



Washington Suburban Sanitary Commission

AGENCY DESCRIPTION

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

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

PROGRAM DESCRIPTION AND OBJECTIVES

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

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

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

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

PROGRAM CONTACTS

Contact Mark Brackett of WSSC's Budget Division at 301.206.8179 or Rafael Murphy of the Office of Management and Budget at 240.777.2775 for more information regarding this agency's capital budget.

CAPITAL PROGRAM REVIEW

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

Agency Request

The total of \$1.67 billion in six-year expenditures proposed by the WSSC for FY21-26 is \$132.9 million (8.6 percent) above the FY20-25 approved total of \$1.54 billion. The increase in six-year costs is the net result of cost changes in both the water and sewer projects with the largest cost increases seen in the Blue Plains Waste Water Treatment Plant projects and the Large Diameter Water

Pipe Rehabilitation Program.

The FY21-26 CIP request includes 29 ongoing projects, four closeout projects, and seven pending closeout projects. There are four new projects (including Information Only projects).

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

MONTGOMERY COUNTY/PRINCE GEORGE'S COUNTY/BI-COUNTY SPLIT						
(FY21-26 Proposed CIP)						
	FY21		6-Year		Total Cost	
	\$ (000)	% of Total	\$ (000)	% of Total	\$ (000)	% of Total
Montgomery County Water Projects	1,821	0.5%	6,081	0.3%	55,801	1.5%
Montgomery County Sewer Projects	9,637	2.6%	29,032	1.5%	55,371	1.5%
Prince George's County Water Projects	36,484	9.7%	182,193	9.2%	293,581	8.1%
Prince George's County Sewer Projects	38,756	10.3%	133,215	6.7%	464,580	12.9%
Bi-County Water Projects	85,314	22.7%	677,513	34.1%	960,670	26.6%
Bi-County Sewer Projects	203,061	54.1%	957,138	48.2%	1,777,847	49.3%
TOTAL	375,073	100.0%	1,985,172	100.0%	3,607,850	100.0%
All Montgomery County Projects	11,458	3.1%	35,113	1.8%	111,172	3.1%
All Prince George's County Projects	75,240	20.1%	315,408	15.9%	758,161	21.0%
All Bi-County Projects	288,375	76.9%	1,634,651	82.3%	2,738,517	75.9%

Source: WSSC Budget Division.

Executive Recommendation

The County Executive recommends adoption of the FY21-26 CIP as proposed by WSSC.

HIGHLIGHTS

- Add a new information only project, Laboratory Division Building Expansion, which will accommodate an increased analytical workload and reduce risk by eliminating the need to contract out regulatory compliance testing.
- Continue development of capital projects aimed to address long-term issues in water and sewer management including the Piscataway Bio Energy Project, to address biosolids management, and Advanced Metering Infrastructure (AMI) which improves billing efficiency, leak detection, system-wide monitoring, and allows for monthly billing.
- Continue water and sewer line infrastructure reconstruction, replacing and rehabilitating 25 miles of water mains and 20 miles of sewer main in FY21.
- Continue to address the consent decrees with the Maryland Department of the Environment (MDE) related to the Potomac Water Filtration Plant and the Trunk Sewer Reconstruction Program.
- Continue to support operations at DC Water's facility in Blue Plains. Support to Blue Plains projects represents 27% of the bi-county and Montgomery County's WSSC six-year CIP.

SPENDING CONTROL LIMITS

In order to reduce the magnitude of water and sewer rate increases, the Montgomery and Prince George's County Councils adopted a spending affordability process in April 1994. The process requires the counties to set annual ceilings on WSSC's water and sewer rates and debt (both bonded indebtedness and debt service), and then to adopt corresponding limits on the size of the capital and operating

budgets.

While the spending limits technically apply only to the first year of the six-year program, the purpose of the limits includes controlling debt, debt service, and rate increases over the longer term. The FY21 spending control limits adopted by the Montgomery County Council are shown below with their outyear projections. The first year of the Commission's proposed CIP is consistent with the approved FY21 spending control limits shown below, as is the County Executive's Recommended CIP for WSSC.

FY21 WSSC SPENDING CONTROL LIMITS ADOPTED BY THE MONTGOMERY COUNTY COUNCIL (AND OUTYEAR PROJECTIONS)						
	FY21	FY22	FY23	FY24	FY25	FY26
New Debt Requirement (\$000)	\$409,922	\$503,092	\$495,728	\$403,775	\$357,972	\$379,483
Total W/S Operating Budget (\$000)	\$837,660	\$882,989	\$926,486	\$981,021	\$1,046,657	\$1,098,999
Debt Service (\$000)	\$313,865	\$336,142	\$365,610	\$389,665	\$415,351	\$438,129
Average Rate Increase	7.0%	8.0%	7.0%	7.0%	6.5%	6.5%

Source: Montgomery County Council Resolution 19-293 and WSSC Budget Division.

WSSC'S LEVEL OF BONDED INDEBTEDNESS

Debt Service

The County Executive and County Council monitor the WSSC's bonded indebtedness and debt service level. Total outstanding water and sewer bond debt has risen 82 percent since FY15, and total water and sewer debt service is up 38 percent over the same period, as shown in the following table:

WSSC BONDED INDEBTEDNESS AND DEBT SERVICE						
(\$ in Millions)	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATED
	FY15	FY16	FY17	FY18	FY19	FY20
End of Fiscal Year - Total Outstanding Bond Debt (includes Storm Water Drainage Bonds)	\$2,171.4	\$2,470.4	\$2,813.4	\$3,202.4	\$3,340.0	\$3,685.6
Outstanding Water and Sewer Bond Debt	\$1,947.5	\$2,284.1	\$2,625.6	\$3,060.2	\$3,205.6	\$3,551.2
Total Debt Service - All Operating Funds	\$248.0	\$228.5	\$250.7	\$275.1	\$292.7	\$319.9
Debt Service as a % of Total Operating Exp.	38.0%	35.7%	36.7%	38.5%	38.5%	39.1%
Debt Service in Water/Sewer Operating Exp.	\$222.0	\$210.4	\$236.7	\$257.5	\$275.4	\$306.3
Water/Sewer Debt Service as a % of Total Water/Sewer Operating Expenditures	35.5%	33.9%	35.4%	37.0%	37.2%	38.2%

Source: WSSC Budget Division

The debt service ratio is projected to be 37.5 percent in FY21.

PROJECTED WSSC DEBT SERVICE RATIO UNDER THE COUNTY'S APPROVED SPENDING CONTROL LIMITS						
	FY21	FY22	FY23	FY24	FY25	FY26
Debt Service as a % of Total Water and Sewer Operating Expenditures	37.5%	38.1%	39.5%	39.7%	39.7%	39.9%

Source: WSSC Budget Division

Debt Capacity

State law provides for the option of a tax levy against all assessable property in the Washington Suburban Sanitary District by Montgomery and Prince George's counties to pay for the principal and interest on WSSC bonds. This provision, which would be

exercised only if requested by the WSSC, does not constitute a pledge of the full faith and credit of the two counties. The amount of debt that the WSSC issues is therefore a factor in rating agency assessments of the credit worthiness of Montgomery County. In addition, increasing levels of debt service can lead to increases in the combined water and sewer rate.

"INFORMATION ONLY" PROJECTS

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

The FY21-26 "Information Only" projects include the Water and Sewer Reconstruction projects, Engineering Support Program, Laboratory Division Building Expansion, Energy Performance Program, Specialty Valve Vault Rehabilitation Program, Other Capital Programs, D'Arcy Park North Relief Sewer, Advanced Metering Infrastructure, and the Water Storage Facility Rehabilitation Program.

The total FY21-26 budget for the "Information Only" projects is \$1,727.3 million, a 27.3 percent increase from the \$1,356.5 million approved for the FY20-25 CIP. This increase is primarily the result of the addition of the Other Capital Programs and Laboratory Division Building Expansion projects as well as other cost changes throughout the existing projects.

Total proposed FY21-26 spending on the Water and Sewer Reconstruction "Information Only" projects will decrease by \$103.7 million (9.2 percent). The accompanying metrics for miles of water main replacement and sewer main rehabilitation can be seen below in the following table.

SMALL WATER AND SEWER MAIN RECONSTRUCTION INCLUDED IN WSSC'S PROPOSED FY21-26 CIP								
	Approved	FY21-26						FY21-26
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total
Water Main Replacement (mi.)	25	25	31	37	42	47	52	234
Sewer Main Rehabilitation (mi.)	20	20	22	22	22	22	22	130

Source: WSSC Budget Division

PROGRAM FUNDING

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

WSSC Bonds

The WSSC raises revenue for CIP projects by issuing water and sewer bonds. These bonds are amortized through periodic charges to the users of water and sewer services. Bond funding for the FY21-26 CIP, as recommended by the County Executive, is \$1,599.9 million.

System Development Charge

The System Development Charge (SDC) is a charge to new development to pay for the part of the CIP which is needed to accommodate growth. The WSSC collects SDC revenue from charges to builders based on the number and type of plumbing fixtures installed in new construction projects. The County Executive recommends that \$14.8 million in SDC funds be used to fund growth projects in FY21-26.

State Aid

The total State Aid budgeted for the FY21-26 CIP and recommended by the County Executive is \$3.0 million. WSSC asserts that all Commission projects receiving State Aid conform to the requirements of local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

Federal Aid

The total Federal Aid budgeted for the FY21-26 CIP and recommended by the County Executive is \$15.0 million.

Municipal Financing

The WSSC CIP contains projects in which neighboring jurisdictions such as the District of Columbia and the City of Rockville join the Commission in financing the construction of sewerage facilities serving the metropolitan area. These jurisdictions contribute an agreed-upon share of the project cost. A total of \$26.8 million in project expenditures is recommended to be financed by these jurisdictions during FY21-26.

Contributions

When the actual costs of water and sewerage facilities required to serve new development are estimated to exceed expected revenues, the difference may be financed by developers in the form of contributions. Contributions toward CIP projects are estimated at \$10.2 million for FY21-26.

STATUTORY AUTHORITY

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

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

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

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

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