

T&E COMMITTEE #1
April 16, 2009

Worksession

MEMORANDUM

April 14, 2009

TO: Transportation, Infrastructure, Energy and Environment Committee

FROM: *KL* Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Worksession: FY10 Washington Suburban Sanitary Commission (WSSC)
Operating Budget**

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

WSSC

Commissioner Adrienne Mandel
Teresa Daniell, Interim General Manager
Rudy Chow, Interim Deputy General Manager
Tom Traber, Chief Financial Officer
Sheila Cohen, Budget Group Leader
Letitia Carolina-Powell, Budget Unit Coordinator

County Government

Dave Lake, Department of Environmental Protection
John Greiner, Office of Management and Budget

Schedule

On February 27, WSSC transmitted its proposed FY10 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 Council will take up the WSSC budget in early May. 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 over 1.7 million residents in a sanitary district covering nearly 1,000 square

miles in Montgomery and Prince George's Counties. WSSC has about 443,000 customer accounts and is one of the ten largest water and wastewater utilities in the country.

WSSC's governing board consists of six commissioners, 3 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 Mandel, Chair
Gene Counihan
Dr. Roscoe Moore

Prince George's County

Joyce Starks, Vice Chair
Prem Agarwal
Juanita Miller

The contract for the most recent General Manager, Andrew Brunhart, ended in February 2008. The Commission appointed Teresa Daniell (the Deputy General Manager under Mr. Brunhart) to serve as Interim General Manager and Rudolph Chow (the Chief of Customer Care) to serve as Interim Deputy General Manager. The Commission initiated a national search for a permanent General Manager but to date has not agreed on a candidate. On March 17, the County Executives jointly announced their support for David E. Chardavoyne, the former President/Chief Executive Officer of the San Antonio Water System.

An organization chart is attached on ©31. The Chair's budget transmittal letter and other excerpts from the Proposed FY10 budget are attached on ©1-21.

WSSC maintains about 5,500 miles of water mains and over 5,300 miles of sewer mains. WSSC also maintains four reservoirs (two of which are shared with other jurisdictions), two water filtration plants, 14 water pumping stations, 49 wastewater pumping stations, and seven wastewater treatment plants (including the Blue Plains plant in the District of Columbia). WSSC produces and distributes about 170 million gallons of water per day.

64 percent of all WSSC sewage and 82 percent of Montgomery County's sewage generated within the WSSC service area is treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. This plant is managed by the District of Columbia Water and Sewer Authority (DCWASA). WSSC makes operating and capital payments each year to DCWASA consistent with the Blue Plains Intermunicipal Agreement of 1985 (IMA). Blue Plains-related costs are a major element of the sewer program and reflect a majority of overall CIP expenditures. In addition, an annual operating payment (\$42.2 million assumed for FY10) to WASA is made. The Montgomery and Prince George's County Governments each have two representatives on the eleven member WASA Board of Directors. Fairfax County has one representative. The other six members represent the District of Columbia.

Performance Measures

WSSC has included a number of performance measures in its FY10 Proposed Budget. Most of these measures speak to water quality, quality of service, timeliness of service, and customer satisfaction. Council staff believes these measures highlight WSSC's success in delivering high-quality service.

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. It would be helpful if WSSC published information on how these measures compare over time to other comparable water and sewer utilities and how WSSC's costs to perform various services compare as well.

System Development Charge (SDC) Fees and Exemptions

Table 1:

Proposed SDC Charges

Item	FY10 Charge	Max. Allowable Charge**
Apartment		
- Water	\$896	\$1,128
- Sewer	\$1,140	\$1,437
1-2 toilets/residential		
- Water	\$1,344	\$1,692
- Sewer	\$1,710	\$2,152
3-4 toilets/residential		
- Water	\$2,240	\$2,822
- Sewer	\$2,850	\$3,588
5 toilets/residential		
- Water	\$3,135	\$3,948
- Sewer	\$3,991	\$5,026
6+ toilets/residential*		
- Water	\$88	\$111
- Sewer	\$115	\$146
Non-residential*		
- Water	\$88	\$111
- Sewer	\$115	\$146

*costs shown are per fixture unit

WSSC's Proposed CIP and draft Operating Budget assumes no change in the SDC rate. However, WSSC supports increasing the maximum rate for FY10 as permitted under State law. The proposed charge and the maximum allowable charge are presented in Table 1.

During discussion of the WSSC CIP, the T&E Committee concurred with WSSC's assumption to maintain current rates but to increase the maximum chargeable rate. NOTE: Both the maximum rate and the adopted rate are noted in the annual Council resolution approved in mid-May.

This year, the State Legislature is considering a bill (HB1139) that would broaden an

SDC exemption for facilities serving youth. If the bill passes, **Council Staff will work with Prince George's County staff on any language changes needed in the annual SDC fee resolution.**

WSSC Strategic Priorities

Although WSSC is in a state of transition with regard to hiring a new General Manager, the short and long-term strategic priorities for WSSC were reaffirmed by the Commission last year. These include the Minority Business Enterprise (MBE) program, IT, HR, and procurement as the highest priorities for immediate attention.

The MBE program was suspended at the end of FY06 as a result of inaction by the State in 2006 on legislation to extend the program's sunset date. Legislation to extend the program was later approved in the 2007 legislative session. The Commission has been operating under a temporary program since then but has been unable to agree on a permanent program.

The IT office was substantially reorganized in 2006 with some controversy with regard to the position abolishments and the creation of new non-merit positions. The multi-year \$35 million EAM/ERP project is underway as well. However, a major contract for consultant services associated with this project (\$17.6 million over five years) which was recommended for

action by the Acting Director of Procurement back in October 31, 2008, has yet to be acted upon by the Commission.

The HR office has also been reorganized. WSSC's revised procurement manual is on the Commission's April 15 meeting agenda. The centralization of acquisition functions is almost complete. There are still some pieces of the architect/engineer contracting process that need to be moved over from Engineering & Construction and that is currently being evaluated. In addition, a number of specific annual action items were established to address specific issues in these and other important areas.

Infrastructure

Master Planning

With regard to infrastructure, WSSC is engaged in a master planning process to identify infrastructure needs over a 30 year horizon. Phase IA of the work was completed in July 2007 and analyzed all of WSSC's infrastructure to identify major issues and order of magnitude fiscal implications for the next 30 years.

Two major findings of the Phase 1A report were:

- The above ground assets are in good condition with a few exceptions.
 - Process upgrades that are needed to comply with existing regulations are programmed in the CIP.
 - Non-process rehabilitations at plants, pumping stations, and water storage tanks are needed.
- The renewal of buried assets is WSSC's most immediate challenge.
 - By 2025 approximately 50% of the entire distribution system will reach or exceed its useful life.
 - 85% of the cast iron pipe in the distribution system will exceed its useful life by 2025.
 - Renewal of the collection system piping is driven by compliance with the Consent Decree signed in 2005 to reduce sanitary sewer overflows (SSOs).

An Asset Management Implementation Plan was subsequently completed during Phase 1B. The project is now in the early part of Phase II which involves the creation of asset management plans for the water transmission system, the water distribution system, the Broad Creek Basin Collection System, the Broad Creek WWPS, and the Piscataway WWTP. Phase II work is expected to continue through early 2011. WSSC is utilizing consultant support and in-house staff to do this work.

The total master planning effort is estimated at \$14.2 million with about \$2.4 million estimated to have been spent through FY09 and \$8.4 million to be spent over the next six years (FY10-15). For FY10, WSSC has moved the project from the Bi-County sections of the CIP to the "information-only" section. The work is still funded mostly with WSSC bonds.

Water and Sewer Main Reconstruction

During the FY09 spending control limits process, the previous WSSC General Manager supported the creation of an infrastructure renewal fee to address WSSC's long-term water and sewer main reconstruction needs. This fee was included in WSSC's Public Hearing Draft of its FY09 budget, but the Commission ultimately decided not to include the fee in its transmittal.

A bicounty staff working group was assembled to further study the issue. However while the group acknowledged the need to ramp up water and sewer main reconstruction, the group was not able to come to consensus on pursuit of a particular funding strategy. Given this status, any funding for water and sewer main reconstruction will continue to come from current water and sewer consumption charges.

The FY10 proposed budget includes a slight increase in water reconstruction miles (from 27 to 31) funded within the proposed 9% rate increase. This increase reduces the water main replacement cycle from 204 to 177 years; still far longer than the 100 year goal put forth by the prior General Manager.

The budget also includes \$2.5 million for 12 miles of large diameter PCCP pipe inspection and installation of acoustic fiber monitoring and \$1.75 million for PCCP repair work that is identified through the inspections. WSSC reallocated dollars for this work during FY09 and also requested and received supplemental funding of \$1.6 million to fund similar work in FY09.

The Council was briefed on WSSC's PCCP inspection program on January 27 as part of an update to the Council on the December River Road water main break. Excerpts of some slides from that presentation are attached on ©22-25 and provide good background information on this effort.

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.

FY09 Spending Control Limits

Last year, WSSC and staff from both counties developed a 10 Year fiscal plan based on a review of projected revenues and expenditures. Based on the 10 Year Fiscal Plan, the County Executive recommended, and in December 2007 the Council later approved, FY09 spending control limits that included a 9.7% maximum average rate increase and the assumption of a major expansion of the ready to serve charge to include a new infrastructure renewal fee in order to ramp up the pace of water and sewer main replacement.

The Prince George's County Council approved spending control limits that included an 8 percent rate increase and no infrastructure renewal fee.

The two Councils did not reconcile their differences regarding these limits or the creation of the infrastructure renewal fee. WSSC later transmitted an FY09 budget assuming an 8 percent rate increase and no infrastructure fee which was later approved by both Councils. The Councils agreed to continue to study the water and sewer main reconstruction issue. A bicounty working group was formed and is currently reviewing a number of options regarding the scope of any increased reconstruction work and options for how best to raise revenue to cover this work.

FY10 Spending Control Limits

Last fall, the T&E Committee and the Council discussed WSSC's challenging fiscal situation and the major revenue and expenditure issues involved. WSSC developed a "base case" scenario (roughly a "same services" scenario with some enhancements) that required a 13.9 percent rate increase and which still did not provide for a major ramp up of water and sewer reconstruction efforts.

In an effort to strike a balance between WSSC's fiscal needs and the needs of WSSC ratepayers in the current economic climate, the Council recommended spending control limits that included a 9.5 percent average rate increase and the use of up to an additional \$4.0 million in excess fund balance for the FY10 WSSC budget.

The Prince George's County Council recommended limits that included a 6.0 percent average rate increase.

The two Councils did not reconcile their differences regarding these limits. Therefore WSSC did not have a single set of limits to guide its development of its FY09 budget.

WSSC's FY10 budget is within the limits approved by the Montgomery County Council, as presented in the following chart.

**Table 2:
FY10 Spending Control Limits Approved by Each Council
versus the FY10 Proposed WSSC Budget**

Spending Control Limit Categories	Recommended Limits		WSSC
	MC	PG	Proposed
New Debt (in \$000s)	188.818	188.818	161.000
Debt Service (in \$000s)	174.778	174.778	168.490
Water/Sewer Operating Expenses (in \$000s)	521.172	507.100	519.732
Maximum Avg. Rate Increase	9.5%	6.0%	9.0%

New debt and debt service are below the Montgomery County and Prince George's County limits based on WSSC revising its CIP request and deferring a number of capital expenditures beyond FY10. The Commission proposed a number of substantial cuts (discussed later) to bring the rate increase down to 9.0 percent. Included within these assumptions is the use of an additional \$4.0 million in excess fund balance (as assumed within the Montgomery County limits).

Fund Balance Status

Below is a current review of WSSC's fund balance status. Based on WSSC's FY10 budget proposal, there is approximately \$2.7 million excess fund balance at the end of FY10. These dollars could be used for additional expenditure needs in FY10 or could continue to be used to offset EAM/ERP costs (in FY11 or beyond).

**Table 3:
Estimated Excess Fund Balance Calculation (in \$000s)**

FY08 Carryover	67,514
FY08 Reserve Requirement	23,500
Increase Reserve (for FY09)	1,500
FY09 use of fund balance for one-time rate reduction	5,591
FY09 SSO Operating Costs	3,638
FY09 EAM/ERP Funding	6,344
Approved FY09 Budget Supplement	3,330
Unallocated Reserve (end of FY09)	23,611
FY10 and Beyond Uses	
Increase Reserve (FY10-12)	4,500
FY10 use of fund balance for one-time rate reduction	4,000
FY10 SSO Operating Costs	910
FY10 EAM/ERP Funding	11,456
FY11 EAM/ERP Funding	tbd
FY12 EAM/ERP Funding	tbd
Estimated FY10 Excess Fund Balance	2,745

FY10 WSSC Proposed Budget

Summary Charts

The following chart presents summary budget data for WSSC for the FY09 Approved and FY10 Proposed Budgets.

**Table 4:
WSSC Expenditures by Fund (in \$000s)**

	Approved	Proposed	Change	
	FY09*	FY10	\$	%
Capital				
Water Supply	185,620	147,030	(38,590)	-20.8%
Sewage Disposal	142,718	161,454	18,736	13.1%
General Construction	32,637	32,660	23	0.1%
Total Capital	360,975	341,144	(19,831)	-5.5%
Operating				
Water Operating	214,081	233,925	19,844	9.3%
Sewer Operating	270,528	285,807	15,279	5.6%
Subtotal W&S Operating	484,609	519,732	35,123	7.2%
Interest and Sinking	71,426	68,462	(2,964)	-4.1%
Total Operating	556,035	588,194	32,159	5.8%
Grand Total	917,010	929,338	12,328	1.3%

*includes \$3.3 million approved budget supplement

The combined total of the Capital and Operating Budget is \$929.3 million, an increase of \$12.3 million (or 1.3 percent) from the Approved FY09 amount of \$917 million.

The total proposed Operating Budget is \$588.2 million, an increase of \$32.2 million (or 5.8 percent) from the Approved FY09 Operating Budget of \$556 million.

The following chart summarizes the proposed water and sewer operating expenditures by major expenditure category.

**Table 5:
Water and Sewer Operating Expenditures by Category**

Expense Categories	Approved	Proposed	Change	
	FY09	FY10	\$	%
Salaries and Wages	93,953	91,536	(2,417)	-2.6%
Heat, Light, and Power	24,329	28,422	4,093	16.8%
Regional Sewage Disposal	40,558	42,224	1,666	4.1%
All Other	169,962	190,679	20,717	12.2%
Debt Service	227,233	235,333	8,100	3.6%
Total	556,035	588,194	32,159	5.8%

Debt service is the biggest category. This is not unexpected for WSSC, given its large capital program. For FY10, however, debt service costs are only increasing 3.6%. This is a reflection of WSSC's mid-year budget actions to defer a number of project expenditures out of FY10. The largest percentage increase is in heat, light, and power. Like other agencies as well as residential and commercial ratepayers, energy rates have increased substantially over the past couple of years.

The "All Other" category accounts for most of the proposed increase. This category includes all operating costs not otherwise broken out above and also includes employee benefits.

Budget Highlights

Below are some major highlights of the WSSC's Proposed FY10 Budget:

- 9.0% average rate increase - *The Montgomery County Council and Executive recommended a 9.5% average rate increase. The Prince George's County Council recommended a 6% increase).*
- Assume to use approximately \$4.0 million from fund balance for rate stabilization in FY10 (*See fund balance chart above. This equates to approximately 1% on the water and sewer rate. This is consistent with Montgomery County's approved spending control limits).*
- No increase in the Ready To Serve Charge (i.e. no new infrastructure renewal fee is assumed).
- Use \$11.46 million from fund balance to fund the second year of a 5 year \$35.7 million EAM/ERP initiative. (*See fund balance chart above).*
- Water production is budgeted at 170 million gallons per day (mgd) which is the same as was assumed during the spending control limits process last fall. This is an increase of .5 mgd from the FY09 budget level of 169.5. Water production for FY08 was 168.2 mgd. The forecast for FY09 (based on information through the end of January) is now 168.0 mgd.¹
- A net increase of 6 workyears across both the Operating Budget and CIP.
- Includes \$2.5 million for 12 miles of large diameter PCCP water main inspection and acoustic fiber optic monitoring and \$2.75 million for repairs identified during these

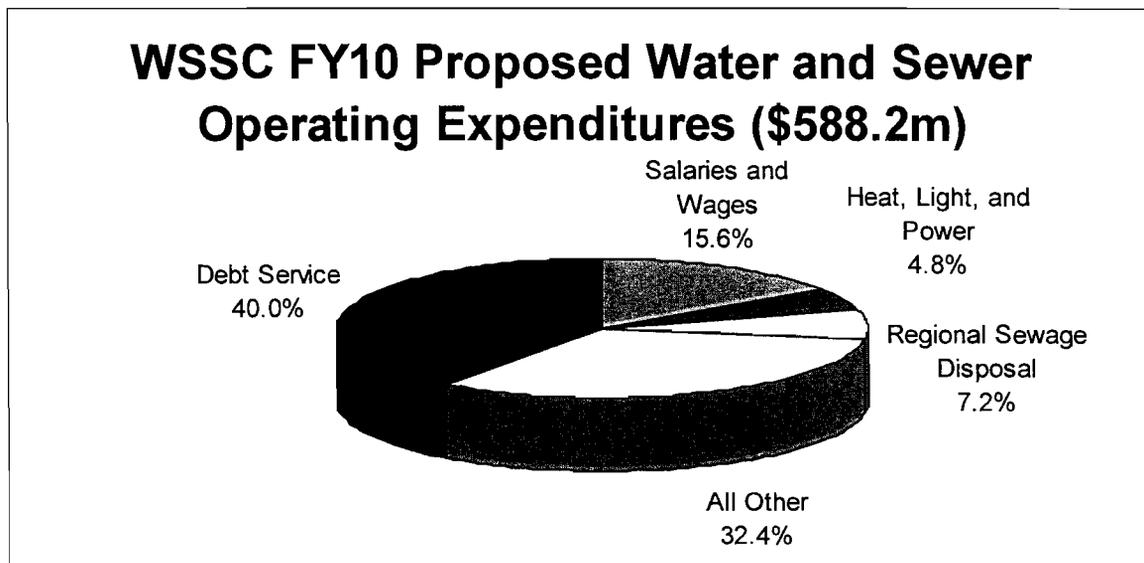
¹ Over the past ten years water production has been fairly flat with some recent slight increases. In the meantime, the population served has increased by 14%, thus average water usage per capita has declined.

inspections.

- Funds 31 miles of water main reconstruction (up from 27 miles in FY09).
- Add \$1.0 million to the base budget for retiree health costs (the third year of what is now an 8 year schedule in response to new GASB 45 reporting requirements) to increase funding ultimately up to \$19 million per year. (*The eight year schedule is consistent with other agencies' plans*).
- Implement a number of cost reductions (see ©2) to close the gap between the “base budget” assumption (14.9 percent increase) and the proposed 9 percent increase.

Council Staff believes the budget as proposed represents some major belt-tightening by WSSC. Additional cuts needed to reduce rates to 6.0 percent (see ©3) would, in Council Staff's opinion, go too far.

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

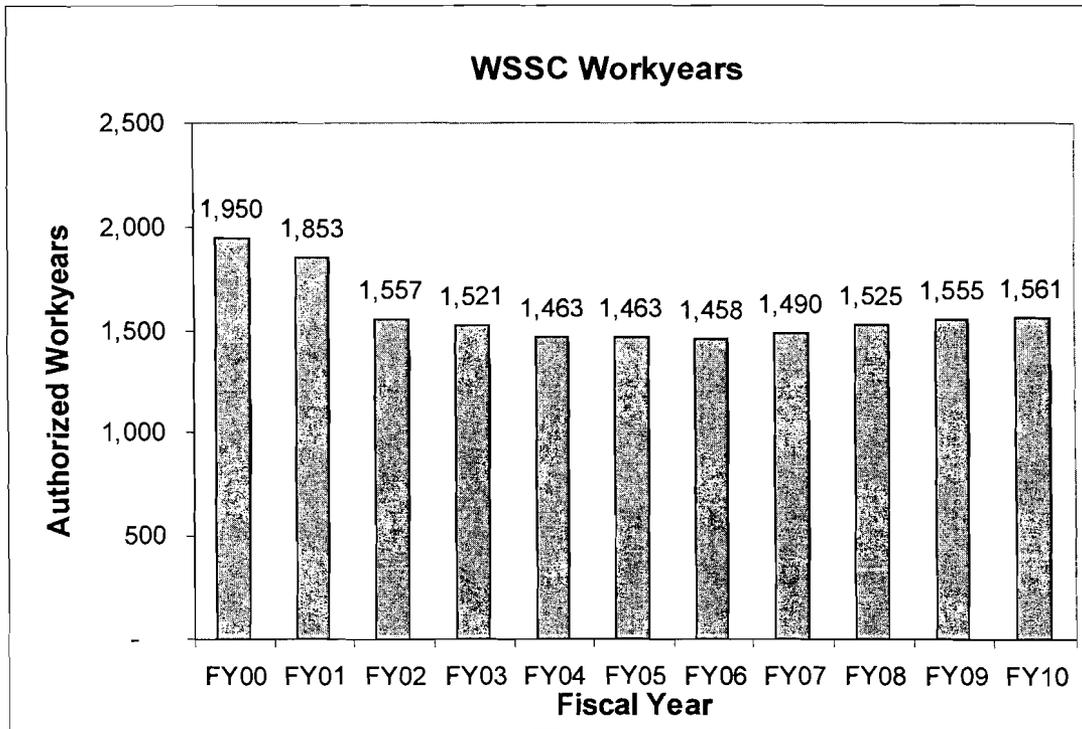


Even adding employee benefits (which are included in the “All Other” category) in order to look at personnel costs as a whole, personnel costs as of FY10 still make up less than 25 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County

Government, where personnel costs are 63 percent of all tax-supported expenditures in the FY10 Recommended Budget.

Workyears and Compensation

“Salaries and Wages”² costs within the Operating Budget are estimated to decrease by 2.6 percent. This is partly due to WSSC eliminating COLAs and incentive pay for FY10. Workyear growth has also slowed after several years of growth (following a number of years of Competitive Action Program (CAP) reductions).



For FY10, 6 new positions are requested. WSSC is not funding another 8 vacant positions to offset these costs. 3 new positions are related to the SSO consent decree. 2 new positions are to support operations at the Potomac Water Filtration Plant and one new GIS-related position is requested.

² Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other “ expense category.

For FY10, WSSC is allocating \$1.9 million in compensation adjustments. As shown in the following chart, these adjustments are far smaller than the approved adjustments for FY09.

**Table 6:
Compensation Adjustments for FY09 Approved and FY10 (Proposed)**

Type	FY09	FY10	Eligibility
Salary Adjustments	3,574,500	-	No COLA assumed for FY10 (3.5% for 1,472 employees in FY09)
Merit Increases	934,900	933,011	527 employees (non FW) not at Top of Grade
Incentive Pay*	2,219,700	-	No incentive pay assumed for FY10 (444 employees eligible in FY09)
Flexible Worker (FW) Pay	546,400	572,118	128 employees (increases based on skill assessments)
IT Bonus (contract)	651,000	384,296	81 employees (includes both "one-time" and base increases)
Total	7,926,500	1,889,425	

*Note: Incentive pay is "one-time" and does not change the base salary.

The biggest changes in FY10 are the elimination of the COLA and the elimination of incentive pay which had previously been in place for customer care and production team employees.

Also, new in FY09, as part of WSSC's new performance management system, merit increases are now tied to performance. Employees can receive 3 to 5 percent increases depending on their performance score, although 3 to 4 percent is most common.

With regard to other benefit changes, for FY10 WSSC also eliminated the 401(a) match program which matched the first \$500 of an employee's contributions to a deferred compensation plan.

The Management and Fiscal Policy Committee will discuss FY10 compensation and benefits issues across all agencies on April 20, 2009 with Committee recommendations expected after a follow-up meeting on May 8. *Note: Since the Bi-County meeting is on May 7, the Council will need to take action on WSSC's budget (and its compensation assumptions) in advance of its other compensation decisions.*

Council Staff is supportive of WSSC's compensation assumptions for FY10. The elimination of the COLA is consistent with what is being experienced in the other agencies. The merit increases are also in-line with what is included in the other agency budgets. The other pay increase categories were put in place a number of years ago as part of WSSC's CAP initiative and are unique to WSSC.

Council Staff suggests that the Interim General Manager briefly update the Committee on WSSC's new performance management system.

Customer Impact

With regard to the impact on the WSSC ratepayer, the following chart shows that each 1.0% rate increase adds about 51 cents per month to an average residential bill (\$1.53 to a quarterly bill and \$6.12 annually).

**Table 7:
Impact of Rate Increases in FY09
on Avg. Residential Customer Bill**

% Increase	Impact			
	Monthly	Quarterly	Annual	
1.0%	\$0.51	\$1.53	\$6.12	Impact of 1% Change
6.0%	\$3.06	\$9.18	\$36.72	PG County FY10 SCL
9.0%	\$4.59	\$13.77	\$55.08	WSSC Proposed FY10
9.5%	\$4.85	\$14.54	\$58.14	MC Council FY09 SCL
Current Avg. Bill	\$50.55	\$151.65	\$606.60	

*based on avg. usage of 210 gallons per day and account maintenance fee of \$11 per quarter

The effect of WSSC's proposed 9% rate increase on the average quarterly residential bill is about \$4.59 per month (\$13.77 quarterly or \$55.08 annually).

As shown on the chart, to reduce the rate from the 9.0 percent proposal to the Prince George's County recommended level of 6.0 percent would result in a savings to the average residential ratepayer of \$1.53 per month. However, as noted on ©3 of the WSSC transmittal, to achieve this relatively small savings, would require some major cuts in service to find the necessary \$12 million in additional savings.

Closing the Gap

WSSC's Proposed Budget assumes a 9.0% average rate increase. Each 1% of rate increase provides an estimated \$4.0 million in revenue. Therefore, a revenue gap of approximately \$20 million had to be closed to get to the 9.0% rate increase.

As mentioned earlier, WSSC utilized the additional \$4.0 million in excess fund balance that was assumed in Montgomery County's spending control limit recommendations. In addition, WSSC identified an additional \$500,000 in the sale of renewable energy credits (in excess of WSSC's voluntary participation in Montgomery County's Energy Policy).

The balance of savings was found through substantial expenditure reductions. These reductions are identified in WSSC's budget transmittal (see ©2). Many of these cuts were initially discussed during the Council's spending control limits deliberations.

County Executive Recommendations for the FY09 WSSC Budget

(See Operating Budget Excerpt on ©26-31)

In his March 16 transmittal, the County Executive recommended the following changes in WSSC's Proposed Budget.

- Increase debt service by \$1.35 million to cover revised Blue Plains project costs and costs for the Biogas Production Feasibility Study. Both of these issues were discussed by the Council during its review of the WSSC CIP and supported. **Council Staff recommends approval in the Operating Budget context as well.**

- An additional \$400,000 for debt service to provide for an additional 2.7 miles of water main reconstruction.
- An additional \$2.1 million for an additional 6 miles of inspection and acoustic fiber optic cabling of large diameter PCCP water mains.
- To fund the above increases, increase the Reconstruction Debt Service Offset³ (REDO) by \$1.5 million (from \$11.5 to \$13.0 million in FY10) and increase the use of excess fund balance by \$2.35 million. These revenue changes would allow the above work to be done without an increase in water and sewer rates above the proposed 9.0 percent level.

Based on WSSC's latest fund balance projections, there is sufficient excess fund balance (see earlier fund balance discussion) and REDO dollars (based on the Council's previous spending control limits discussion last fall) to accomplish what the Executive proposes. **Given the urgency of this work and the fact that the work could be adjusted in future years if excess fund balance is not available in future years, Council Staff supports this additional work.**

Council Staff recommends that the highest priority of work is the large diameter PCCP inspection, monitoring, and repair and suggests that all of the excess dollars identified above be made available for that purpose first. Understanding that WSSC has system limitations as to how much PCCP inspection work it can do in given years, Council Staff suggests that any dollars leftover after WSSC maximizes its PCCP inspection, monitoring, and repair program can be allocated to the water reconstruction program.

Summary of Council Staff Recommendations

Council Staff recommends approval of the FY10 WSSC budget with an assumed 9.0 percent rate increase as proposed by WSSC.

Council Staff supports the Executive's recommended expenditure increases in FY10 (supported through additional use of Fund Balance and REDO funds in FY10 as described above) with the top priority for these additional dollars being the PCCP inspection, monitoring, and repair program. Any additional expenditures not otherwise needed for the PCCP work can be used for additional water reconstruction work.

Attachments

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³ * Reconstruction Debt Service Offset: The use of surplus funds from the General Bond Debt Service account to offset a portion of the debt service cost of the Systems Reconstruction Program.



Washington Suburban Sanitary Commission

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February 27, 2009

To The Honorable:

County Executives of Prince George's
and Montgomery Counties

Chair, President, and Members
of the County Councils of
Prince George's and Montgomery Counties

Valued Customers and Interested Citizens:

We are hereby transmitting the Fiscal Year 2010 (FY'10) Proposed Capital and Operating Budget for the Washington Suburban Sanitary Commission (WSSC). A preliminary FY'10 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, 2009. The FY'10 Proposed WSSC Budget is now submitted to the County Executives and Councils of Montgomery and Prince George's Counties for hearings and other procedures as directed by Section 1-204, Article 29, Annotated Code of Maryland, before a final budget is adopted for the next fiscal year, beginning July 1, 2009.

The Commission is proposing a 9% average rate increase to pay for escalating prices for power, chemicals, and materials and to provide initial funding for proactive inspection and repair of critical infrastructure. The Proposed FY'10 rate increase will add approximately \$4.47 per month to the average residential customer's bill. The impact on customers' annual water and sewer bills at various consumption levels is shown on Table IV (page 11).

This proposed budget reflects our continued focus on providing safe and reliable water, returning clean water to the environment, and doing it in an ethically and financially responsible manner. The state of the WSSC's infrastructure remains a significant concern. We continue to work with stakeholders in both counties to develop a long-term funding solution to meet the WSSC's infrastructure needs. In the interim, this budget includes some additional rate-supported funding for the water and sewer reconstruction programs as well as funding for some inspection and repair of critical infrastructure, but far from the amounts that are needed.

Our budget needs for FY'10, to provide the same level of service with some new spending for critical proactive maintenance, would have resulted in a 14.9% rate increase. However, spending affordability limits adopted by the two County Councils specified a maximum 9.5% rate increase by the Montgomery County Council and a maximum 6% rate increase by the Prince George's County Council. The following adjustments were made to reduce the budget to a rate considered more affordable in these difficult economic times (listed in order of magnitude on water and sewer rate impact):

	<u>Total Amount</u>	<u>Water & Sewer Rate Impact</u>
Reduce assumed interest rates by 0.5%	\$ 2,479,580	\$ 2,479,580
Eliminate performance incentives for field employees	2,260,150	2,104,033
Reduce outside services	2,126,586	2,037,562
Increase salary lapse (reduction in budgeted salaries due to anticipated position vacancies)	2,304,400	1,837,801
Reduce sewer reconstruction program	14,811,350	1,801,350
Eliminate cost-of-living adjustment for employees	2,185,883	1,788,052
Reduce large diameter sewer main inspection	1,470,942	1,470,942
Reduce sewer pipe armoring	1,401,285	1,216,883
Reduce number of new positions	3,429,575	983,233
Extend phase-in period for other post employment benefits liability from 5 to 8 years	1,000,000	811,000
Reduce professional services	974,300	810,447
Adjust chemical budget based on revised price estimates	793,900	793,900
Adjust Capital Improvements Program spending based on latest spending estimates	13,124,376	776,376
Defer non-critical Capital Improvements Program projects	9,425,888	696,888
Reduce rights-of-way clearing	600,000	521,042
Sell excess Renewable Energy Credits	500,000	500,000
Eliminate Deferred Compensation Match Program for employees	587,500	476,463
Miscellaneous reductions	567,600	474,763
Adjust fuel budget based on revised price estimates	500,000	431,500
Eliminate winter denitrification at one wastewater treatment plant	400,000	400,000
Reduce sewer line chemical root control	400,000	400,000
Reduce Engineering Support Program	3,216,000	216,000
Reduce travel for professional association conferences & seminars Commission-wide by 50%	225,100	179,619
Eliminate corrosion control operating expenses	150,000	150,000
Defer remote telemetry unit replacements for process control	140,000	140,000
Reduce water house connection renewals	913,600	138,600
Eliminate 5 miles of water main cleaning & lining	884,750	96,750
Reduce Summer Intern Program	88,700	71,049
Eliminate purchase of 28 light vehicles	592,000	33,870
Total	\$ 67,553,465	\$ 23,837,703

In order to further reduce the budget to the 6% rate increase limit recommended by the Prince George's County Council, the following additional adjustments would need to be made (listed in order of magnitude on water and sewer rate impact):

	<u>Total</u>	<u>Water & Sewer Rate Impact</u>	
		<u>\$</u>	<u>%</u>
Eliminate water Prestressed Concrete Cylinder Pipe inspection and repair	\$ 4,250,000	\$ 4,250,000	1.05%
Reduce Sewer Reconstruction Program to FY'09 funding level	20,444,000	1,839,960	0.46%
Reduce Water Main Replacement Program (10 miles)	14,046,000	1,264,140	0.31%
Eliminate high bill adjustment program for customers	1,000,000	1,000,000	0.25%
Eliminate payment for no-fault claims	1,000,000	1,000,000	0.25%
Eliminate large diameter sewer pipe inspection	529,058	529,058	0.13%
Eliminate sewer pipe armoring	600,000	520,800	0.13%
Eliminate valve exercising	500,000	500,000	0.12%
Eliminate trailer mounted safety attenuator hauling contract	443,500	443,500	0.11%
Eliminate six new positions	345,000	297,082	0.07%
Eliminate telephone system replacement	1,850,000	242,088	0.06%
Eliminate leak detection program	100,000	100,000	0.02%
Close watershed recreation areas, fishing, and azalea gardens	76,300	76,300	0.02%
Eliminate Employee Assistance Program	49,000	39,739	0.01%
	<u>\$ 45,232,858</u>	<u>\$ 12,102,667</u>	<u>3.00%</u>

The FY'10 estimated expenditures for all operating and capital funds total \$929.3 million or \$12.3 million (1.3%) more than the FY'09 Approved Budget (all FY'09 Approved Budget numbers have been adjusted for the FY'09 Approved Budget Supplement). The FY'10 Preliminary Proposed Operating Budget of \$588.2 million represents an increase of \$32.2 million (5.8%) from the FY'09 Approved Operating Budget. The increase in the Operating Funds is driven by cost increases in chemicals, energy, fuel, and services utilizing fuel, such as biosolids hauling; the inclusion of funding for prestressed concrete cylinder pipe inspection and repair, and for large diameter sewer main inspection; additional sewer maintenance; the third increment of an 8-year phase-in to achieve full funding for liabilities related to post-employment benefits based on Governmental Accounting Standards Board Statement No. 45; and the second year of a 5-year program to implement an Enterprise Resource Planning/Enterprise Asset Management System.

Comparative Expenditures by Fund

	FY'09 Approved *	FY'10 Proposed	FY'10 Over / (Under) FY'09	% Change
Capital Funds				
Water Supply	\$185,620,000	\$147,030,000	(\$38,590,000)	(20.8%)
Sewage Disposal	142,718,000	161,454,000	18,736,000	13.1%
General Construction	32,637,000	32,660,000	23,000	0.1%
Total Capital	360,975,000	341,144,000	(19,831,000)	(5.5%)
Operating Funds				
Water Operating	214,081,000	233,925,000	19,844,000	9.3%
Sewer Operating	270,528,000	285,807,000	15,279,000	5.6%
Interest & Sinking	71,426,000	68,462,000	(2,964,000)	(4.1%)
Total Operating	556,035,000	588,194,000	32,159,000	5.8%
GRAND TOTAL	\$917,010,000	\$929,338,000	\$12,328,000	1.3%

* Reflects FY'09 Approved Budget Supplement

The FY'10 Proposed Capital Budget of \$341.1 million represents a net decrease of \$19.8 million (5.5%) from the FY'09 Approved Budget. The net decrease is primarily attributable to revised project schedules deferring expenditures into later years and several larger projects moving through construction at the Blue Plains WWTP, partially offset by Enhanced Nutrient Removal projects entering their construction phases and increases in both the Water and Sewer Reconstruction Programs.

FY'10 Proposed Capital and Operating Budgets

The proposed budget provides for:

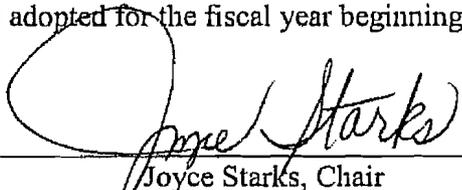
- Funding the first year of the FYs 2010-2015 Capital Improvements Program as amended by mid-cycle update;
- Promptly paying \$235.4 million in debt service on \$1.5 billion in outstanding debt to WSSC bondholders;
- Meeting or surpassing all federal and state water and wastewater quality standards and 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 the cost of operating the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant;
- Operating and maintaining a system of 3 reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 7 wastewater treatment plants, 5,500 miles of water main, and 5,400 miles of sewer main 24 hours a day, 7 days a week;
- Continuing to increase the operating reserve from 5% to 10% of water and sewer rate revenues;
- Funding the second year of a 5-year program to implement an Enterprise Resource Planning/Enterprise Asset Management System;
- Funding the third phase of an 8-year ramp-up to achieve full funding of liabilities for post-employment benefits other than retirement based on Government Accounting Standards Board Statement No. 45;
- Expanding the Water and Sewer Reconstruction Programs; and
- Complying with the Sanitary Sewer Overflow Consent Order.

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 VII (page 14).

Budget Review Process

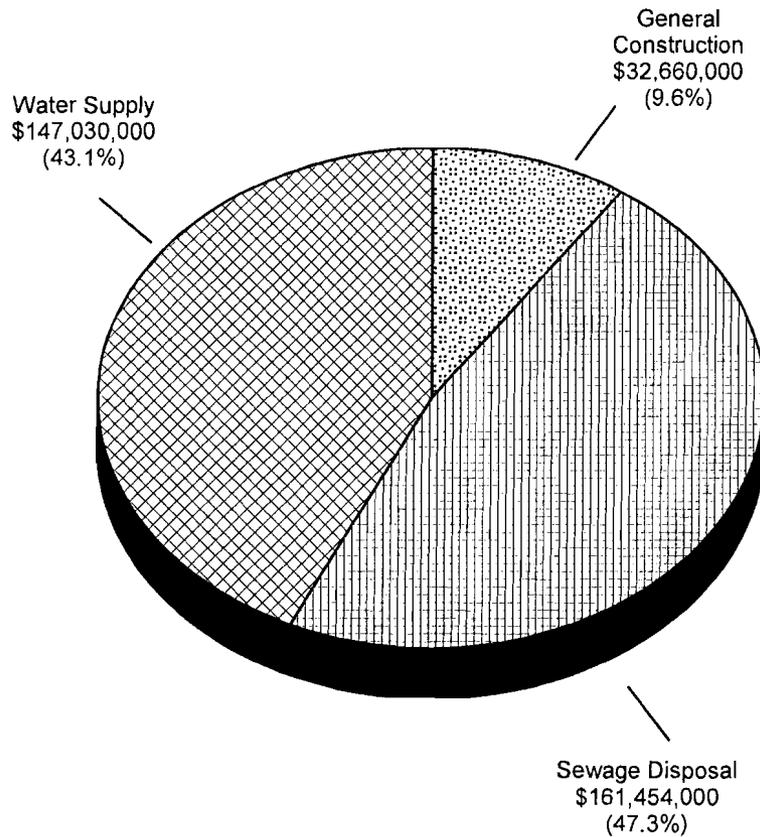
The Proposed Budget is subject to the Counties' hearings, procedures, and decisions, as provided under Section 1-204, Article 29, of the Annotated Code of Maryland, before the final budget is adopted for the fiscal year beginning July 1, 2009.



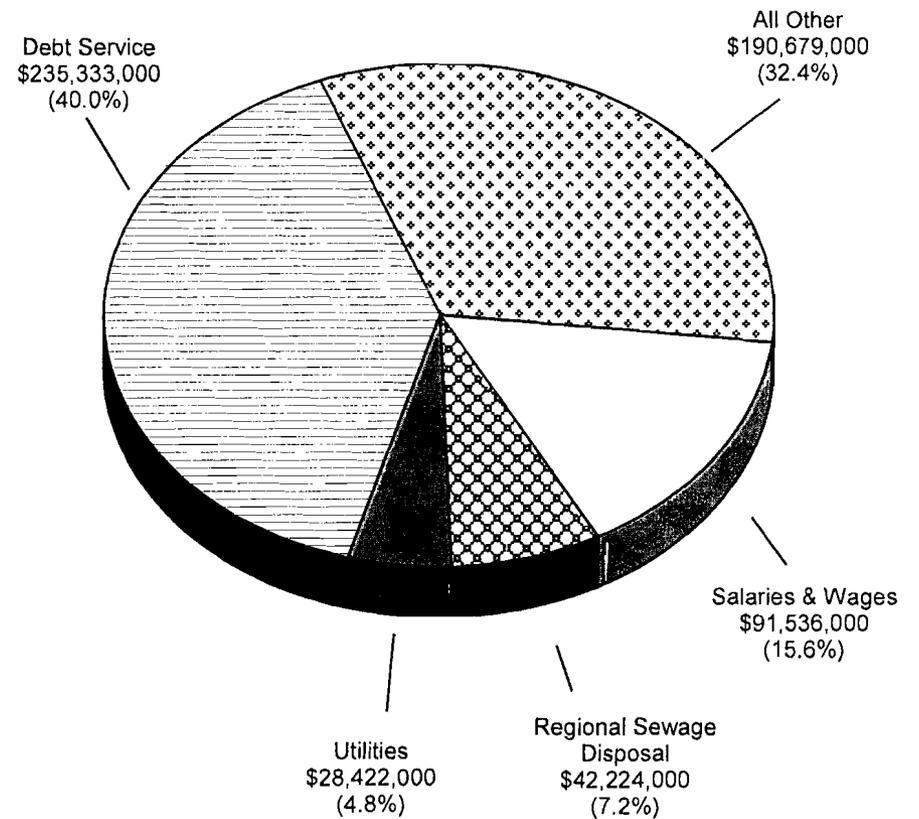
 Joyce Starks, Chair
 Washington Suburban Sanitary Commission

FY 2010 PROPOSED BUDGET

CAPITAL = \$341,144,000



OPERATING = \$588,194,000

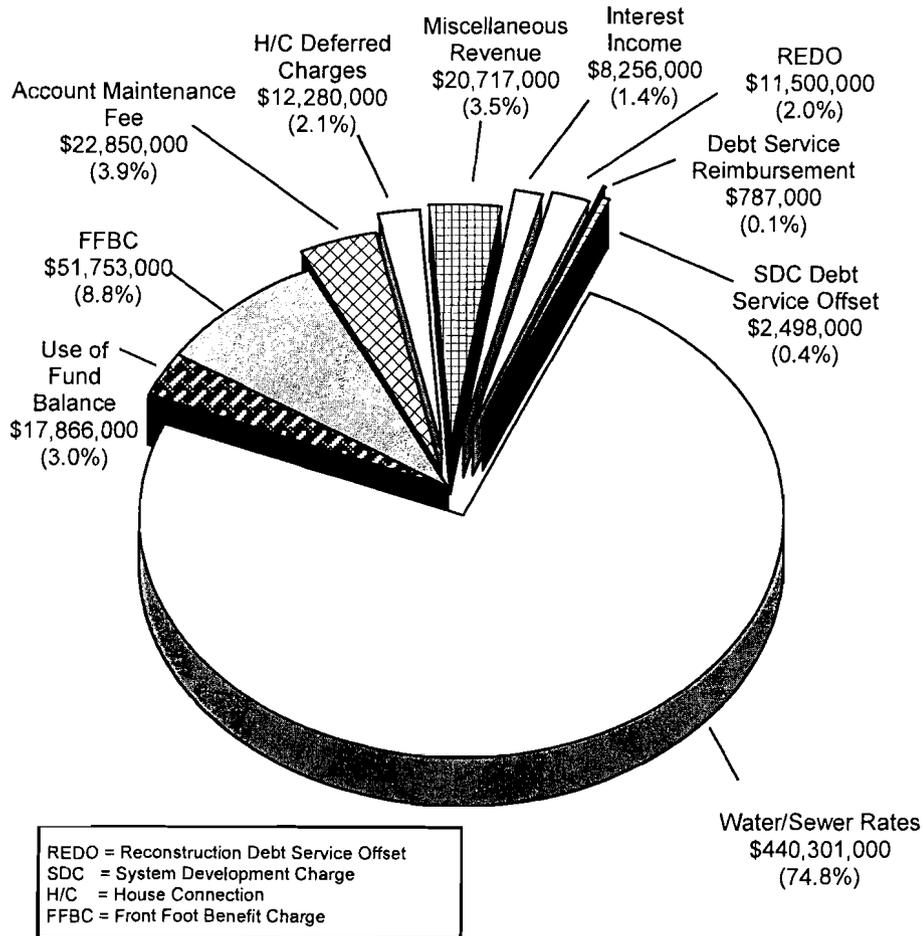


GRAND TOTAL = \$929,338,000

FY 2010 PROPOSED BUDGET

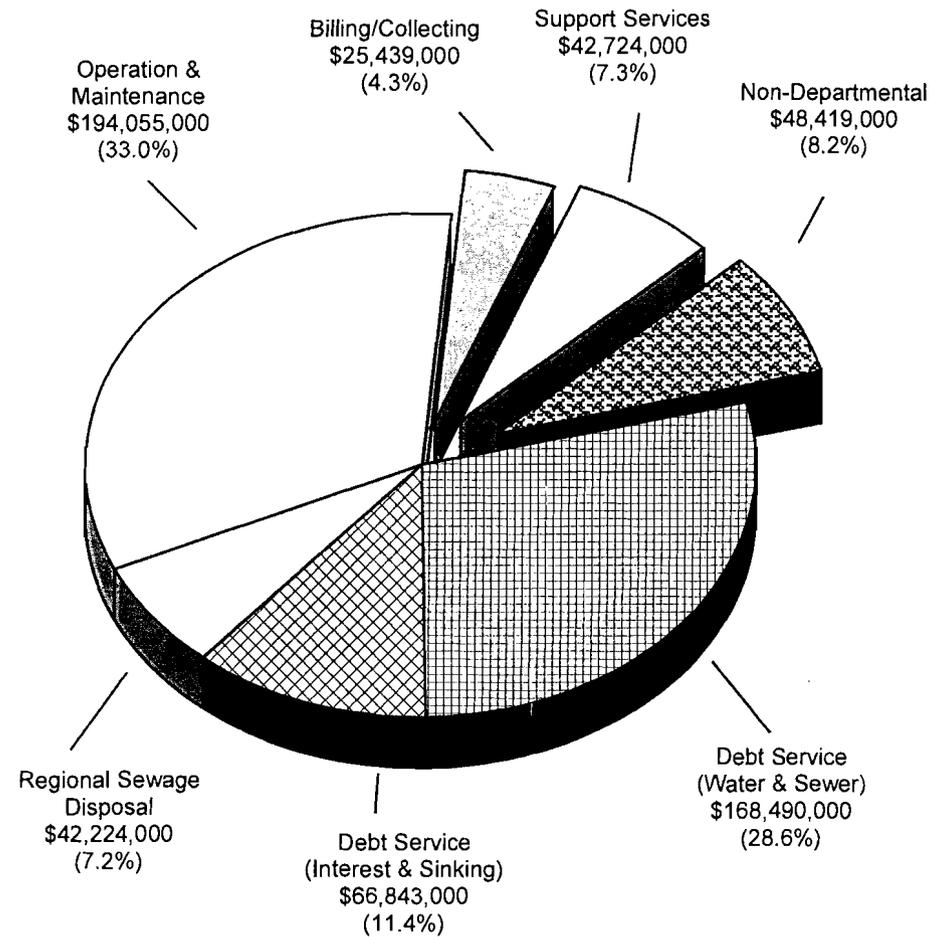
OPERATING

FUNDING SOURCES



TOTAL SOURCES = \$588,808,000

FUNDING USES



TOTAL USES = \$588,194,000

TABLE I

Comparative Expenditures by Fund

	FY'07 Actual	FY'08 Actual	FY'09 Approved *	FY'10 Proposed	FY'10 Over / (Under) FY'09
Capital Funds					
Water Supply	\$ 76,151,000	\$ 88,908,000	\$ 185,620,000	\$ 147,030,000	\$ (38,590,000)
Sewage Disposal	60,033,000	71,705,000	142,718,000	161,454,000	18,736,000
General Construction	23,750,000	22,668,000	32,637,000	32,660,000	23,000
Total Capital	<u>159,934,000</u>	<u>183,281,000</u>	<u>360,975,000</u>	<u>341,144,000</u>	<u>(19,831,000)</u>
Operating Funds					
Water Operating	180,616,000	191,756,000	214,081,000	233,925,000	19,844,000
Sewer Operating	226,111,000	239,386,000	270,528,000	285,807,000	15,279,000
Interest & Sinking	78,268,000	76,980,000	71,426,000	68,462,000	(2,964,000)
Total Operating	<u>484,995,000</u>	<u>508,122,000</u>	<u>556,035,000</u>	<u>588,194,000</u>	<u>32,159,000</u>
GRAND TOTAL	<u>\$ 644,929,000</u>	<u>\$ 691,403,000</u>	<u>\$ 917,010,000</u>	<u>\$ 929,338,000</u>	<u>\$ 12,328,000</u>

* Reflects FY'09 Approved Budget Supplement

TABLE II

Comparative Expenditures by Major Expense Category

(\$ in Thousands)

Expense Categories	FY'08 Actual			FY'09 Approved *			FY'10 Proposed		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Salaries & Wages	\$ 18,617	\$ 85,221	\$ 103,838	\$ 22,340	\$ 93,953	\$ 116,293	\$ 21,507	\$ 91,536	\$ 113,043
Heat, Light & Power	-	23,025	23,025	-	24,329	24,329	-	28,422	28,422
Regional Sewage Disposal	-	42,384	42,384	-	40,558	40,558	-	42,224	42,224
Contract Work	74,447	-	74,447	201,585	-	201,585	187,881	-	187,881
Consulting Engineers	18,438	-	18,438	40,582	-	40,582	42,337	-	42,337
All Other	71,779	145,128	216,907	96,404	169,962	266,366	89,400	190,679	280,079
Debt Service	-	212,364	212,364	64	227,233	227,297	19	235,333	235,352
TOTAL	\$ 183,281	\$ 508,122	\$ 691,403	\$ 360,975	\$ 556,035	\$ 917,010	\$ 341,144	\$ 588,194	\$ 929,338

* Reflects FY'09 Approved Budget Supplement

TABLE III

Combined Water/Sewer Operating Funds - FY'10 Proposed Rate Impact

(\$ in Thousands)

(9.0% AVERAGE RATE INCREASE PROPOSED FOR FY'10)

<u>Funding Sources</u>	<u>FY'10 Proposed</u>
<u>Revenues at Current Rates</u>	
Consumption Charges at 170.0 MGD	\$ 403,946
Account Maintenance Fee	22,850
Interest Income	5,500
Miscellaneous Revenues	<u>19,217</u>
Sub-Total	451,513
Reconstruction Debt Service Offset	11,500
SDC Debt Service Offset	2,498
Use of Fund Balance	<u>17,866</u>
Total Funding Sources	<u>483,377</u>
<u>Requirements</u>	
Operating, Maintenance & Support Services Expenses	349,742
Debt Service	168,490
Operating Reserve Contribution	<u>1,500</u>
Total Requirements	<u>519,732</u>
Shortfall to be Covered by Rate Increase	<u>\$ 36,355</u>
 PROPOSED AVERAGE WATER AND SEWER RATE INCREASE	 9.0%

TABLE IV

Annual Customer Bills At Various Consumption Levels

Average Daily Consumption (ADC) Gallons Per Day	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
100 (36,500 GAL/YR) Residential Meter	\$ 235.26	\$ 241.10	\$ 253.88	\$ 270.67	\$ 290.74
210 (76,650 GAL/YR) Residential Meter	556.79	572.12	606.61	651.83	705.49
500 (182,500 GAL/YR) Residential Meter	1,633.58	1,681.03	1,786.88	1,925.58	2,093.48
1,000 (365,000 GAL/YR) 2" Meter	3,562.00	3,664.20	3,890.50	4,182.50	4,536.55
5,000 (1,825,000 GAL/YR) 3" Meter	17,541.25	18,070.50	19,220.25	20,716.75	22,523.50
10,000 (3,650,000 GAL/YR) 6" Meter	36,572.00	37,667.00	40,039.50	43,142.00	46,901.50

Annual customer bills include the Account Maintenance Fee shown on page 13.



TABLE V

WSSC Water/Sewer Rate Schedules Effective July 1, 2008 & Proposed for Implementation July 1, 2009

(Rates per Thousand Gallons)

(9.0 % AVERAGE RATE INCREASE PROPOSED FOR FY'10)

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	Water Rates		Sewer Rates		Combined Water & Sewer Rates	
	Current Water Consumption Rate	Proposed Water Consumption Rate	Current Sewer Consumption Rate	Proposed Sewer Consumption Rate	Current Combined Water & Sewer Rate	Proposed Combined Water & Sewer Rate
0-49	\$ 1.97	\$ 2.21	\$ 2.77	\$ 2.96	\$ 4.74	\$ 5.17
50-99	2.21	2.48	3.22	3.44	5.43	5.92
100-149	2.42	2.71	3.79	4.05	6.21	6.76
150-199	2.71	3.04	4.36	4.66	7.07	7.70
200-249	3.17	3.55	4.76	5.08	7.93	8.63
250-299	3.43	3.85	5.14	5.49	8.57	9.34
300-349	3.63	4.07	5.50	5.87	9.13	9.94
350-399	3.79	4.25	5.75	6.14	9.54	10.39
400-449	3.94	4.42	5.88	6.28	9.82	10.70
450-499	4.04	4.53	6.08	6.49	10.12	11.02
500-749	4.11	4.61	6.20	6.62	10.31	11.23
750-999	4.22	4.73	6.33	6.76	10.55	11.49
1,000-3,999	4.30	4.82	6.60	7.05	10.90	11.87
4,000-6,999	4.40	4.93	6.75	7.21	11.15	12.14
7,000-8,999	4.45	4.99	6.85	7.32	11.30	12.31
9,000 & Greater	4.53	5.08	7.03	7.51	11.56	12.59

Current Flat Rate Sewer Charge - \$66.00 per quarter
Proposed Flat Rate Sewer Charge - \$71.00 per quarter

TABLE VI

Account Maintenance Fees Proposed for Implementation July 1, 2009

<u>Meter Size</u>	<u>Current FY'09 Quarterly Charges</u>	<u>Proposed FY'10 Quarterly Charges</u>
<u>Small Meters</u>		
5/8" to 1-1/2" (Residential)	\$ 11.00	\$ 11.00
<u>Large Meters</u>		
1-1/2" (Commercial)	31.00	31.00
2"	51.00	51.00
3"	92.00	92.00
4"	145.00	145.00
6"	237.00	237.00
8"	379.00	379.00
10" & 12"	458.00	458.00
<u>Detector Check Meters</u>		
2" to 4"	53.00	53.00
6"	73.00	73.00
8"	197.00	197.00
10"	256.00	256.00

TABLE VII

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, 2009.

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2009</u>
1. Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gasfitting Inspections **		
New Single Family Detached Dwellings **	\$450	\$500 **
New Attached Dwellings (townhouse/multiplex excluding apartments) **	450	500 **
All Other Residential:		
Water/Well Hookup **	65	70 **
Meter Yoke Inspection (meter only installation) **	65	70 **
Water Hookup Converting from Well (includes 2 inspections) **	125	140 **
Sewer/Septic Hookup **	65	70 **
First Plumbing Fixture **	65	70 **
Each Additional Fixture **	15	20 **
SDC Credit Fixture Inspection (per fixture) **	10	15 **
Minimum Permit Fee **	140	155 **
Permit Reprocessing Fee **	40	45 **
All Non-Residential:		
Plan Review (without Permit Application)		
50 Fixtures or Less **	295	325 **
51-200 Fixtures **	1,010	1,110 **
Over 200 Fixtures **	2,010	2,210 **
2 nd or 3 rd Review (with or without Permit Application)		
50 Fixtures or Less **	120	130 **
51-200 Fixtures **	240	250 **
Over 200 Fixtures **	475	525 **
Water/Well Hookup **	115	125 **
Meter Yoke Inspection (meter only installation) **	115	125 **
Sewer/Septic Hookup **	115	125 **
FOG Interceptor **	115	125 **
First Plumbing Fixture **	115	125 **
Each Additional Fixture **	25	30 **
SDC Credit Fixture Inspection (per fixture) **	10	15 **
Minimum Permit Fee **	175	190 **
Permit Reprocessing Fee **	40	45 **

* New Fee

** Changed Fee

(11)

TABLE VII

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2009</u>
2. Sale of Copies of Plans, Plats, and 200' Reference Maps (per sheet) **		
Xerographic **	\$2.75	\$3.50 **
Sepia/Mylar **	4.25	5.00 **
3. Septic Hauler Discharge Permit Sticker **		
<u>Category I</u>		
<u>Residential & Septic Waste & Grease</u>		
1 - 49 gallons **	\$115/vehicle	\$125/vehicle **
50 - 799 gallons **	1,700/vehicle	1,870/vehicle **
800 - 1,499 gallons **	4,625/vehicle	5,100/vehicle **
1,500 gallons and up **	11,000/vehicle	12,100/vehicle **
January through June	50% of fee	50% of fee
Transfer and/or Replacement Permit Sticker	50	50
Industrial/Special Waste Disposal Fee	200/1,000 gallons	200/1,000 gallons
Zero Discharge Permit Fee *	-	50 *
4. 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	150
1" Encoder	150	150
1-1/2" Encoder **	450	550 **
2" Standard **	700	830 **
3" Compound **	2,250	2,500 **
4" Compound **	2,950	3,200 **
6" Compound **	4,700	5,050 **
2" MVR **	840	975 **
3" MVR **	1,330	1,550 **
4" MVR **	1,950	2,225 **
6" MVR **	3,100	3,475 **
2" Detector Check **	1,100	1,200 **
4" Detector Check **	2,500	3,000 **
6" Detector Check **	2,750	3,300 **
8" Detector Check **	3,350	4,000 **
10" Detector Check **	4,600	5,300 **

* New Fee

** Changed Fee

TABLE VII

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2009</u>
12" Detector Check **	7,200	7,800 **
4" FM w/2" MVR **	5,875	6,550 **
6" FM w/3" MVR **	6,620	7,350 **
8" FM w/4" MVR **	9,200	9,950 **
10" FM w/6" MVR **	13,400	14,225 **
12" FM **	15,450	16,250 **
5. Meter Testing Fees **		
5/8" to 1" **	\$150	\$175 **
1-1/2" **	250	300 **
2" and up **	325	350 **
6. 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 **	250	300 **
3" Meter - Deposit **	1,500	1,800 **
Service Charge		
2 Weeks or Less (3/4" meter) **	25	30 **
2 Weeks or Less (3" meter) **	100	120 **
Over 2 Weeks (3/4" and 3" meters) **	100	120 **
Water Consumption Charge - 3/4" Meter **	Current approved rate for 1,000 gallons ADC; \$25 minimum	Current approved rate for 1,000 gallons ADC; \$30 minimum **
Water Consumption Charge - 3" Meter **	Current approved rate for 1,000 gallons ADC; \$150 minimum	Current approved rate for 1,000 gallons ADC; \$180 minimum **
Late Fee for Return of Meter **	\$5/day	\$6/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 **	30	35 **
7. Feasibility Review Fee (Non-SEP) ** (previously called Feasibility Review Fee)		
Feasibility Review & Report Fee Deposit ** (previously called Existing or Proposed House) (can be deferred as deficit when extension is completed)	\$650	\$7,750 **
Feasibility Submission Fee (Non-Refundable) *	-	1,250 *
Change in Applicant of Record **	135	150 **

* New Fee

** Changed Fee

TABLE VII

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2009</u>
8. Industrial Discharge Control Program Fees by Category **		
Industrial users subject to Categorical Pretreatment Standards (less than 5,000 gpd) (single visit) **	\$2,750	\$2,875 **
Industrial users subject to Categorical Pretreatment Standards (greater than 5,000 gpd) (double visit) **	4,200	4,400 **
Non-Discharging Categorical Industries (zero discharge) **	750	775 **
Significant Industrial User (less than 25,000 gpd) (single visit - priority pollutant sampling) **	2,750	2,875 **
Significant Industrial User (greater than 25,000 gpd) (double visit - priority pollutant sampling) **	4,200	4,400 **
Penalty Charge for Late Fee Payment	5% of fee	5% of fee
9. Fees for Sale of Contract Specifications, Contract Specification Books, Drawings, Design Manuals, Standard Details, and General Conditions **		
Construction Specifications/Drawings		
Utility Contracts	\$15	\$15
Facility Contracts	40-450	40-450
Construction Standard Details **	50	55 **
Construction General Conditions & Standard Specifications **	35	40 **
SEP Construction General Conditions & Standard Specifications **	35	40 **
Procurement Specifications/Drawings/General Conditions		
With Routine Specifications	No charge	No charge
With Complex/Voluminous Specifications	35-200	35-200
10. Call Back Fees (small meters, plumbers) **	\$75	\$85 **
11. Call Back Fees (large meters, plumbers) **	\$75	\$85 **
12. Missed Appointment Fee **		
First Missed Appointment or Turn-On **	\$50	\$55 **
Each Additional Missed Appointment **	70	80 **

* New Fee

** Changed Fee



TABLE VII

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2009</u>
13. Connection Redemption Fee **	\$25	\$30 **
14. Connection Abandonment Fee **		
County Roads (Except Arterial Roads) – Water **	\$725	\$900 **
County Roads (Except Arterial Roads) – Sewer **	1,250	1,400 **
State Roads and County Arterial Roads – Water **	1,250	1,400 **
State Roads and County Arterial Roads – Sewer **	1,750	1,900 **
15. Fire Hydrant Inspection Fee **	\$70	\$90 **
16. Utility Erosion and Sediment Control Permit Fee **		
Minor Projects **	\$.10 per linear ft.	\$.12 per linear ft. **
Major Projects **	.12 per linear ft.	.15 per linear ft. **
Minimum for Major Projects **	100	110 **
17. Chlorination Confirmation Test Fee **	\$130/first test	\$150/first test **
Re-Test or Additional Tests **	120/hour	150/hour **
18. Horizontal and Vertical Control Fee **	\$75	Delete **
19. Meter Reinstallation Correction Fee **	\$225	\$250 **
20. Sewer Meter Maintenance Fee **	\$5,250/year	\$7,880/year **
Quarterly Calibrations *	-	2,435/year *
21. Discharge Authorization Permit Fee **		
Significant Industrial User – Initial Permit **	\$2,950/4 years	\$3,250/4 years **
Significant Industrial User – Renewal **	1,450/4 years	1,600/4 years **
Temporary Discharge Permit (Non-SIU) **	2,950	3,250 **
22. Property Inspection Fee **	\$55	\$60 **
23. Construction Services Fee **	12% of estimated construction costs less design review fee	12% of estimated construction costs less design review fee
Re-test or additional tests **	\$125/hour	\$175/hour **

* New Fee

** Changed Fee

TABLE VII

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2009</u>
24. Systems Inspection Group Review Fee for Additional Reviews of Contract Documents and As-Builts **	\$125/hour	\$175/hour **
25. Partial Release Fee **	\$500	\$750 **
26. Service Connection Application and Inspection Fee (per permit) **	\$1,500/water and/or sewer connection	\$1,750/water and/or sewer connection **
27. Change Fee for Hydraulic Planning Analysis & Amendments *		
Basic (Both Water & Sewer) *	–	\$300 *
Moderate (Both Water & Sewer) *	–	1,000 *
Complex (Both Water & Sewer) *	–	2,600 *
Basic (Water or Sewer Only) *	–	150 *
Moderate (Water or Sewer Only) *	–	500 *
Complex (Water or Sewer Only) *	–	1,300 *
28. Submission Fee for Design Review *	–	\$275 *
29. Individual Lot Release Fee **	\$500/lot	Delete **

* New Fee
 ** Changed Fee

TABLE VII

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2009</u>	<u>CURRENT MAXIMUM ALLOWABLE CHARGE</u>	<u>PROPOSED MAXIMUM ALLOWABLE CHARGE</u>
30. System Development Charge ***				
Apartment				
Water	\$896	\$896	\$1,107	\$1,128
Sewer	1,140	1,140	1,410	1,437
1-2 toilets/residential				
Water	1,344	1,344	1,660	1,692
Sewer	1,710	1,710	2,112	2,152
3-4 toilets/residential				
Water	2,240	2,240	2,769	2,822
Sewer	2,850	2,850	3,521	3,588
5 toilets/residential				
Water	3,135	3,135	3,874	3,948
Sewer	3,991	3,991	4,932	5,026
6+ toilets/residential (per fixture unit)				
Water	88	88	109	111
Sewer	115	115	143	146
Non-residential (per fixture unit)				
Water	88	88	109	111
Sewer	115	115	143	146

*** No increase is proposed for the System Development Charge for FY'10 in any category. The maximum allowable charge is being adjusted pursuant to Article 29, Section 6-113(c)(1)(v) of the Annotated Code of Maryland, based on the 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 2007 to November 2008.

SELECTED STATISTICAL DATA

	<u>FY'04</u> <u>ACTUAL</u>	<u>FY'05</u> <u>ACTUAL</u>	<u>FY'06</u> <u>ACTUAL</u>	<u>FY'07</u> <u>ACTUAL</u>	<u>FY'08</u> <u>ACTUAL</u>	<u>FY'09</u> <u>BUDGET</u>	<u>FY'10</u> <u>PROPOSED</u>
Population Served	1,593,000	1,612,000	1,678,000	1,692,000	1,706,000	1,720,000	1,734,000
Customer Accounts	421,003	425,407	428,887	433,113	433,967	443,113	443,967
Water Produced (average MGD)	166.9	168.7	170.5	169.8	168.2	169.5	170.0
Water Produced (millions of gallons)	61,089	61,566	62,228	61,795	61,572	61,868	62,050
Water Mains Maintained (miles)	5,215	5,260	5,300	5,365	5,403	5,455	5,498
Water Mains Constructed (miles added by WSSC)	1	3	2	13.6*	0.2	5	5
Water Mains Constructed (miles added by developers)	20	42	38	51	38	40	45
Water House Connections Maintained	417,664	422,451	427,639	432,716	436,600	442,716	446,600
Water House Connections Installed	3,588	4,787	5,188	5,077	3,884	5,000	5,000
Water Meters Issued	24,730	21,543	29,730	13,916	16,457	16,578	16,578
Sewage Systems Total Flow (average MGD)	207.8	195.6	185.4	189.2	177.8	207.9	209.9
Sewage Systems Total Flow (millions of gallons)	76,045	71,381	67,682	69,071	65,068	75,884	76,614
Sewer Mains Maintained (miles)	5,090	5,136	5,188	5,250	5,285	5,335	5,385
Sewer Mains Constructed (miles added by WSSC)	2	3	4	11.4*	1	5	5
Sewer Mains Constructed (miles added by developers)	27	43	48	51	34	45	45
Sewer House Connections Maintained	397,073	401,580	406,303	410,923	414,386	420,923	424,386
Sewer House Connections Installed	3,175	4,507	4,723	4,620	3,463	5,000	5,000
Maintenance Work Orders (Emergency and Routine)	76,437	95,149	102,165	73,967	93,570	90,500	90,000
Vehicles in Fleet	804	816	824	846	853	849	863
Miles Traveled by Fleet	7,131,420	6,171,875	6,030,312	6,224,544	5,498,376	6,550,000	6,000,000
Water Meter Readings Completed	1,734,260	1,761,736	1,762,000	1,732,288	1,827,035	1,790,500	1,902,900
Authorized Positions	1,520	1,525	1,502	1,532	1,525	1,555	1,561
Authorized Workyears	1,463	1,463	1,458	1,490	1,525	1,555	1,561
Actual Employment Level - Beginning	1,456	1,433	1,383	1,377	1,428	1,434	
Actual Employment Level - Ending	1,428	1,383	1,377	1,428	1,434	-	
Actual Workyears	1,433	1,405	1,373	1,416	1,407	-	

* Reflects the acquisition of the Marlboro Meadows System

PCCP Current Program

- WSSC has a total of 357 miles of Pre-stressed Concrete Cylinder Pipe (PCCP) Water Mains including:
 - 57 miles – 54" and Greater
 - 86 miles – 36" through 48"
 - 214 miles – 16" through 30"
- Annual inspection plan is based on risk rating assigned to 36" and larger (143 miles)
 - Risk rating based on pipe diameter, age, land use, operational criticality, repair history and date last inspected
- Program focuses on mains 54-inch and greater--considered a higher risk due to their diameter, operational criticality, and highest consequence of failure
- Current state of the industry for non-destructive PCCP inspection techniques requires manual operation and manned entry into the pipelines to perform the inspections
- Virtually all WSSC PCCP water mains 54-Inch and greater have been inspected 1-3 times; the more problematic mains have been inspected 4-5 times

7

PCCP Current Program

- Inspection includes visual and sounding, sonic/ultrasonic, electromagnetic survey, acoustical leak testing, long term acoustical monitoring
- Establishes baseline condition, locates leaks, identifies needed repairs/replacements and planning for long term capital replacements
 - Engineering analysis done to determine if deteriorated pipes require replacement or can be repaired with carbon fiber internally or tendons externally
 - Permanent acoustical monitoring listens for additional wire break activity as early warning sign and establish rate of deterioration
- Inspections take 2-3 months to perform
 - Shut down and dewater pipeline during colder months September through June when demand is lower
 - During higher water main break season
- Cost per 12 miles for inspection and installation of Acoustical Fiber Optical Monitoring – \$3 M

8

Inspection Interval and Annual Mileage

- Preferred inspection interval for PCCP pipelines is 5 to 10 years: 5 years for 48" and above to 10 years for below 48"
- FY'07 and FY'08 PCCP Program mileage budget was 6 miles inspection and 6 miles of installation of Acoustical Fiber Optic (AFO) monitoring; results in inadequate and high risk 12 year inspection interval
- At 12 miles per year, the 48" and larger pipelines would be on a near optimum inspection interval of 6 years
- In FY'09, the Counties approved budget supplement to increase the PCCP mileage to 12 miles inspection miles and AFO installation

9

Five Year Plan

- FY'09 – 12 Miles – 1)Project 80 96-Inch and 2)River Road 66-Inch
- FY'10 – 12 Miles – 1)Rock Creek 54/60-Inch and 2)Failed Mont. Co. 48-Inch
- FY'11 – 12 Miles – 1)Mont. Co. High Zone 60-Inch and 2)White Oak 72-Inch
- FY'12 – 18 Miles – 1)Prince George's 54/60-Inch Supply Main, 2)Brightseat 54-Inch 3) I-270
- FY'13 – 18 Miles – May be able to add mains less than 48-Inch

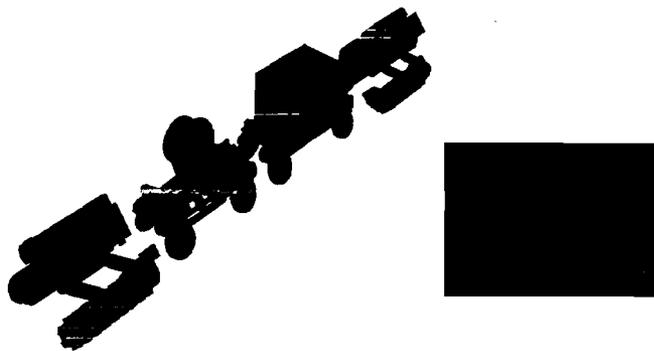
10

Looking Ahead

- To close gap created by reduced inspection program in FY'00 to FY'06, increase mileage goals to 18 miles FY'12- FY'13 for 48" and larger
- Steady-state inspections of 12 miles resumes in FY'14
- FY'11 CIP – Study/Design for Rehabilitation of 60-Inch Adelphi Main
- For diameters smaller than 48-inch, technology developments (estimated at FY'12 and beyond) may allow:
 - Unmanned inspections with the pipe full/partially full of water using current methods adapted to smaller pipe
 - May not require acoustical monitoring, be done at a lower cost in a shorter timeframe and at a 10 year interval

11

Advancing Electromagnetic Techniques for PCCP < 48-Inch

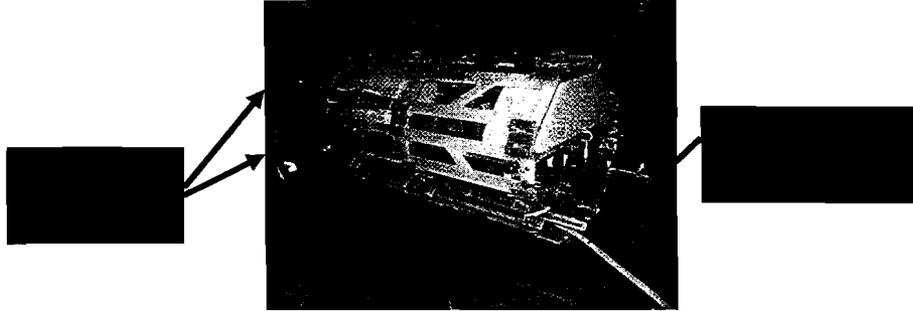


Robotic (Unmanned)
Electromagnetic P-Wave for Small
Diameter PCCP (< 48")for use in
Submerged Conditions

12

(24)

Small Diameter Underwater Adaptable Visual Inspection Tool



Unmanned Underwater Small Diameter (< 48")
Pipe Visual Inspection Tool – Adaptable to other
Technologies

13

Sustainable PCCP Program

- A sustainable PCCP Inspection and Condition Assessment Program is Critical to the Mission of WSSC
 - A component of WSSC's Infrastructure Renewal Plan
 - Ensures timely inspection and repair of deteriorated pipe sections
 - Provides safer, more reliable water supply
 - Helps ensure the pipelines reach their intended useful life
 - Provides condition assessment for long term capital planning
- Program must be a top budget priority and funded annually to assure public safety and reliability of the water supply

14

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 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 3 reservoirs impounding 14 billion gallons of water, 2 major water filtration plants, 7 wastewater treatment plants, 5,500 miles of water mains, and 5,400 miles of sewer mains 24 hours a day, 7 days a week.*
- ❖ *Treat and deliver 170.0 million gallons of water per day to over 444,000 customer accounts, and treat 209.9 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. (WSSC has never had a drinking water violation in its 90 year history.)*
- ❖ *Continue to provide maintenance services at a level consistent with the objective of responding to the customer within 2 hours of receiving notice of a major problem and restoring service to the customer within 24 hours from the time a service interruption occurs.*
- ❖ *Undertake a six-year Capital Improvement Plan that incorporates 5 new projects, including the development of an innovative, comprehensive, and cost-effective program for the sustainable production and use of biogas at the Seneca and Piscataway Wastewater Treatment Plants.*
- ❖ *Inspect, repair, and install acoustic fiber optic cable (an early warning system) for 12 miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains. This program is especially important in view of the recent catastrophic failures of two large PCCP water mains in Montgomery County.*
- ❖ *Continue to renew WSSC's underground infrastructure through the Water and Sewer Reconstruction Programs. The Commission will reconstruct 31 miles of water mains (4 more miles than in FY09) and rehabilitate 42 miles of sewers in FY10, while expanding the latter program to include lining 10 miles of lateral sewer lines.*
- ❖ *Comply with the Sanitary Sewer Overflow Consent Order.*

- ❖ **Fund the second year of the five-year program to implement an Enterprise Resource Planning/Enterprise Asset Management system.**
- ❖ **Fund the third 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, and continue to increase the operating reserve from 5% to 10% of water and sewer rate revenues.**
- ❖ **Fund the above activities and initiatives in conjunction with a 9% rate increase, consistent with the Spending Control Limits recommended by the County Executive and approved by the County Council.**

The County Executive is recommending that an additional \$2.5 million be allocated to the Commission's infrastructure maintenance and renewal efforts, which will provide for 6 miles of additional PCCP inspection, repair, and acoustic fiber optic cabling, plus 2.7 miles of additional water main reconstruction.

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 Montgomery and Prince George's County Councils adopted different FY10 spending control limits for WSSC. The following table shows the FY10 spending control limits adopted by each of the Councils, compared to the spending control results projected under WSSC's Proposed Budget and the County Executive's Recommended Budget. WSSC's Proposed Budget complies with the spending control limits approved by Montgomery County but exceeds Prince George's County's limit on water and sewer operating expenditures and on the average water and sewer rate increase..

FY10 Spending Control Limits Comparison				
SPENDING CONTROL LIMITS	Approved Spending Control Limits		Projected Levels Under:	
	Montgomery County	Prince George's County	WSSC Proposed Budget	County Executive Recommended Budget
Maximum Average Water/Sewer Rate Increase	9.5%	6.0%	9.0%	9.0%
New Debt (\$millions)*	\$188.8	\$188.8	\$161.0	\$180.5
Debt Service (\$millions)	\$174.8	\$174.8	\$168.5	\$170.2
Total Water and Sewer Operating Expenses (\$millions)	\$521.2	\$507.1	\$519.7	\$523.6

*New debt includes a system completion factor of 80%, except for reconstruction bonds, where the completion factor is 100%.

FY10 COUNTY EXECUTIVE RECOMMENDATIONS

Capital Budget

Increase WSSC's proposed FY10 capital expenditures by \$29.994 million: \$25.324 million to adjust for projected increases in Blue Plains costs, \$230,000 for acceleration of the Biogas Production Feasibility Study Project, and \$4.440 million for additional water main reconstruction. The increase will be funded by \$23.234 million in additional WSSC bonds, \$5.681 million in increased State aid, and \$1.079 million from increased City of Rockville contributions.

Blue Plains Cost Increases

The County Executive's January, 2009 recommendations on WSSC's FY10-15 CIP include a recommended \$25.324 million increase to the total estimated FY10 cost for the five Blue Plains Advanced Wastewater Treatment Plant projects to align them with the updated amounts shown in the District of Columbia Water and Sewer Authority's Proposed FY08-17 CIP. The \$25.324 million increase consists of \$18.564 million in additional WSSC bonds, \$5.681 million in increased State aid (from the Bay Restoration Fund), and \$1.079 million in additional payments by the City of Rockville.

Acceleration of the Biogas Production Feasibility Study

In its mid-year revisions to the Proposed FY10-15 CIP, WSSC included a one-year delay of the Biogas Production Feasibility Study. This innovative project involves the development of a comprehensive program for the sustainable production and use of biogas at the Seneca and Piscataway Wastewater Treatment Plants. The expected benefits of this project include production of renewable fuel and low-cost power for green energy programs, increased power reliability to prevent sanitary sewer overflows, and reductions in

biosolids production and air pollution. The project is expected to pay for itself over time from energy savings.

The County Executive does not recommend that this project be delayed. Restoration of FY10 funding for the Biogas Project will increase the capital budget by \$230,000. The County Executive concurs with the other mid-year revisions to WSSC's Proposed FY10-15 CIP.

Increased Infrastructure Renewal

WSSC's Proposed FY10 Capital Budget provides funding for the continued renewal of the Commission's underground infrastructure. Capital funds are included for reconstruction of 31 miles of water main, the rehabilitation of 42 miles of sewer main, and the lining of 10 miles of lateral sewer lines (an enhancement to the sewer reconstruction program made possible by recent technical advances).

The County Executive recommends that an additional \$2.5 million be dedicated to water main reconstruction (a capital expense) and the inspection, repair, and acoustic fiber optic cabling of large pre-stressed concrete cylinder pipe (an operating expense). Of the \$2.5 million, \$400,000 is to be dedicated to paying debt service for 2.7 miles of additional water main reconstruction. This will increase the capital budget by \$4.440 million.

Operating Budget

Increase WSSC's proposed operating expenditures by \$3.852 million, including \$1.752 million for increased debt service and \$2.1 million for six miles of additional pre-stressed concrete cylinder pipe (PCCP) inspection, repair, and fiber optic cabling for large water mains.

Expenditures

Increase debt service by \$1.752 million: WSSC's FY10 operating budget is influenced, in part, by the level of expenditures authorized for the first year of the FY10-15 CIP and other expenditures in WSSC's capital budget. The operating budget includes expenditures for debt service on bonds that finance the construction of CIP projects, lateral water and sewer lines (which carry water or wastewater to and from a dwelling or business), and other capital projects, including the reconstruction/rehabilitation of WSSC's underground infrastructure. The recommended \$1.752 million increase in debt service consists of \$1.352 million for the \$18.564 million in additional WSSC bonds needed to fund cost increases for the Blue Plain projects and the \$230,000 in bonds needed to restore the Biogas Production Feasibility Study, plus \$400,000 for bonds to fund an additional 2.7 miles of water main reconstruction.

Increase operating expenditures by \$2.1 million: This increase will provide for an additional 6 miles of large PCCP inspection, repair, and acoustic fiber optic cabling (installation of an early warning system), which will increase total PCCP inspection and repair to 18 miles in FY10 - the maximum that system constraints will allow. At this enhanced level of effort, it will be possible to inspect, repair, and cable all PCCP water mains 48" in diameter and larger in a little over three years.

Revenues

Increase use of the Reconstruction Debt Service Offset (REDO) by \$1.5 million: REDO comes from surplus funds that have accumulated in the Interest and Sinking Fund. WSSC is proposing to transfer \$11.5 million in REDO to the Water and Sewer operating budgets for FY10. The County Executive recommends that the REDO transfer be increased by \$1.5 million to a total of \$13.0 million in FY10.

Increase the use of fund balance by \$2.352 million: WSSC is projected to have a fund balance of \$48.6 million at the end of FY09.

Fiscal projections for all funds and budgets are shown on the next page. Six year projections for the Water and Sewer Operating Budget are shown in the display on page 15-5.

PROGRAM CONTACTS

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or John Greiner of the Office of Management and Budget at 240.777.2765 for more information regarding this agency's capital and operating budgets.

Expenditures by Category - FY10 WSSC Proposed and Executive Recommended

(S000s)

Expenditure Categories	WSSC Total	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Chg. (CE Rec. vs. WSSC Proposed)
	Actual FY08	Approved FY09	Proposed FY10	Rec. FY10	Rec. FY10	Rec. FY10	
Salaries and Wages	103,838	116,293	113,043	21,507	91,536	113,043	0.0%
Heat, Light, & Power	23,025	24,329	28,422	--	28,422	28,422	0.0%
Regional Sewage Disposal	42,384	40,558	42,224	--	42,224	42,224	0.0%
Contract Work	74,447	201,585	187,881	191,655	--	191,655	2.0%
Consulting Engineers	18,438	40,582	42,337	43,003	--	43,003	1.6%
All Other	216,907	266,366	280,079	114,954	192,779	307,733	9.9%
Debt Service	<u>212,364</u>	<u>227,297</u>	<u>235,352</u>	<u>19</u>	<u>237,085</u>	<u>237,104</u>	<u>0.7%</u>
Total Budget	691,403	917,010	929,338	371,138	592,046	963,184	3.6%

Notes:

1. Expenditures include the Water and Sewer Operating Funds, Interest and Sinking Fund, and the three capital funds.
2. The FY09 Approved budget includes an approved \$3.33 million mid-year supplemental.

WSSC PROPOSED: FORECAST FOR WATER AND SEWER OPERATING FUNDS

FISCAL PROJECTIONS	FY09 ADOPTED	FY09 ESTIMATED	FY10 PROPOSED	FY10 RECOMMENDED	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION	FY15 PROJECTION
SPENDING AFFORDABILITY ASSUMPTIONS/RESULTS									
New Water and Sewer Debt (\$millions)	\$134.9	\$134.9	\$161.0	\$188.8	\$276.2	\$234.5	\$217.5	\$198.2	\$168.2
Total Water and Sewer Operating Expenses (\$millions)	\$481.3	\$481.3	\$519.7	\$521.2	\$550.6	\$592.2	\$620.6	\$652.0	\$683.2
Debt Service (\$millions)	\$157.4	\$157.4	\$168.5	\$174.8	\$185.4	\$203.4	\$218.9	\$233.8	\$243.9
Average Water and Sewer Rate Increase	8.0%	8.0%	9.0%	9.5%	9.4%	9.2%	5.0%	5.5%	5.0%
BEGINNING FUND BALANCE (\$000)	67,514	67,514	48,611	48,611	32,245	28,000	28,000	28,000	28,000
REVENUES (\$000)									
Water and Sewer Rate Revenue	402,672	396,490	440,301	440,301	482,977	529,078	557,275	589,523	620,642
Interest Income	5,500	1,800	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Account Maintenance Fee	22,850	22,850	22,850	22,850	23,050	23,250	23,450	23,650	23,850
Miscellaneous	18,572	18,994	19,217	19,217	19,387	19,557	19,727	19,897	20,067
Total Revenues	449,594	440,134	487,868	487,868	530,914	577,385	605,952	638,570	670,059
SDC Debt Service Offset	2,612	2,612	2,498	2,498	2,398	2,293	2,192	1,428	1,167
Reconstruction Debt Service Offset (REDO)	12,000	12,000	11,500	13,000	11,500	11,000	11,000	10,500	10,500
Use of Prior Year Net Revenue	20,403	20,403	17,866	20,218	5,745	1,500	1,500	1,500	1,500
TOTAL FUNDS AVAILABLE	484,609	475,149	519,732	523,584	550,557	592,178	620,644	651,998	683,226
EXPENDITURES (\$000)									
Salaries and Wages	93,290	90,788	90,879	90,879	95,424	100,196	105,206	110,468	115,992
Heat, Light, and Power	24,329	24,329	28,422	28,422	30,185	32,332	34,636	37,105	39,749
Regional Sewage Disposal	40,558	41,000	42,224	42,224	44,335	46,552	48,879	51,323	53,890
Debt Service	157,363	149,963	168,490	170,242	185,391	203,418	218,866	233,824	243,878
All Other (includes \$1.5 million annual contribution to reserve)	169,069	169,069	189,717	191,817	195,222	209,680	213,057	219,278	229,717
TOTAL USE OF RESOURCES	484,609	475,149	519,732	523,584	550,557	592,178	620,644	651,998	683,226
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	0	0	0	0	0	0	0
YEAR END FUND BALANCE w/o additional \$1.5 m reserve	47,111	47,111	30,745	28,393	26,500	26,500	26,500	26,500	26,500
Additional \$1.5 million Reserve Annual Contribution	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
TOTAL YEAR END FUND BALANCE	48,611	48,611	32,245	29,893	28,000	28,000	28,000	28,000	28,000
Debt Service as a Percentage of Budget	32.5%	31.6%	32.4%	32.5%	33.7%	34.4%	35.3%	35.9%	35.7%
Estimated Water Production (MGD)	169.5	168.5	170.0	170.0	170.5	171.0	171.5	172.0	172.5
Accumulated Add'l Reserve (\$1.5M annual contribution since FY04)	9,000	9,000	10,500	10,500	12,000	13,500	15,000	16,500	18,000
Total Operating Reserve	25,000	25,000	26,500	26,500	28,000	29,500	31,000	32,500	34,000
Total Operating Reserve as a Percentage of Water and Sewer Revenue	6.2%	6.3%	6.0%	6.0%	5.8%	5.6%	5.6%	5.5%	5.5%
Total Workyears (all funds)	1,555	1,428	1,561	1,561	--	--	--	--	--

Assumptions:

- The County Executive's operating budget recommendation is for FY10 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
- The FY11-15 projections reflect WSSC's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended CIP 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 FY10 water and sewer operating budget for WSSC.
- The FY09 Adopted and FY09 Estimated spending affordability assumptions are the limits for FY09 implied by the budget jointly approved by Montgomery and Prince George's Counties. The FY10 Proposed spending affordability figures are the spending affordability assumptions associated with WSSC's Proposed FY10 budget. The FY10 Recommended spending affordability assumptions are the limits approved by the Montgomery County Council for FY10. (Prince George's County adopted different limits.) The FY11 - FY15 spending affordability figures correspond to the actual results for the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year.
- The FY09 Adopted figures include a \$3.33 million supplement to the FY09 Approved Budget that was approved by the Prince George's County Council on November 18, 2008 and by the Montgomery County Council on December 2, 2008.
- The total FY09 Estimated workyears shown correspond to the actual workyears as of December, 2008.

WSSC ORGANIZATION CHART

