Rate Increase line.
6. In the projection for FY19-23 additional unspecified expenditure reductions are included to close WSSC's projected revenue shortfall in these years.

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