



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, 5,700 miles of water main, and 5,550 miles of sewer main 24 hours a day, 7 days a week.
- Treating or delivering 164 Million Gallons per Day (MGD) of water to over 451,000 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards.
- Replacing 45 miles of water main and 41 miles of sewer main and lateral lines.
- Providing maintenance services at a level consistent with the objective of responding to the customer within two hours and

restoring service within 24 hours.

- Answering 100 percent of all customer billing calls received.

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 FY19 spending control limits adopted by the Montgomery and Prince George's County Councils, compared to the spending control results projected under WSSC's Proposed FY19 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.

FY19 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	5.0%	4.0%	4.5%	4.5%
New Debt (\$millions)	\$546.9	\$435.9	\$486.8	\$486.8
Water and Sewer Debt Service (\$millions)	\$281.2	\$277.6	\$277.1	\$277.1
Total Water and Sewer Operating Expenses (\$millions)	\$763.7	\$757.6	\$762.7	\$762.7

County Executive Recommendations

Operating Budget

The County Executive recommends that WSSC's proposed FY19 budget be approved with a water and sewer rate increase of 4.5 percent in FY19 consistent with the Commission's resource needs outlined in their proposed budget.

Capital Budget

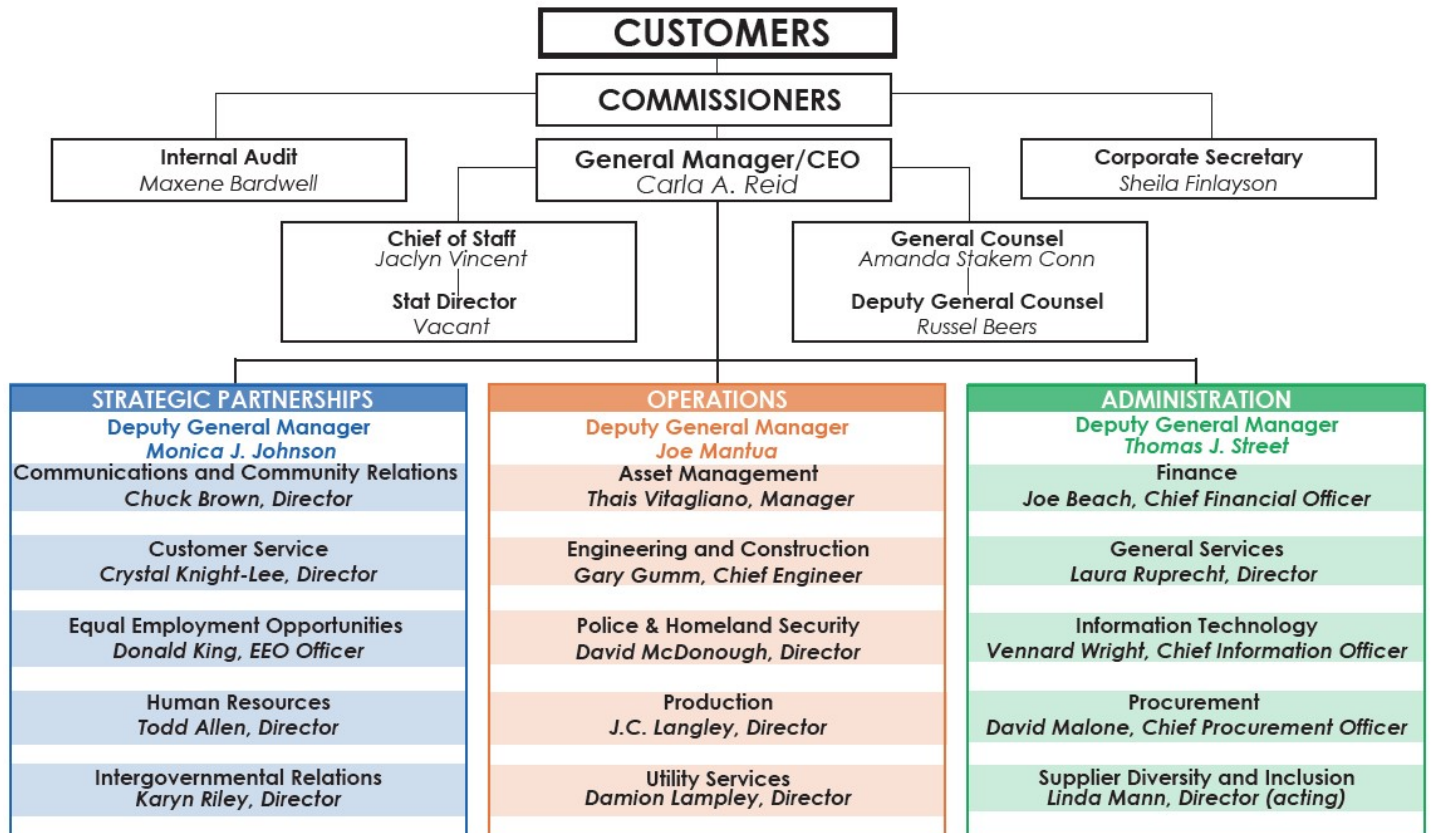
The County Executive recommended the WSSC FY19-24 Capital Improvements Program (CIP) budget be approved as submitted by the Commission.

The County Executive further recommends the changes to the FY19-24 CIP transmitted in the mid-cycle update by WSSC on February 21, 2018, including updates to the Blue Plains project costs and additional project cost reductions of \$50 million to meet a revised water and sewer rate increase of 4.5 percent. FY19 fiscal projections for all funds and budgets are shown below.

Expenditures by Category - FY19 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 FY18	Proposed FY19	Recommended FY19	Recommended FY19	Recommended FY19	
Salaries and Wages	150,928	159,113	30,678	128,435	159,113	0.0%
Heat, Light, & Power	22,028	20,577	--	20,577	20,577	0.0%
Regional Sewage Disposal	53,617	53,617	--	53,617	53,617	0.0%
Contract Work	453,397	376,223	376,223	--	376,223	0.0%
Consulting Engineers	57,814	68,912	68,912	--	68,912	0.0%
All Other	387,552	434,100	180,513	253,587	434,100	0.0%
PAYGO	30,193	31,016	--	31,016	31,016	0.0%
Reserve Contribution	0	0	--	--	--	--
Debt Service	271,216	294,349	0	294,349	294,349	0.0%
Total Budget	1,426,745	1,437,907	656,326	781,581	1,437,907	0.0%
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 240.777.2766 for more information regarding this agency's operating budget.



WSSC PROPOSED BUDGET: SIX-YEAR FORECAST FOR WATER AND SEWER OPERATING FUNDS								
FISCAL PROJECTIONS	FY18 ESTIMATED	FY19 PROPOSED	FY19 CE REC	FY20 PROJECTION	FY21 PROJECTION	FY22 PROJECTION	FY23 PROJECTION	FY24 PROJECTION
SPENDING AFFORDABILITY RESULTS								
New Water and Sewer Debt (\$millions)	\$570.0	\$486.8	\$486.8	\$517.1	\$518.6	\$420.5	\$355.1	\$308.0
Total Water and Sewer Operating Expenses (\$millions)	\$730.5	\$762.7	\$762.7	\$784.3	\$821.0	\$860.1	\$901.4	\$941.8
Debt Service (\$millions)	\$260.5	\$277.1	\$277.1	\$312.9	\$343.7	\$364.8	\$383.4	\$400.9
Average Water and Sewer Rate Increase	3.50%	4.50%	4.50%	6.00%	6.00%	6.00%	6.00%	6.00%
BEGINNING FUND BALANCE (\$000)	188,513	176,933	176,933	165,353	170,915	182,100	195,185	211,183
REVENUES (\$000)								
Water and Sewer Rate Revenue	600,902	627,943	627,943	665,621	705,559	747,894	792,769	840,337
Interest Income	700	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Account Maintenance Fee	32,118	32,182	32,182	32,247	33,859	33,927	33,995	34,062
Infrastructure Investment Fee	38,816	38,894	38,894	38,971	40,920	41,002	41,084	41,166
Miscellaneous	33,532	34,730	34,730	35,295	35,873	36,464	37,068	37,689
Total Revenues	706,068	735,249	735,249	773,634	817,711	860,787	906,416	954,754
SDC Debt Service Offset	0	3,364	3,364	4,658	4,984	4,983	4,982	4,984
Reconstruction Debt Service Offset (REDO)	7,700	12,500	12,500	11,600	9,500	7,400	6,000	0
Use of Prior Year Net Revenue	11,580	11,580	11,580	0	0	0	0	0
TOTAL FUNDS AVAILABLE	725,348	762,693	762,693	789,892	832,195	873,170	917,398	959,738
EXPENDITURES (\$000)								
Salaries and Wages	120,275	127,902	127,902	133,657	139,672	145,957	152,525	159,388
Heat, Light, and Power	22,016	20,577	20,577	21,194	21,830	22,485	23,160	23,854
Regional Sewage Disposal	53,617	53,617	53,617	55,601	56,713	57,847	59,004	60,184
Debt Service	257,071	277,061	277,061	312,911	343,724	364,806	383,403	400,852
PAYGO	30,193	31,016	31,016	39,292	47,944	55,694	62,180	67,798
All Other	242,176	252,520	252,520	257,571	262,722	267,977	273,336	278,803
Reserve Contribution	0	0	0	5,562	11,185	13,085	15,998	17,926
Unspecified Expenditure Reductions				(35,896)	(51,595)	(54,681)	(52,208)	(49,067)
TOTAL USE OF RESOURCES	725,348	762,693	762,693	789,892	832,195	873,170	917,398	959,738
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	0	0	0	0	0	0
YEAR END FUND BALANCE w/o additional reserve contribution	176,933	165,353	165,353	165,353	170,915	182,100	195,185	211,183
Additional Reserve Contribution	0	0	0	5,562	11,185	13,085	15,998	17,926
TOTAL YEAR END FUND BALANCE	176,933	165,353	165,353	170,915	182,100	195,185	211,183	229,109
Debt Service as a Percentage of Water and Sewer Operating Budget	35.4%	36.3%	36.3%	39.6%	41.3%	41.8%	41.8%	41.8%
Total End of Fiscal Year Operating Reserve	70,607	70,607	70,607	76,169	87,354	100,439	116,437	134,363
Total Operating Reserve as a Percentage of Water and Sewer Rate Revenue	11.8%	11.2%	11.2%	11.4%	12.4%	13.4%	14.7%	16.0%
Total Workyears (all funds)	1,624	1,776	1,776	--	--	--	--	--
Assumptions: <ol style="list-style-type: none"> The County Executive's operating budget recommendation is for FY19 only and incorporates the Executive's revenue and expenditure assumptions for that budget. The FY20-24 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 FY19 water and sewer operating budget for WSSC. The FY18 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY18 budget jointly approved by Montgomery and Prince George's counties. The FY19 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC's proposed FY18 budget. The FY19 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC budget for FY19. The FY20-24 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 FY18 estimated workyears shown correspond to the actual workyears as of December, 2017. Estimates of revenue in FY20-24 assume the rate increases projected by WSSC in the Average Water and Sewer Rate Increase line. In the projection for FY20-24 additional unspecified expenditure reductions are included to close WSSC's projected revenue shortfall in these years. 								

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