

Worksession

MEMORANDUM

April 19, 2023

TO: Transportation and Environment Committee

FROM: Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Worksession: FY24 Operating Budget Washington Suburban Sanitary Commission (WSSCWater)¹**

PURPOSE: To review the WSSCWater FY24 Operating Budget and make recommendations to the Full Council

Budget Highlights

- Expenditures
 - Total FY24 Proposed Operating Budget is \$931.2 million, an increase of \$66.6 million (or 7.7 percent) from the Approved FY23 Operating Budget of \$864.6 million
 - FY24 Water and Sewer Operating Expenses are \$924.4 million, an increase of \$68.4 million (or 8.0 percent)
 - Largest increase is in “All Other” Expenditures (+\$28.97 million)
 - Heat, Light, and Power is also up substantially (+\$8.56 million)
 - Increases in Salaries and Wages (+\$7.4 million) and PAYGO (+\$12.98 million)
 - Significant service reductions (and delayed improvements) required at the 7.0 percent rate increase (see ©10 and ©38-39 for details)
- Revenues
 - Proposed Rate Increase = 7.0 percent (Approved Spending Control Limits rate ceiling is 7.0 percent)
 - Account Maintenance Fee and Infrastructure Investment Fee to rise with the rate increase
 - No change in System Development Charge (SDC) rates

Council Staff Recommendations

- Approve the FY24 WSSCWater Operating Budget assuming a 7.0 percent rate increase and the equivalent increases in the Account Maintenance Fee and Infrastructure Investment Fee
- Assume no increase in SDC rates, but increase the maximum allowable rate
- Revisit WSSCWater’s structural funding issues/Long Range Financial Plan after budget

¹ Key words: #WSSCWaterBudget, Water and Sewer, WSSCWater

Attachments to this memorandum include:

- T&E Committee Briefing (WSSCWater FY24 Proposed Budget) Presentation Slides (©1-31)
- County Executive's Recommended FY24 Operating Budget Excerpt for WSSCWater (©32-36)
- WSSCWater FY24 Proposed Budget Excerpt (©37-82)²

The following officials and staff from WSSCWater and the Executive Branch are expected to attend this meeting:

- Fausto Bayonet, Commission Chair
 - Howie Denis, Commissioner
 - T. Eloise Foster, Commissioner
 - Kishia Powell, General Manager/CEO
 - Joe Beach, Deputy General Manager for Administration
 - James Price, Deputy General Manager for Operations
 - Michael Harmer, Chief Engineer
 - Guy Andes, Acting Director, Intergovernmental Relations
 - Letitia Carolina-Powell, Acting Chief Financial Officer
 - John Curry, Acting Director, Customer Service
 - Brian Halloran, Capital Budget Section Manager
 - Fariha Babar, Budget Section Manager
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- Steve Shofar, Division Chief, Intergovernmental Affairs, Department of Environmental Protection
 - Rich Harris, Fiscal & Policy Analyst, Office of Management and Budget

General Information about WSSCWater

WSSCWater provides public water and sewer services to 1.9 million residents in a sanitary district covering nearly 1,000 square miles in Montgomery and Prince George's Counties. WSSCWater has 3 reservoirs and 2 water treatment plants (providing about 162 million gallons per day of drinking water) and maintains 7 wastewater treatment plants (including the Blue Plains Plant in Washington DC). WSSCWater has approximately 6,000 miles of water mains and over 5,700 miles of sewer mains. WSSCWater has about 477,000 customer accounts (see ©65 for more statistical information) and is one of the ten largest water and wastewater utilities in the country.

WSSCWater's governing board consists of six commissioners—three 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 current commissioners are:

Montgomery County

Fausto Bayonet, Chair
Howard A. Denis
T. Eloise Foster

Prince George's County

Regina Y. Speed-Bost, Vice Chair
Lynette D. Espy Williams
Mark J. Smith

The current General Manager, Kishia L. Powell, began her tenure in January.

An organizational chart (see ©36), the Chair's budget transmittal letter (©37-42), and other excerpts from the Proposed FY24 Budget are attached.

² WSSC's complete FY24 Proposed Budget is available [here](#).

About two-thirds of all WSSCWater sewage and four-fifths of Montgomery County’s sewage (generated within the WSSCWater service area) is treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. This plant is managed by DC Water.³ WSSCWater makes operating and capital payments each year to DC Water, consistent with the Blue Plains Intermunicipal Agreement (IMA) of 2012. Blue Plains-related costs are a major element of WSSCWater’s capital sewer program. The projected FY24 operating payment is \$64.2 million (6.9 percent of WSSCWater’s Proposed Operating Budget).

FY24 WSSCWater Proposed Budget Review Schedule

November 1, 2022: Separate actions by both Councils on WSSCWater FY24 Spending Control Limits
March 1, 2023: Transmittal of WSSCWater’s FY24 Proposed Budget
April 13, 2023: Prince George’s TIEE Committee Worksession on WSSCWater’s FY24 Proposed Budget
April 24, 2023: Montgomery County T&E Committee Review
Early May 2022: Montgomery County and Prince George’s County Full Council Reviews
May 11, 2023: Bi-County Meeting

Racial Equity and Social Justice Considerations

On December 2, 2019, the Council adopted Bill 27-19, Administration -Human Rights - Office of Racial Equity and Social Justice - Racial Equity and Social Justice Committee – Established. Among other provisions, this legislation requires the County Executive to submit a racial equity and social justice (RESJ) impact statement for each bill and each management initiative or program that would be funded in the operating or capital budget.

While the RESJ law does not cover WSSCWater, the Council is working to establish its own RESJ review processes. The WSSCWater Proposed FY24 Budget includes a section on Racial Equity and Social Justice (see excerpt on ©59-74). This section includes information on:

- Customer Demographics by race/ethnicity, age, and median household income (©60-61)
- WSSCWater Workforce Diversity (©62)
- Information on the WSSCWater Office of Supplier Diversity & Inclusion (including the Minority Business Enterprise (MBE) and Small Local Business Enterprise (SLBE) programs and the results of WSSCWater’s 2022 Disparity Study. (©63-65)
- Ongoing work of the Unserved and Underserved Communities Bi-County Workgroup (©66-67)
- Capital Project Prioritization Criteria (©67-68)
- External Funding for Disadvantaged Communities (©69)
- WSSCWater Financial Assistance Programs
- Water Bill Affordability
- Quarterly bills and bill increases over time compared with other jurisdictions (©70-73)
- Bill comparisons to electric and cell phone service (©74)

³ The Montgomery and Prince George’s County Governments each have two representatives (with two alternates) on the eleven-member DC Water Board of Directors. Fairfax County has one representative. The other six members represent the District of Columbia. The Montgomery, Prince George’s, and Fairfax County board members only vote on “joint use” issues (i.e., issues affecting the suburban jurisdictions). These board members do not vote on issues affecting only the District of Columbia.

Some of the items noted above are discussed in more detail later in this memorandum. Council Staff will continue to coordinate with the Office of Racial Equity and Social Justice, OMB, and WSSCWater on how to consider RESJ issues in the context of the WSSCWater budget going forward.

Spending Control Limits

Background

In April 1994, the Council adopted Resolution No. 12-1558, which established a spending affordability process for the WSSCWater budget. Under this process, which stems from the January 1994 report of the Bi-County Working Group on WSSCWater Spending Controls, each Council appoints a Spending Affordability Committee (SAC). For Montgomery County, the SAC is the Transportation and Environment (T&E) Committee.

There are four spending control limits: Maximum Average Rate Increase, Debt Service, New Debt, and Total Water and Sewer Operating Expenses. **The spending control limits provide direction to WSSCWater in the development of its Proposed Budget. The limits do not cap what the Councils can ultimately approve each year.**

FY24 Spending Control Limits

Last fall, the two Councils approved identical FY24 spending control limits for WSSCWater. Both Councils supported a rate increase limit of 7.0 percent, along with agreed-upon ceilings for New Water and Sewer Debt, Total Water and Sewer Debt Service, and Total Water/Sewer Operating Expenses. For additional information, please see the [Council Staff Report](#) from the Council’s worksession/action on FY24 Spending Control Limits.

The table below shows how WSSCWater’s Proposed FY24 Budget compares to the approved limits and to the County Executive’s FY24 budget recommendations.

FY24 Spending Control Limits				
Spending Control Limit Categories	Recommended Limits		WSSCWater	CE
	MC	PG	Proposed	Rec
New Debt (in \$000s)	380.0	380.0	380.0	380.0
Water and Sewer Debt Service (in \$000s)	328.5	328.5	328.5	328.5
Water/Sewer Operating Expenses (in \$000s)	915.3	915.3	924.4	924.4
Maximum Avg. Rate Increase	7.0%	7.0%	7.0%	7.0%

The FY24 Proposed WSSCWater Budget is within each of the limits for the Maximum Average Rate Increase (7.0 percent), New Debt and Water and Sewer Debt Service. For Water/Sewer Operating Expenses, the WSSC Proposed Budget is higher. However, the additional expenses are offset by non-rate related funding sources.

The County Executive did not recommend any changes to WSSCWater’s FY24 Proposed Budget, so the “CE” numbers above are the same as WSSCWater Proposed.

Long-Range Financial Plan

WSSCWater’s long-range financial plan included in its FY24 Proposed Budget is attached on ©X. A related chart is included in the Executive’s Recommended Operating Budget (see ©75-78). The current

plan is an updated version from what was included in the spending control limits process last fall. Like Montgomery County's fiscal plan, this forecast presents a scenario that assumes a balanced budget across the six-year period. The Plan assumes:

- Continued high levels of debt service (approximately 38 percent of total expenses; the target level is <40 percent) primarily due to increased spending on infrastructure work over the past decade as well as environmental mandates.
- Substantial increases in annual PAYGO levels during the six-year period to help moderate debt service increases and meet various financial metrics.
- Continuing flat water consumption (rate revenue makes up about 85 percent of WSSCWater's revenues),
- Meeting fiscal policy targets such as
 - building up "days of operating reserve on hand" (current target of 120 to 150 days is being increased to 250 days based on industry standards)
 - Improving debt service coverage over the six-year period up to 1.5 (current target is 1.10 to 1.25). (*Debt service coverage is Operating Revenues less Operating Expenses (excluding Debt Service and PAYGO) divided by the debt service on bonds and notes*)
 - Staying under 10 percent for the Fitch Leverage Ratio (*net adjusted debt divided by adjusted funds available for debt service*)
 - *Ending fund balance at 20 percent or greater of Operating Revenue*
- Reconstruction debt service offset (REDO) contributions to funds available ending after FY23 (\$4.0 million) with the balance down to zero.

Under the above assumptions, the Long-Range Financial Plan assumes a 7.0 percent rate increase in FY24 (as proposed) and 8.0 percent rate increases in FY25 and FY26, followed by 6.5 percent rate increases in FY27 through FY29. Some rate increase history and comparisons to other jurisdictions are discussed later.

WSSCWater continues to face some additional fiscal challenges, including high inflationary increases (affecting both the Operating Budget and the Capital Improvements Program), as well as continued higher than typical delinquent accounts (both in number and total amounts owed) resulting from the impacts of the pandemic. The numbers have declined somewhat from their peak, but still remain well above pre-pandemic levels. At its April 19 Commission meeting, the Commission approved temporary regulations putting in place a month-long incentive program to incentivize both residential and commercial customers to get up to date on their WSSCWater bills and/or establish a payment plan.

WSSCWater's long-range financial plan discussed last fall during the Council's spending control limits deliberations assumed an 8.0 percent rate increase as well as the same percentage increase in its fixed fees. Assuming no other changes in the plan's assumptions, the Council's 7.0 percent ceiling resulted in WSSCWater having to build its budget with about \$8.1 million less in assumed volumetric and fixed fee revenue in addition to other fiscal pressures. Some reductions made to accommodate the 7.0 percent rate increase are noted in the Commission Chair's letter on ©38-39 and in the presentation slides on ©10.

As noted in past Staff Reports, WSSCWater has pursued productivity improvements in its operations over time including in areas such as its Supply Chain Management Transformation project, group insurance and Workers Compensation savings, and overtime reductions. WSSCWater also had no net increase in positions from FY17 through FY21. WSSCWater commissioned a [benchmarking study](#) that provided recommendations in July 2016 that identified areas for focus for improvement including:

customer service, Fleet, and CIP-asset management. Procurement and utility services also showed potential for significant improvement.

In early February, WSSCWater received AAA bond ratings from all three rating agencies. However, Fitch retained a negative outlook based on leverage that may exceed or remain near 10.0x for the next couple of years.

Rate Increase History and Comparisons

WSSCWater Rate Increases Since FY99

The following table presents WSSCWater’s rate increase history going back 25 years and compares those increases to WSSCWater’s Budget over that same period.

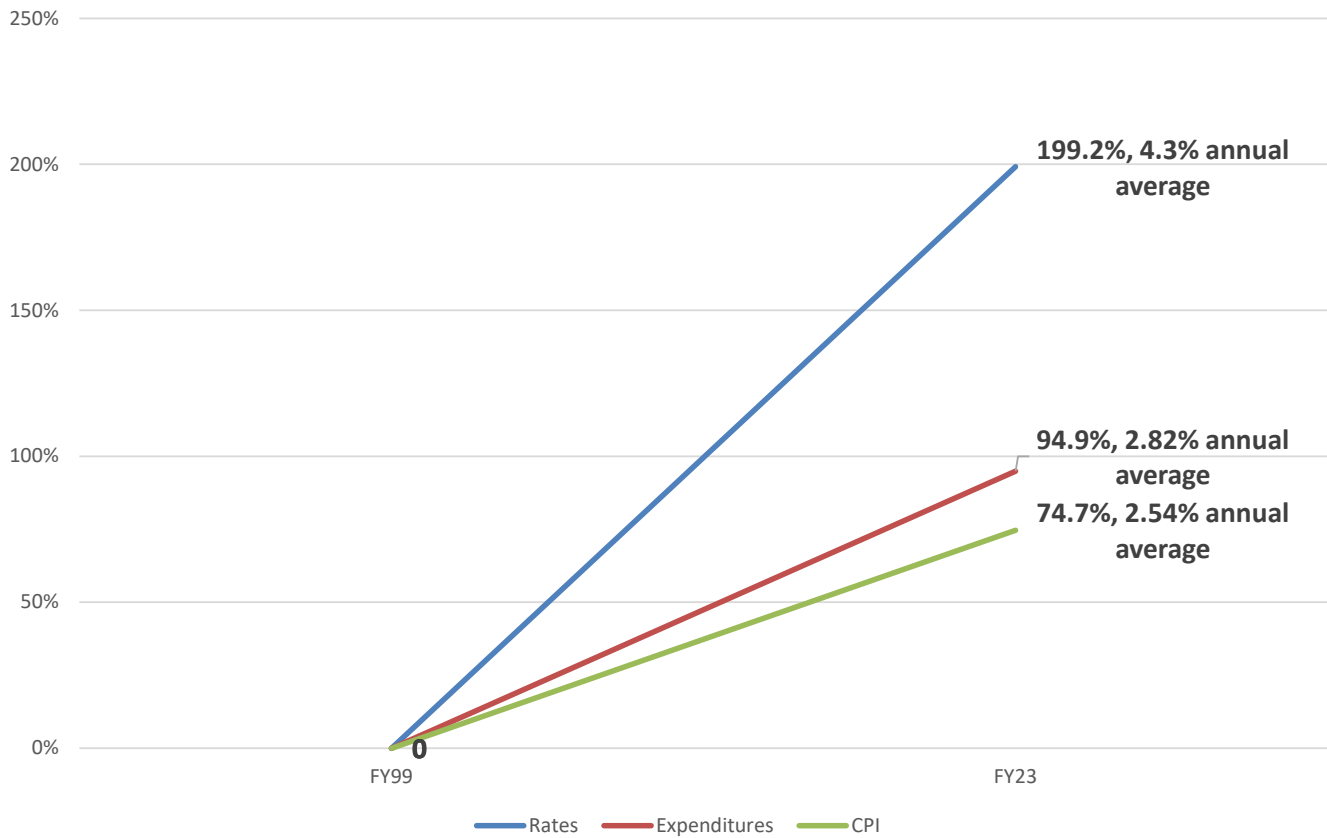
Rate Increase and Budget Increase Percentages					
Fiscal Year	Approved		Fiscal Year	Approved	
	Rate Increase	Budget in (000s)		Rate Increase	Budget in (000s)
FY99	0.0%	443,575	FY12	8.5%	626,145
FY00	0.0%	445,946	FY13	7.5%	661,733
FY01	0.0%	457,488	FY14	7.3%	698,773
FY02	0.0%	463,921	FY15	5.5%	707,190
FY03	0.0%	465,835	FY16*	6.0%	715,173
FY04	0.0%	448,580	FY17*	6.5%	736,382
FY05	3.0%	465,253	FY18	3.5%	741,236
FY06	2.5%	494,347	FY19	4.5%	781,581
FY07	3.0%	502,090	FY20	5.0%	817,393
FY08	6.5%	525,874	FY21	6.0%	849,656
FY09	8.0%	556,035	FY22	5.9%	852,093
FY10	9.0%	590,531	FY23	6.5%	864,606
FY11	8.5%	605,550	FY24**	7.0%	931,182
Cumulative Increase (FY99-23):				199.2%	94.9%
Cumulative Increase (FY05-23):				199.2%	85.8%

*Customer Impact shown for FY16 and FY17 since actual rate increases were lower due to increases in the Account Maintenance Fee and creation of the Infrastructure Investment Fee

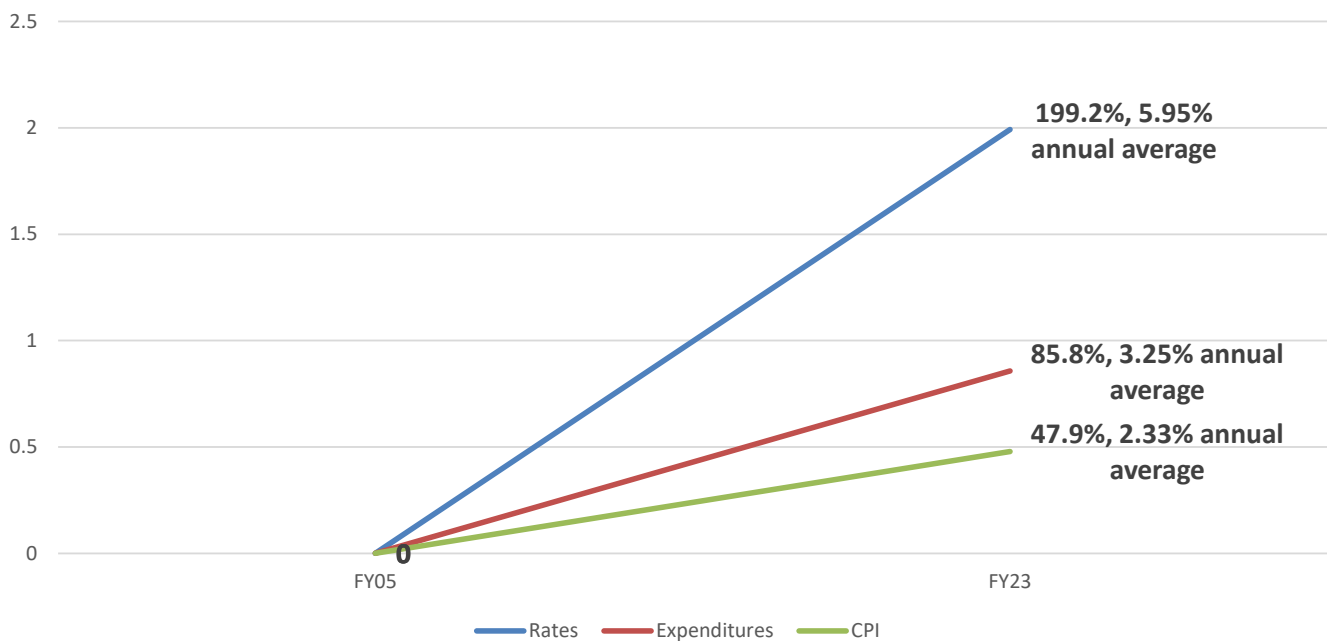
**Based on the WSSCWater Proposed Budget

The following graphs more starkly show the overall trends since FY99 and FY05 and also show the equivalent consumer price index trend over the same time periods.

WSSC Water Compounded Rate Increase versus Expenditure Increases (FY99-FY23) compared to CPI



WSSC Water Compounded Rate Increase versus Expenditure Increases (FY05-FY23) compared to CPI



These graphs highlight several key points about WSSC Water rate increases since FY99 and since FY05.

- Rates increased 199.2 percent from FY99 through FY23.
- While this sounds high, the equivalent annual rate increase to achieve that same level of overall rate increase over that period is 4.3 percent (as reflected in the rates trendline).
- Expenditures increased at a far lower average rate during that same period (94.9 percent; equivalent to a 2.82 percent increase per year).⁴
- The total change in the consumer price index (CPI) from 1999 to 2022 was 74.7 percent.
- A similar analysis from FY05 to FY23 is shown in the second graph. This comparison does not include the earlier five straight years of no rate increase, so the equivalent annual average rate increase is higher. Expenditure increase percentages are also higher during this same period, but still well below the rate increases.

Also, as noted in past years, over the past 20 years, water and sewer utilities nationwide have experienced higher increases than other sectors; likely the result of aging infrastructure as well as enhanced environmental requirements over time and flat water consumption trends.

Rate Comparisons

The Proposed Operating Budget includes several charts showing residential bill comparisons for large water utilities across the country and a bill comparison for these same large water utilities as a percentage of median income. WSSC Water is in the middle for residential bill comparisons (©70), near the lowest for the bill comparison as a percentage of median income (©71), and the lowest in the region for bill increases over time (©73).

WSSC Water Fees and Charges

System Development Charge (SDC)

WSSC Water's Proposed CIP and draft Operating Budget assume no change in the SDC rate. However, WSSC Water supports increasing the maximum rate that the charge could be increased in future years by a CPI adjustment (5.5 percent) for FY24, as permitted under State law. The proposed charge and the maximum allowable charge are presented below.

⁴ The rate of increase in water and sewer expenditures over time has been substantially lower than the rate of increase in water and sewer rates. This is because WSSC Water's primary source of funding is from volumetric water and sewer fees. Water production has been flat over the past 25 years, despite increases in the population served, due to declining per capita water usage. Water conservation has a negative impact on WSSC Water's rate revenue. This impact was exacerbated by WSSC Water's billing structure during that time, which billed all water used at the average daily consumption tier reached during a billing period. Therefore, rate increases were needed to offset revenue shortfalls in addition to covering increased expenditures.

Proposed SDC Charges

Item	FY24 Charge	Max. Allowable Charge
Apartment		
- Water	\$896	\$1,536
- Sewer	\$1,140	\$1,954
1-2 toilets/residential		
- Water	\$1,344	\$2,305
- Sewer	\$1,710	\$2,929
3-4 toilets/residential		
- Water	\$2,240	\$3,841
- Sewer	\$2,850	\$4,888
5 toilets/residential		
- Water	\$3,135	\$5,375
- Sewer	\$3,991	\$6,843
6+ toilets/residential*		
- Water	\$88	\$153
- Sewer	\$115	\$199
Non-residential*		
- Water	\$88	\$153
- Sewer	\$115	\$199

*costs shown are per fixture unit

The SDC fund itself is discussed in more detail in the [Council Staff Report for the Proposed FY23-28 WSSCWater CIP from March 17](#).

The SDC is a major source of funding for much of the new Water/sewer infrastructure built in the County. WSSCWater estimates approximately \$177.7 million in revenue over the six-year period. Developer credits and SDC exemptions⁵ reduce the net revenue to about \$150.7 million.

Overall, WSSCWater estimates a \$75 million gap in growth funding versus expenditures over the six-year period (with a \$6.4 million gap in FY24 and a \$22.3 million gap in FY25), as shown on ©33. This gap is caused by ongoing CIP Growth expenditures (\$233 million over six-years, compared to \$214.4 million projected at this time last year) that exceed the projected revenues noted earlier.

The SDC Fund balance was approximately \$38 million at the end of FY22, so WSSCWater has sufficient funds to cover the estimated shortfall in FY24 and probably FY25 as well. WSSCWater can also issue debt paid for with SDC revenue if necessary to cover shortfalls.

Council Staff is supportive of WSSCWater’s approach to keeping SDC rates unchanged at this time, with the caveat that the issue of SDC rates is an annual decision. A future rate increase may be advisable if the six-year projected gap does not improve. NOTE: Both the maximum rate and the adopted rate will be noted in the annual Council resolution to be approved in mid-May.

⁵ For purposes of projecting future SDC balances, WSSCWATER assumes Montgomery and Prince George’s counties utilize the full \$1.0 million in exemptions each fiscal year. Any amounts within each county’s \$500,000 share not used in each year carry over to the next fiscal year.

Account Maintenance Fee and Infrastructure Investment Fee

For FY16, the Councils approved a recalibrated account maintenance fee (AMF) and a new Infrastructure Investment Fee (IIF) (phased in over two years). The Approved FY17 WSSCWater Budget reflected the full phase-in. No changes were made to either fee for FY18 through FY23. For FY23, as part of the spending control limits process, WSSCWater's long-range financial plan began to assume to increase both fixed fees by the same percentage as the increase in volumetric rates. Fee schedules for both are based on meter size. Most residential customers (3/4-inch meter) currently pay an AMF of \$17.04 per quarter and an IIF of \$12.78 per quarter. The AMF would go up to \$18.23 and the IIF would go up to \$12.78 under WSSCWater's FY24 Proposed Budget. Ratepayers eligible for the customer assistance program have these fixed charges waived.

Given these fees have not been revised since FY16 and that WSSCWater's fixed fees are relatively low (in cost and as a ratio of total revenues generated) compared to other utilities (see ©48), Council Staff concurs with WSSCWater's approach (as it did for FY23) to increase these fixed fees by the level of volumetric rate increase.

WSSCWater also recently had a "cost of service" study completed by a consultant with a goal of revising FY25 rates and fees to better align billing with costs while ensuring sufficient revenue generation to properly operate and maintain WSSCWater's infrastructure. For more information, please see the April 18, 2023 [Commission briefing packet](#) on this item.

Other Fees

A list of WSSCWater fees (and proposed revenue changes) is attached on ©49-58. Most of these fees have to do with construction activity and not with general customer activities.

WSSCWater staff meet regularly with representatives from the Maryland Building Industry Association (MBIA) to go over issues of concern as well as the cost basis for proposed fee increases and WSSCWater's annual process and methodology. The Council has not received any correspondence or public hearing testimony from MBIA or others on the FY24 fee increases to date.

Typical Residential Customer Bill

The slide on ©15 presents a typical customer bill at different consumption levels assuming a 7.0 percent increase in volumetric rates and in the Account Maintenance Fee and Infrastructure Investment Fee. WSSCWater has lowered its average per person consumption level from 55 gallons per day to 50 gallons per day based on the declining trends in water consumption. For a typical residential customer using 150 gallons per day, the quarterly customer bill would increase from \$234.96 to \$251.39 (+\$16.36 or about \$5.48 per month).

Customer Assistance Program

A customer assistance program was begun during FY16 after the State General Assembly passed the necessary enabling legislation during the 2015 legislative session. Under this program, WSSCWater provides a substantial ongoing benefit to eligible residential customer accounts across the WSSCWater service area (based on current Maryland Office of Home Energy Program eligibility in the two counties). The benefit includes waivers of the full Account Maintenance Fee, the Infrastructure Investment Fee, and the State of Maryland's Bay Restoration Fee (\$15 per quarter passed on to WSSCWater customers). For

FY23, the monthly benefit (not counting the Bay Restoration Fee waiver) for most eligible residential customers is \$29.82 per quarter (\$119.28 per year).

The program currently has 15,900 customers enrolled as of March 2023. \$2.2 million in fixed fee waivers (reduced revenue) is assumed in FY24 (the same as assumed in FY23).

For the past few years, WSSCWater has been considering how to expand the program to include tenants in multi-unit homes. In many of these situations, the tenant is an “indirect” WSSCWater customer, receiving WSSCWater water and discharging into WSSCWater’s sewer system but paying for water/sewer through monthly rent payments or through apartment/condo association fees.⁶ *NOTE: Multi-family master-metered accounts are also currently eligible to receive assistance through bill adjustments, under certain circumstances, and flexible payment plans.*

The expansion of the program to indirect customers has been on hold for the past couple of years. According to WSSCWater staff, “*WSSC Water is working to stabilize revenue before initiating the expansion of customer assistance to its indirect customers.*”

Delinquent Accounts

The pandemic resulted in a substantial increase in WSSC’s delinquent accounts with delinquencies peaking at over \$70 million and involving over 95,000 customers (see ©23). More recently, delinquencies have dropped below \$60 million (but still well above pre-pandemic levels of about \$35 million) and below 90,000 customers. WSSC has continued to offer payment plans to these customers as well as encouraging participation in the Customer Assistance Program (CAP).

At the Commission’s April 19, 2023 meeting, WSSCWater leadership presented a temporary amnesty program regulation that would be effective during June 2023 and provide bill credits, a waiving of late fees, and waived turn-on fees to eligible residential customers (those in the CAP program and/or with gross annual household income below 150 percent of the Area Median Income (AMI). Non-residential customers would also be eligible for a waiving of late fees, and turn-on fees. For more information on this program, please see the [Commission Agenda Item](#).

⁶ During the 2019 legislative session, State legislation was passed (HB325 “WSSCWater – Indirect Customer Assistance Program”) which gave WSSCWater the enabling authority to provide assistance to “indirect” customers.

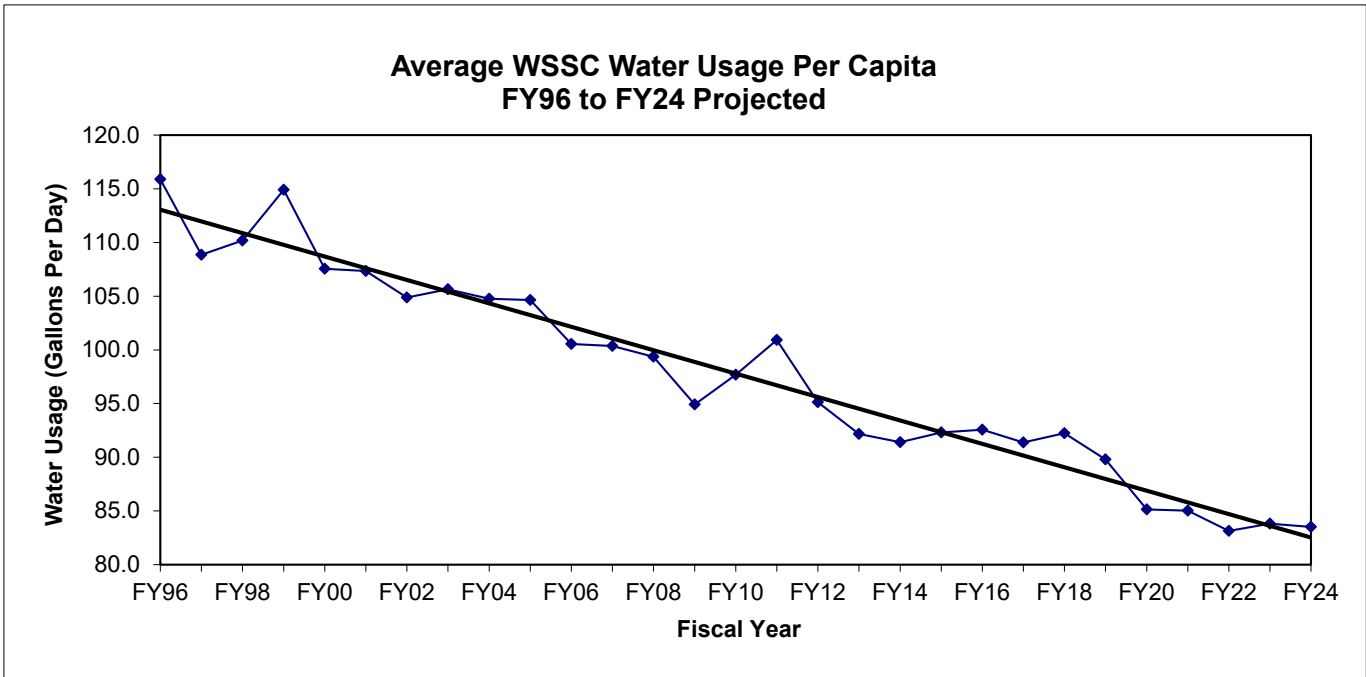
FY24 Revenue Projections and Funds Available

Water and Sewer Operating Funds Revenue Trends: FY23 to FY24

	Approved FY23	Proposed FY24	change	% change	Impact on Rate (%)
Water and Sewer Rate Revenue (FY23 rates)	746,450,000	738,450,000	(8,000,000)	-1.1%	0.98
Account Maintenance Fee	33,887,000	33,887,000	-	0.0%	-
Infrastructure Renewal Fee	41,290,000	41,290,000	-	0.0%	-
Volumetric and Fixed Fees	821,627,000	813,627,000	(8,000,000)	-1.0%	0.98
Rockville Sewer Use	3,100,000	3,100,000	-	0.0%	-
Plumbing and Inspection Fees	16,780,000	20,380,000	3,600,000	21.5%	(0.44)
Miscellaneous	19,000,000	25,200,000	6,200,000	32.6%	(0.76)
Interest Income	2,800,000	8,000,000	5,200,000	185.7%	(0.64)
Cost Sharing Reimbursement	635,000	4,265,000	3,630,000		
Uncollectable	(6,000,000)	(7,901,000)	(1,901,000)	31.7%	0.23
SDC Debt Service Offset	5,772,000	5,772,000	-		
Reconstruction Debt Service Offset	4,000,000	-	(4,000,000)		
Premium Transfer	2,500,000	-	(2,500,000)	-100.0%	0.31
Underwriters Discount Transfer	2,000,000	2,000,000	-	0.0%	-
Miscellaneous Offset		1,200,000	1,200,000	n/a	(0.15)
Use of Fund Balance	-	-	-	n/a	-
Other Revenue	50,587,000	62,016,000	11,429,000	22.6%	(1.40)
Total Funds Available	872,214,000	875,643,000	3,429,000	0.4%	(0.42)

Revenue trends were discussed in detail during last fall's spending control limits process. The above chart compares WSSCWater's FY23 Approved Water and Sewer Operating Budget revenue assumptions with the Proposed FY24 Budget (assuming no water/sewer rate increase). The chart shows that water/sewer volumetric rate revenue (WSSCWater's dominant source of revenue) is projected to drop about \$8.0 million (assuming no rate increase). This reduced revenue is based on revised assumptions of revenue by rate tier and results in a rate impact of close to a 1.0 percent rate increase.

The trend of flat to declining volumetric revenues is not new and is the result of overall water consumption in the WSSCWater service area being essentially unchanged from nearly 30 years ago, despite 35 percent growth in the WSSCWater population base over that same time. Per capita water usage is down 28 percent since FY96. While water conservation is a good thing from an environmental standpoint, it means WSSCWater's dominant revenue source has been stagnant, putting more pressure on rates. WSSCWater's unique rate structure in place until FY19 (where customers were billed at the highest tier into which their water usage fell) exacerbated this revenue decline as per capita usage went down. The current rate structure put in place for FY20 (while still an inclining block structure) bills through the tiers and results in less revenue volatility as per capita usage changes than could occur under the old rate structure.



Other revenue, however, is up overall by about \$11.4 million including:

- Interest income (+\$6.2 million) based on higher interest rates.
- Miscellaneous Income (+\$6.2 million) including new revenue from the sale of natural gas (+\$3.5 million) and increases in other areas such as late fees, penalty charges, miscellaneous billed work, and space leases)
- Plumbing and inspection fees are up (+\$3.6 million) based on assumed fee increases included in the Proposed Budget.
- Miscellaneous Offset (+\$1.2 million): This new revenue item is for grants that WSSC Water may receive to assist with funding for the Revised Lead & Copper Rule regulation. In 2006, WSSC Water voluntarily completed a system-wide search and replacement program for lead service lines maintained by WSSC Water. Future replacement work would involve lead pipes on customers' property.

Overall, total funds available are up about \$3.4 million (which offsets an equivalent rate increase of 0.42 percent).

FY24 WSSC Water Proposed Budget Expenditures

Summary Charts

The following chart presents summary budget data for WSSC Water for the FY23 Approved and FY24 Proposed Budgets.

WSSC Expenditures by Fund (in \$000s)

	Approved FY23	Proposed FY24	Change	
			\$	%
Capital				
Water Supply	239,027	315,582	76,555	32.0%
Sewage Disposal	343,081	333,298	(9,783)	-2.9%
General Construction	22,674	34,189	11,515	50.8%
Total Capital	604,782	683,069	78,287	12.9%
Operating				
Water Operating	379,808	421,293	41,485	10.9%
Sewer Operating	476,137	503,059	26,922	5.7%
Subtotal W&S Operating	855,945	924,352	68,407	8.0%
General Bond Debt Service	8,661	6,830	(1,831)	-21.1%
Total Operating	864,606	931,182	66,576	7.7%
Grand Total	1,469,388	1,614,251	144,863	9.9%

The combined total of the FY24 Capital and Operating Budgets is \$1.6 billion, an increase of \$144.9 million (or 9.9 percent) from the Approved FY23 amount of \$1.47 billion.

The total proposed FY24 Operating Budget is \$931.2 million, an increase of \$66.6 million (or 7.7 percent) from the Approved FY23 Operating Budget of \$864.6 million.

Total Expenditures by Category

Expense Categories	Approved FY23	Proposed FY24	Change	
			\$	%
Salaries and Wages	134,461	141,927	7,466	5.6%
Heat, Light, and Power	18,829	27,384	8,555	45.4%
Regional Sewage Disposal	60,343	64,201	3,858	6.4%
All Other	322,449	364,469	42,020	13.0%
Debt Service	328,524	333,201	4,677	1.4%
Total	864,606	931,182	66,576	7.7%

Major Changes in Total Operating Costs

Regional sewage disposal costs are paid by WSSCWater to DC Water to cover WSSCWater’s portion of costs for the Blue Plains Wastewater Treatment Plant’s operations. The costs are based on actual flows. For FY24, the amount is proposed at \$64.2 million, an increase of \$3.86 million from FY23.

The heat, light, and power category is up substantially by about 8.6 million FY23 (+45.4 percent). WSSCWater staff have noted that:

“Natural gas has continued its trend towards a world fuel; this means it will likely start to look more like oil. Its volatility will continue to be impacted by world events like what happened last year in Ukraine. In 2022, U.S. LNG exports to the EU increased 141%, (4.0 Bcf/day), compared with 2021. This is causing upward pressure on natural gas prices. We do not expect that prices over the long-term for gas will be at the levels seen for the months following the Ukraine invasion. However, we do expect to see prices settling out higher than we have seen in the prior few years. Electricity will follow a similar path to natural gas because so much of electric generation is based on gas being the marginal fuel in most places in the country. Therefore, we would expect to see higher prices than we have seen in the past couple of years (see chart below). WSSC has been awarded a natural gas supply license, which will enable us to be our own supplier and will dampen the gas cost increases.

Electrical energy usage will increase due to the increase in treated and pumped wastewater and increased EPA required treatment procedures but be mitigated in the future due to the kWh savings at the new Bioenergy plant generating most of the plant's power needs. Natural gas usage will increase in FY24 and beyond as this fuel will be used to power the engine generators at Bioenergy's combined heat and power plant."

Over the past decade, WSSCWater has pursued a number of electricity retrofit initiatives, funded mostly through a large performance contract with Constellation Energy, which have helped offset operational changes increasing WSSCWater's energy requirements (such as installation of ultraviolet disinfection processes). Also, reduced infiltration and inflow into WSSCWater's sewer lines (thanks to sewer line rehabilitation efforts) has resulted in reduced flows to wastewater treatment plants and thereby reduced energy requirements as well.

WSSCWater also has made a major long-term investment in wind power through wholesale purchases from a wind farm in Pennsylvania. The current contract covers approximately 30 percent of WSSCWater's power needs at fixed kWh rates.

Total Operating Expenditures assume a relatively small increase in debt service of about \$4.7 million (+1.4 percent) in FY24.

"All Other" Costs

The "All Other" category includes all operating costs not otherwise broken out above. The following table breaks out the Water and Sewer Operating Expenditures by major categories in the "All Other" category. NOTE: PAYGO and interest and sinking costs are not included here.

Water and Sewer (Rate-Supported) "All Other" Category Breakout				
Categories	Approved	Proposed	Change	
	FY23	FY24	\$	%
Services by Others and Prof. Serv	98,850	99,259	409	0.4%
Employee Benefits	64,036	64,709	673	1.1%
Outside Engineering	17,926	16,716	(1,210)	-6.7%
Contract Work	16,190	14,658	(1,532)	-9.5%
Other Professional Services	22,867	32,588	9,721	42.5%
Materials	13,476	14,189	713	5.3%
Contract Restoration	13,900	20,626	6,726	48.4%
Chemicals	13,474	23,416	9,942	73.8%
Miscellaneous Items	29,443	32,970	3,527	12.0%
Total	290,162	319,131	28,969	10.0%

In total, "All Other" Water and Sewer Operating costs are \$319.1 million in FY24 which is \$28.97 million higher (+10 percent) from FY23.

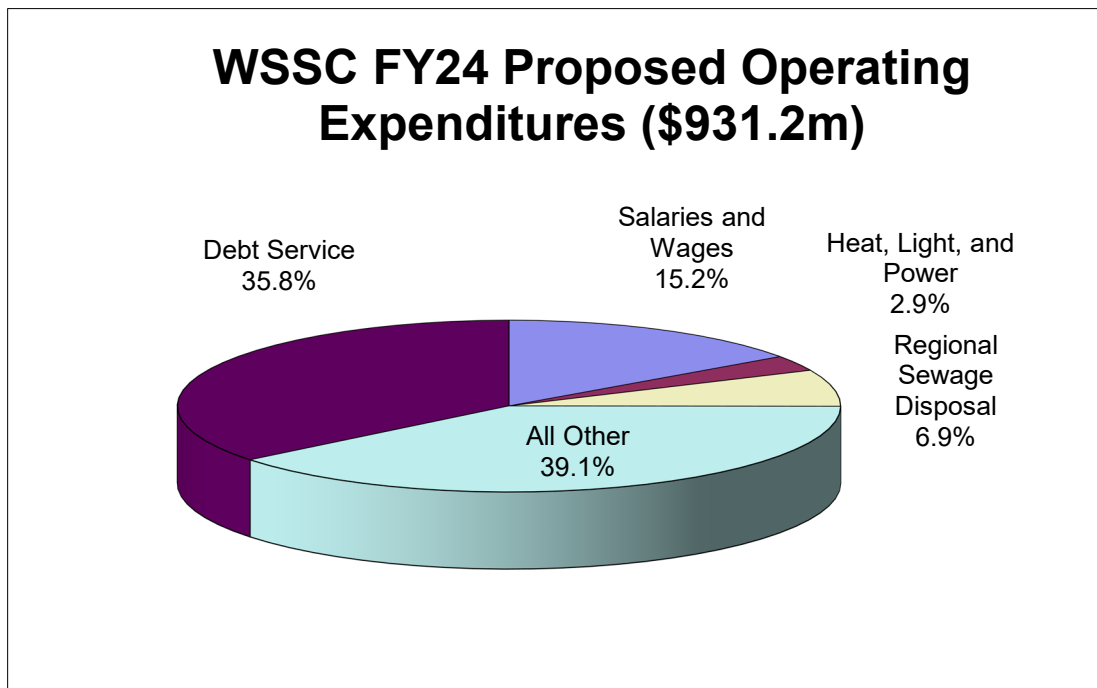
The largest increases in the "All Other" category is in the Services by Others category are summarized below:

- **Chemicals:** This category has experienced very high inflationary costs over the past few years. For FY24, costs are up \$9.9 million (+73.8 percent).
- **Other Professional Services:** Includes \$4.0 million in contingency funds, \$3.4 million for the revised Lead and Copper Rule (new program), \$1.7 million to improve IT-related infrastructure, and 350,000 for enhancement of the Asset Management Program.

- **Contract Restoration:** Paving costs for street repairs are up substantially because of increases in asphalt costs from the rise in oil prices (+\$6.7 million or 48 percent).
- **Miscellaneous Items:** Includes the purchase of replacement laptops as well as costs related to the telecom system, trucks, machinery, fleet, and oil and gas (+\$3.5 million).

Salary and Wages and Compensation

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



WSSC Water’s personnel costs (and increases) are a small part of WSSC Water’s budget. The ratepayer impact of all Operating Budget salary changes from FY23 to FY24 is \$7.4 million (5.5 percent), which equates to about a 0.91 percent rate increase.

Even adding employee benefits⁷ (which are included in the “All Other” category), personnel costs for FY24 make up only 22.2 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County Government, where personnel costs are about 52 percent of County Government expenditures in the FY24 Recommended Budget. MCPS’s personnel costs have historically represented about 90 percent of its budget.

New Positions: Forty new positions are requested (increasing workyears from 1,796 to 1,836). However, 31 of these new positions are cost-neutral and involve converting temporary contractual staff in the Customer Service Department to in-house staff. The other nine new positions are included in the Engineering and Construction Department and Production Department as detailed below:

- **Customer Service Department**
 - 31 positions across the Billing & Revenue Protection, Customer Care, and Center of Excellence divisions. (Revenue Neutral: These positions are currently filled via a

⁷ Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other” expense category and total about \$64.7 million for FY24.

temporary customer service contract which expires at the end of FY23). WSSCWater is proposing to bring these positions in-house to improve worker retention and keep the institutional knowledge developed and to avoid having to continually train new temporary workers who cycle in.

- Engineering and Construction
 - 2 new plumbing inspectors in Regulatory Services
 - 3 new positions in the Pipeline Design Division
- Production
 - 4 new positions in total across Biosolids Management, Production Asset Management, Water Quality Division (Lead and Copper Rule), and the Laboratory Division.

Vacant Positions/Lapse: WSSCWater Staff have noted that position lapse for FY24 is assumed at 7.2%. The agency typically has 170 to 190 vacant positions (out of 1,796 approved workyears). 13 positions were frozen due to fiscal actions during Covid. The new General Manager has created a Workforce Workgroup looking at staffing needs, which could impact the vacancies and frozen positions as well as the potential conversion of contracted staff to employees.

Compensation: The Approved FY21 WSSCWater Budget assumed no merit pay or COLAs for employees but instead included \$1,250 payments for WSSC employees who worked 50 percent or more on-site during FY21. For FY22, the agreement included \$750 payments to all employees in lieu of merit pay or COLAs. The Approved FY23 WSSCWater Budget includes 2.0 percent COLAs and 4.0 percent merit pay for eligible employees.

For FY24, WSSCWater is still engaged in Union negotiations regarding FY24 salary enhancements. A placeholder has been included in the Proposed Budget, pending the outcome of that process. The Proposed Budget includes \$8.8 million in costs for salary enhancements.

Note: since WSSCWater's budget is funded by ratepayers rather than by tax dollars, WSSCWater's compensation increases do not directly compete for the same tax-supported funding that covers other County agency employees. However, in past years both the County Executive and the Council have expressed support for the concept of the equitable treatment of employees across agencies, especially in the context of annual pay increases. Once decisions are finalized regarding County Government employee compensation, the WSSCWater employee compensation can be revisited if necessary.

Balancing Revenues and Expenditures

Each 1.0 percent of volumetric rate increase (with the same percentage increase in the Account Maintenance Fee (AMF) and Infrastructure Investment Fee (IIF)) provides an estimated \$8.14 million in revenue.

WSSCWater's Proposed Budget assumes a 7.0 percent rate increase with the same percentage increase assumed for its Account Maintenance Fee and Infrastructure Investment Fee. The following chart presents all the elements (plus and minus) that go into the rate increase request for FY24.

WSSC Water and Sewer Operating Funds Revenue and Expenditure Trends: FY23 to FY24

	Approved FY23	Proposed FY24	change	% change	Impact on Rate (%)
Water and Sewer Rate Revenue (FY23 rates)	746,450,000	738,450,000	(8,000,000)	-1.1%	0.98
Account Maintenance Fee	33,887,000	33,887,000	-	0.0%	-
Infrastructure Renewal Fee	41,290,000	41,290,000	-	0.0%	-
Volumetric and Fixed Fees	821,627,000	813,627,000	(8,000,000)	-1.0%	0.98
Rockville Sewer Use	3,100,000	3,100,000	-	0.0%	-
Plumbing and Inspection Fees	16,780,000	20,380,000	3,600,000	21.5%	(0.44)
Miscellaneous	19,000,000	25,200,000	6,200,000	32.6%	(0.76)
Interest Income	2,800,000	8,000,000	5,200,000	185.7%	(0.64)
Cost Sharing Reimbursement	635,000	4,265,000	3,630,000	571.7%	(0.45)
Uncollectable	(6,000,000)	(7,901,000)	(1,901,000)	31.7%	0.23
SDC Debt Service Offset	5,772,000	5,772,000	-	0.0%	-
Reconstruction Debt Service Offset	4,000,000	-	(4,000,000)	-100.0%	0.49
Premium Transfer	2,500,000	-	(2,500,000)	-100.0%	0.31
Underwriters Discount Transfer	2,000,000	2,000,000	-	0.0%	-
Miscellaneous Offset	-	1,200,000	1,200,000	n/a	(0.15)
Use of Fund Balance	-	-	-	n/a	-
Other Revenue	50,587,000	62,016,000	11,429,000	22.6%	(1.40)
Total Funds Available	872,214,000	875,643,000	3,429,000	0.4%	(0.42)
Expenditures					
Salaries & Wages	133,765,000	141,179,000	7,414,000	5.5%	0.91
Heat, Light & Power	18,817,000	27,373,000	8,556,000	45.5%	1.05
Regional Sewage Disposal	60,343,000	64,201,000	3,858,000	6.4%	0.47
All Other	290,160,000	319,132,000	28,972,000	10.0%	3.56
Debt Service	321,844,000	328,467,000	6,623,000	2.1%	0.81
PAYGO	31,016,000	44,000,000	12,984,000	41.9%	1.60
Total Expenditures	855,945,000	924,352,000	68,407,000	8.0%	8.41
Increase Fund Balance Per Financial Plan	16,269,000	8,245,000	(8,024,000)		(0.99)
Gap (Surplus)	-	56,954,000			
Rate Increase Requirement (with AMF and IIF also increasing)		7.0%			

Overall, the gap at current volumetric rates (plus increasing fund balance to help meet the financial metrics discussed earlier) is about \$56.95 million; equivalent to a 7.0 percent rate increase (when assuming equivalent percentage increases in the AMF and IIF). Of this gap, the change in expenditures from FY23 to FY24 would require an 8.4 percent increase. However, the contribution to Fund Balance assumed in the Long-Range Financial Plan in FY24 compared to FY23 is lower and thus reduces the rate requirement by one percent. A slight increase in Funds Available (discussed earlier) reduces the rate requirement by about 0.42 percent, resulting in a net rate increase requirement of 7.0 percent.

Reductions Made Within the Proposed Budget

WSSC Water had to make significant reductions during its internal budget process to meet the 7.0 percent rate increase requirement. These reductions are summarized in the Chair’s letter on ©38-39 and on the slide on ©10. These reductions impact multiple areas including: repairs and maintenance, IT, fire flow testing services, human resources wellness and benefit programs, fleet vehicle replacement, asset management business case studies, and other service reductions.

In the short term the above cuts may be manageable with hopefully only marginal impacts on customers or operations. However, these cuts will likely need to be made up over time and perhaps at higher costs.

The Long-Range Financial Plan indicates that WSSCWater continues to have a structural funding problem (flat revenue trends requiring higher volumetric rate increases than have typically been supported by both Councils). This, combined with a continued negative outlook by the Bond Rating Agency Fitch and the difficult service reductions WSSCWater made in FY23 and is making in FY24, indicates to Council Staff that further discussions by both Councils are needed regarding WSSCWater's Financial Plan.

Council Staff recommends that these structural issues be taken up after budget in advance of the spending control limits discussions this fall.

Summary of Council Staff Recommendations

Council Staff recommends:

- **Approval of the System Development Charge for FY24 at current approved rates and to increase the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment (5.5 percent) as allowed for under State law. *NOTE: Final action on the charge will occur via Council resolution on May 17***
- **Approval of the FY24 WSSCWater Operating Budget as Proposed by WSSCWater.**
- **Assume a 7.0 percent rate increase (the rate ceiling supported by both Council's last fall).**
- **Revisit WSSCWater's structural funding issues/Long Range Financial Plan after budget**

Attachments



Transportation & Environment Committee Briefing

Finance Department

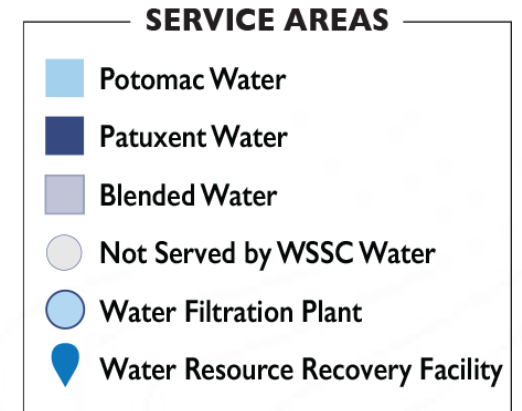
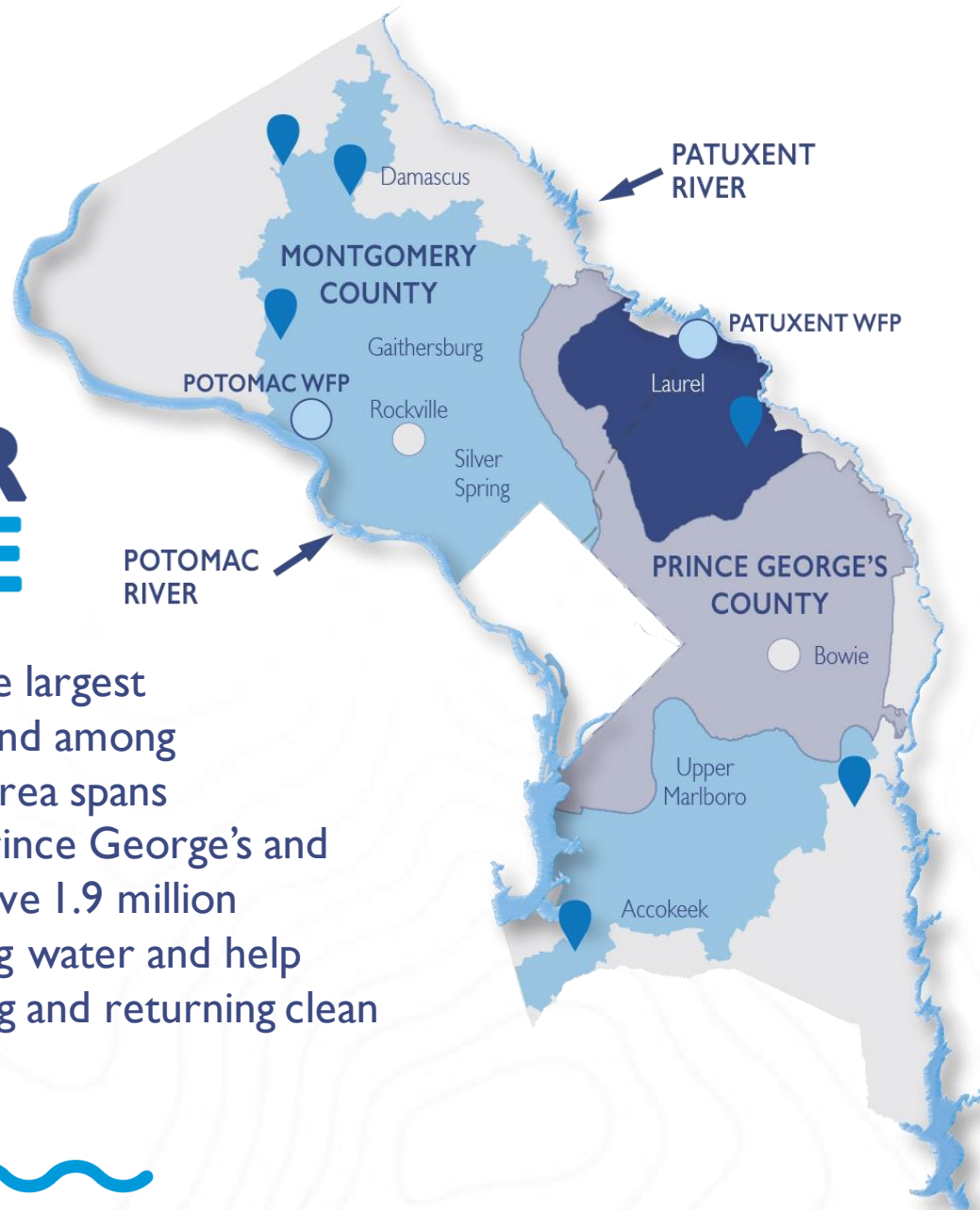
April 24, 2023

105 years & counting
No drinking water quality violations...ever!



WSSC WATER AT A GLANCE

Established in 1918, WSSC Water is the largest water/wastewater utility in Maryland and among the largest in the nation. Our service area spans approximately 1,000 square miles in Prince George's and Montgomery counties. We proudly serve 1.9 million residents with safe and reliable drinking water and help protect the Chesapeake Bay by treating and returning clean water back to Maryland waterways.





162,000,000 GALLONS OF WATER PER DAY
DELIVERED TO **1.9 MILLION RESIDENTS**



3 RESERVOIRS



2 WATER FILTRATION PLANTS



60 WATER TANKS



55 PUMPING STATIONS



6 WATER RESOURCE RECOVERY FACILITIES



1,630 EMPLOYEES



Our drinking water system spans
5,800+ miles



Our wastewater system spans
5,600+ miles



500,000 WATER QUALITY TESTS PER YEAR



504,800 METERS IN OUR SYSTEM



2.25 MILLION METER READS PER YEAR

TEAM H₂O

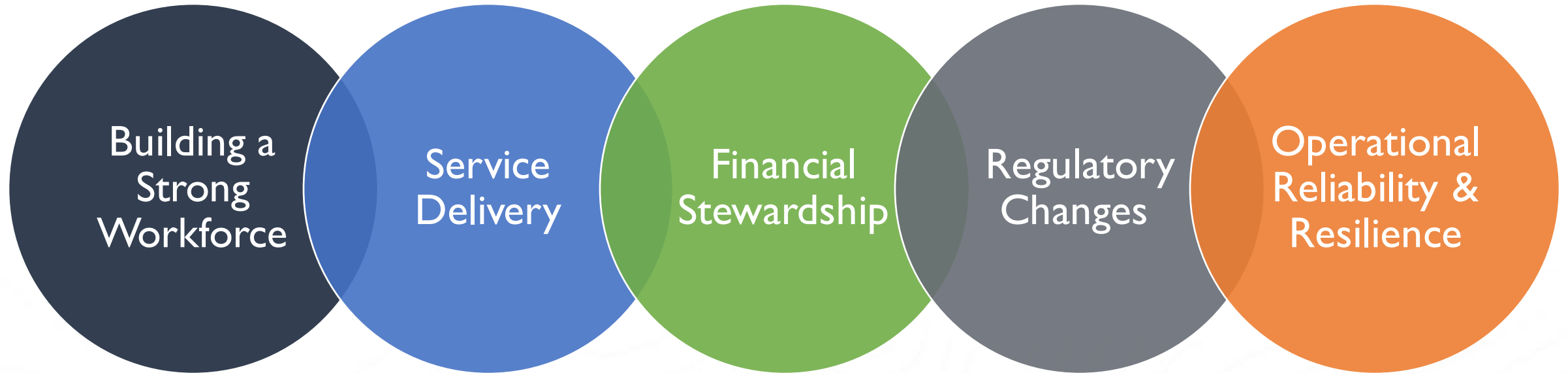


\$5.3 MILLION FINANCIAL ASSISTANCE TO **12,345 CUSTOMERS** SINCE THE PANDEMIC BEGAN.
(WSSC WATER, FEDERAL, AND STATE PROGRAMS)

17,343 RESIDENTS ENROLLED IN OUR CUSTOMER ASSISTANCE PROGRAM IN FY 2022.
(\$1.8 MILLION BENEFIT TO ENROLLEES)

\$1.6 BILLION **FY2024** PROPOSED BUDGET

First Year Priorities



Building a Strong Workforce

Service Delivery

Financial Stewardship

Regulatory Changes

Operational Reliability & Resilience

- Knowledge Management
- Safety First Culture
- Total Rewards
- Engagement
- Development
- Recruitment and retention

- Stakeholder Engagement and Communications
- Customer Experience
- Metering
- Billing
- Collections
- Service Levels

- Policies
- Reserves
- External Funding
- Alternative Revenue Sources
- Bond Rating/Outlook
- Outcome-Based Budget

- Drinking Water Quality
- Consent Decrees
- PFAS
- Supplier Diversity/MBE

- Infrastructure Investments
- Operational Efficiencies
- Cyber Security
- Climate Adaptation and Mitigation
- Financial Sustainability

Diversity, Equity, Inclusion and Environmental Justice

FY 2024 Proposed Operating and Capital Budget

FY 2024 Proposed Budget

- The FY 2024 Proposed Capital and Operating Budget totals \$1.614 billion
 - Capital Budget increase of 12.9% or \$78.3 million
 - Operating Budget increase of 7.7% or \$66.6 million
- 7.0% Water & Sewer Average Rate Increase (Volumetric and Fixed)*
- 40 new positions added to support Production (4), Engineering & Construction (5), and Customer Service (31)**

* WSSC Water requested an 8.0% rate increase, however, both County Councils approved a spending affordability rate increase limit of 7.0%. The FY24 Proposed Budget is based on the 7.0% rate increase.

** 31 Customer Service positions were offset by a reduction to Customer Service temporary staff and therefore have no budget impact.

Major Cost Drivers

- Inflationary increases
 - Chemicals: \$9.9 million; 74% increase
 - Paving: \$6.7 million; 53% increase
 - Heat Light & Power: \$8.6 million; 46% increase
 - Construction: 6.0% increase for capital projects
 - DC Water projected Regional Sewage Payment: \$10.6 million
 - \$3.9 million is in the Proposed Budget whereas \$6.7 million is not budgeted for
- PAYGO: \$13.0 million
- Debt service: \$6.6 million
- Lead & Copper Rule compliance: \$3.4 million
- IT infrastructure: \$4.3 million



Fiscal Challenges

- Declining water consumption
- Shift in the water consumption from the highest to the lower rate tiers
- High customer delinquencies
- Inflationary pressures
- Supply chain challenges
- Improving financial metrics to avoid a downgrade from AAA to AA bond rating

Budget Highlights

Capital Budget

- Replacing 27 miles of small-diameter water mains (**\$87.2M**) and 6.5 miles of large-diameter water mains (**\$79.3M**)
- Rehabilitating 25 miles of small-diameter sewer mains and laterals in roadways (**\$65.5M**) and 10 miles of sewer mains in environmentally sensitive areas (**\$55.2M**)

Operating Budget

- Painting of four elevated water tanks (**\$4.4M**)
- Revised Lead & Copper Rule compliance (**\$3.4M**)
- Maintaining cybersecurity program (**\$2.4M**)
- Facility maintenance and repair projects (**\$2.4M**)
- 118 miles of Acoustic Fiber Optic monitoring (**\$1.4M**)

Major Budget Reductions

- Delay in maintenance and repairs at WSSC Water facilities - **\$4.4 million**
- Reduction to chemicals - **\$800k**
- Reduction to the laptop refresh project - **\$750k ***
- Replace the mainframe Assessment Information System to ensure better interchange between WSSC Water systems and the Counties tax assessment systems - **\$600k**
- Fire Hydrant testing - **\$555k**
- Expand the Metallic Water Main Condition Assessment Program - **\$500k**
- Review the existing Right of Way access across WSSC Water assets - **\$500k**
- Arc Flash studies at various facilities - **\$435k**
- Trucks and automobile - **\$400k**

*The total request for phase I was \$1.5 million which was cut by half and only \$750k is in the FY24 Proposed Budget. WSSC Water laptop are on average 4 years old.

How Each Operating Dollar is Spent



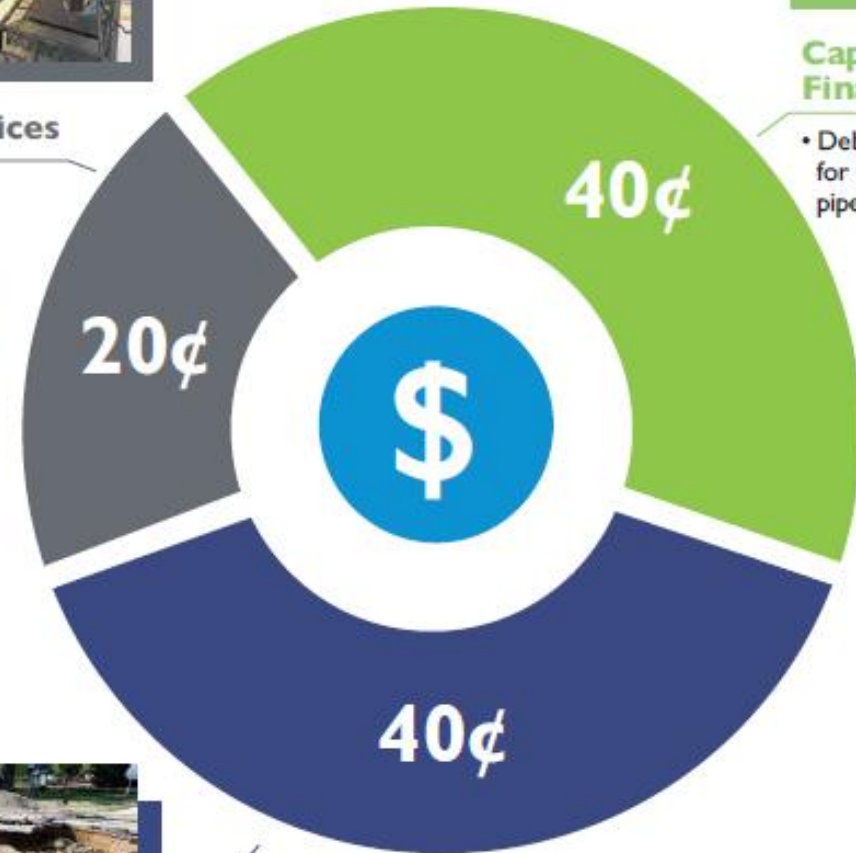
Support Services

- Governance and management of organization
- Customer service
- Corporate finance
- Employee benefits
- IT Services



Capital Project Financing

- Debt payments and cash for the construction of pipes and facilities

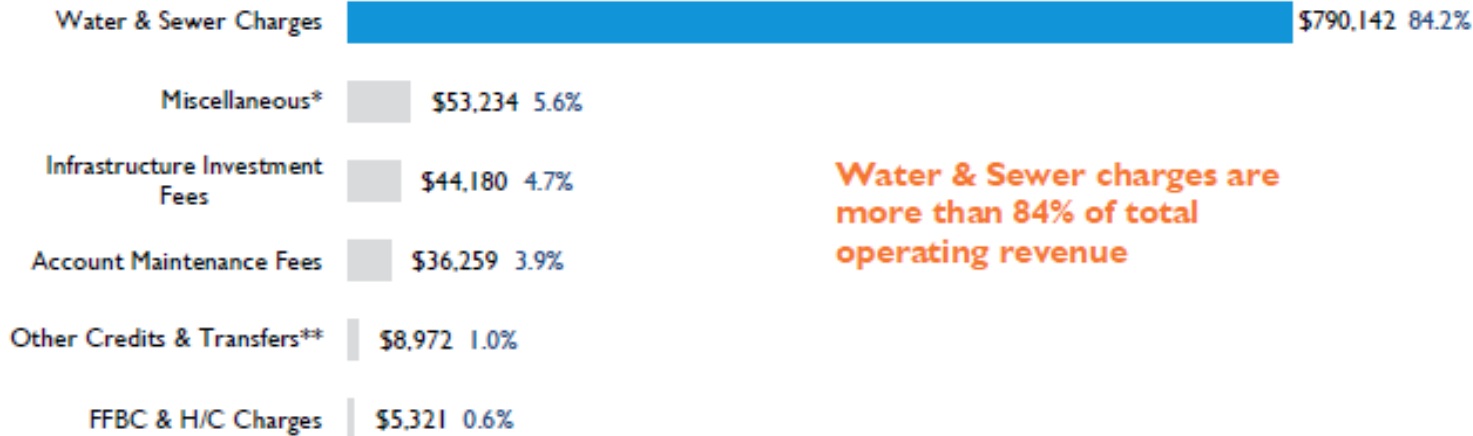


Operations & Maintenance

- Operations and maintenance for facilities (including share of Blue Plains)
- Fixing broken or leaking pipes and repairing roads
- Heat, light, and power for facilities
- Maintaining vehicles and equipment

FY 2024 Operating Budget Funding Sources & Uses

\$ in thousands

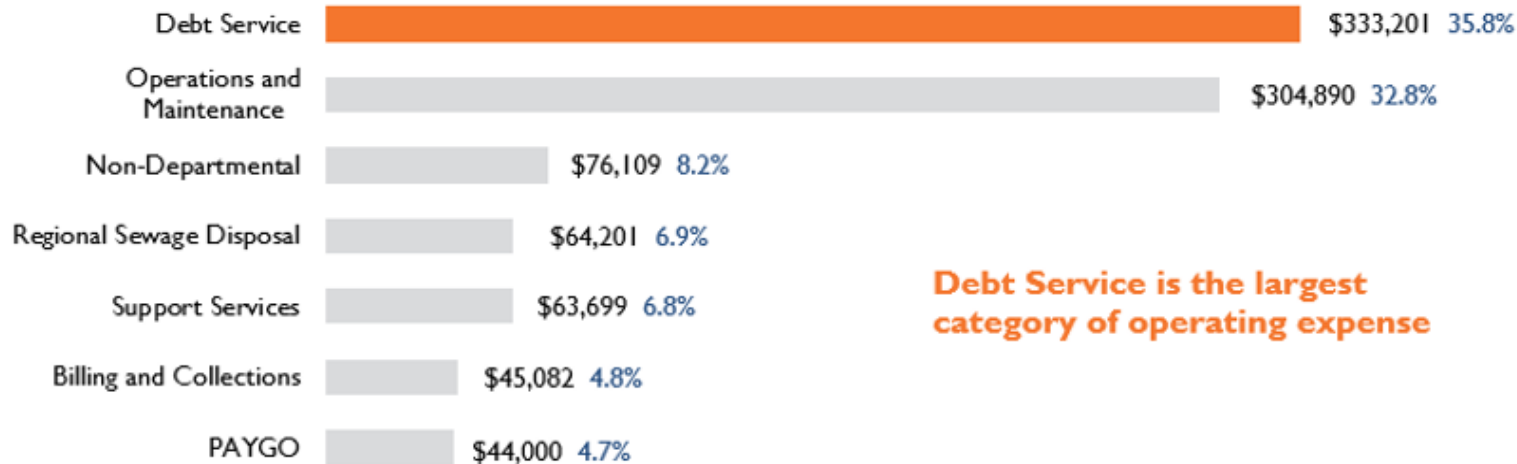


Water & Sewer charges are more than 84% of total operating revenue



(*) Plumbing and inspection fees, Rockville sewer use, interest income and other miscellaneous fees and uncollectible revenue

(**) Includes SDC Debt Service Offset, Premium Transfer and Underwriters Discount



Debt Service is the largest category of operating expense



FY 2024 Capital Budget Sources & Uses

\$ in thousands



Bonds & Cash-on-Hand \$555,354 81.3%

PAYGO Transfer \$44,000 6.4%

SDC \$36,945 5.4%

Federal & State Grants* \$25,142 3.7%

Other-Developer/Local Gov't \$21,628 3.2%

**Bonds & Cash
are more than 81% of total
capital funding sources**

Total
Capital
Funds
\$683,069

Sewer Projects \$333,298 48.8%

Water Projects \$315,582 46.2%

Other Capital
Projects \$34,189 5.0%

Total
Capital
Uses
\$683,069

WSSC Water Compared to Other Utilities

Quarterly Customer Bills at Various Consumption Levels



- Quarterly customer bills include Account Maintenance Fees and Infrastructure Investment Fees
- Average per person consumption is reduced from 55 GPD to 50 GPD due to the declining trend in water consumption

Meter Size	Average Daily Consumption (Gallons Per Quarter)	Approved FY 2020	Approved FY 2021	Approved FY 2022	Approved FY 2023	Proposed FY 2024
3/4" Residential Meter	100 (9,125 gal/qtr)	\$ 138.94	\$ 145.58	\$ 152.48	\$ 162.42	\$ 173.77
3/4" Residential Meter	150 (13,688 gal/qtr)	199.62	209.91	220.60	234.96	251.39
3/4" Residential Meter	500 (45,625 gal/qtr)	794.66	840.78	888.79	946.56	1,012.72
2" Meter	1,000 (91,250 gal/qtr)	1,903.02	2,004.81	2,110.76	2,248.01	2,405.15
3" Meter	5,000 (456,250 gal/qtr)	9,736.92	10,284.01	10,853.51	11,559.50	12,367.29
6" Meter	10,000 (912,500 gal/qtr)	19,748.55	20,852.26	22,001.19	23,432.35	25,069.80

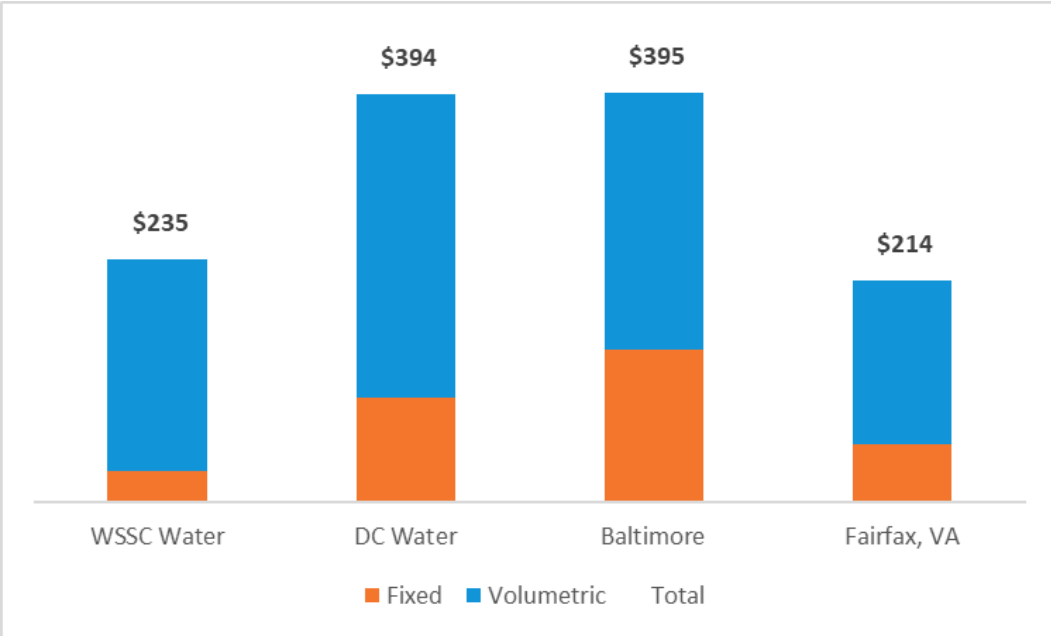
FY 2023 Residential Quarterly Bill Comparison

(150 Gallons per Day; 3/4" Meter)



- The Ready-to-Serve charges are the Account Maintenance Fee and the Infrastructure Investment Fee
 - AMF is meant to cover fixed costs for account maintenance
 - IIF helps pay debt service expenses related to pipe replacement

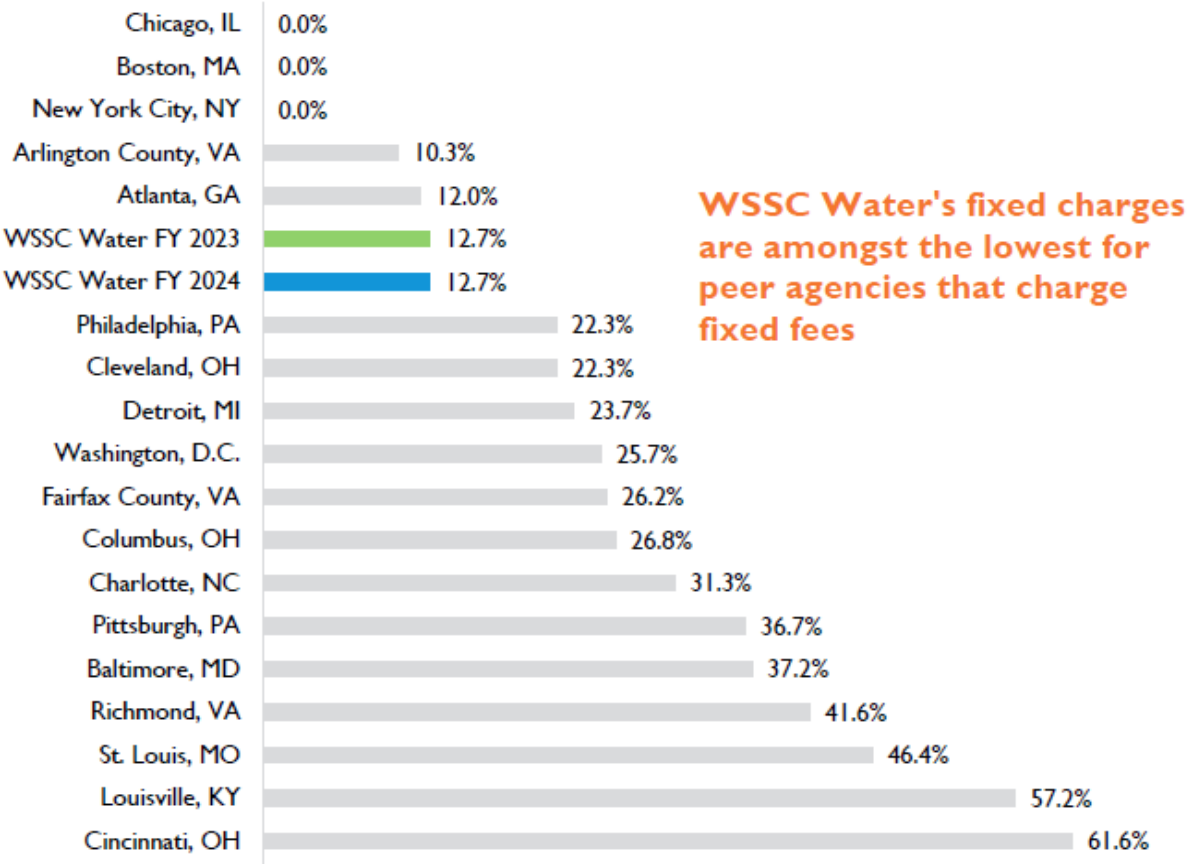
- WSSC Water's fixed charges per quarter are significantly lower than other regional providers



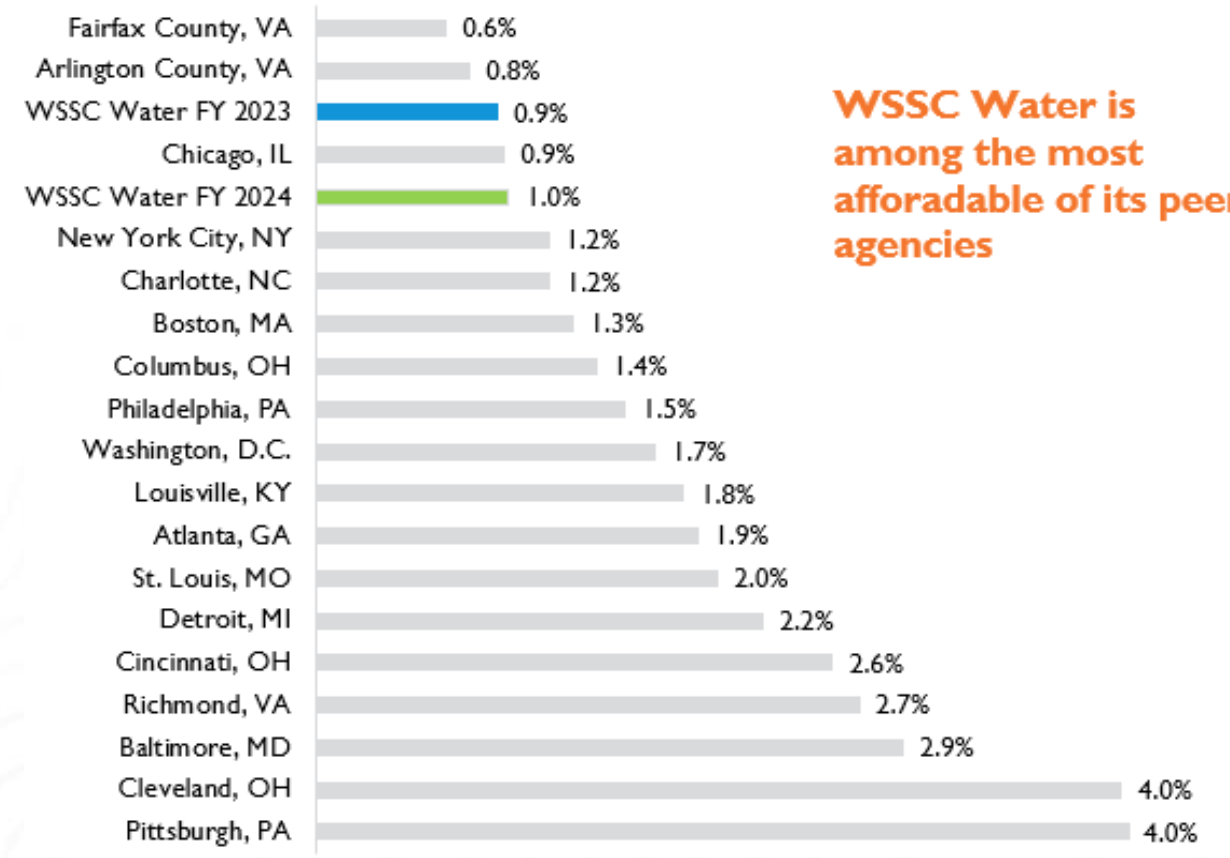
	WSSC Water	DC Water	Baltimore	Fairfax, VA
Fixed	\$ 30	\$ 101	\$ 147	\$ 56
Volumetric	\$ 205	\$ 293	\$ 248	\$ 158
Total	\$ 235	\$ 394	\$ 395	\$ 214

% of Average Residential Bill From Fixed Charges (150 Gallons per Day)

Average Residential Bill a % of Median Income (150 Gallons per Day)



WSSC Water's fixed charges are amongst the lowest for peer agencies that charge fixed fees



WSSC Water is among the most affordable of its peer agencies

Rate Increase Comparison



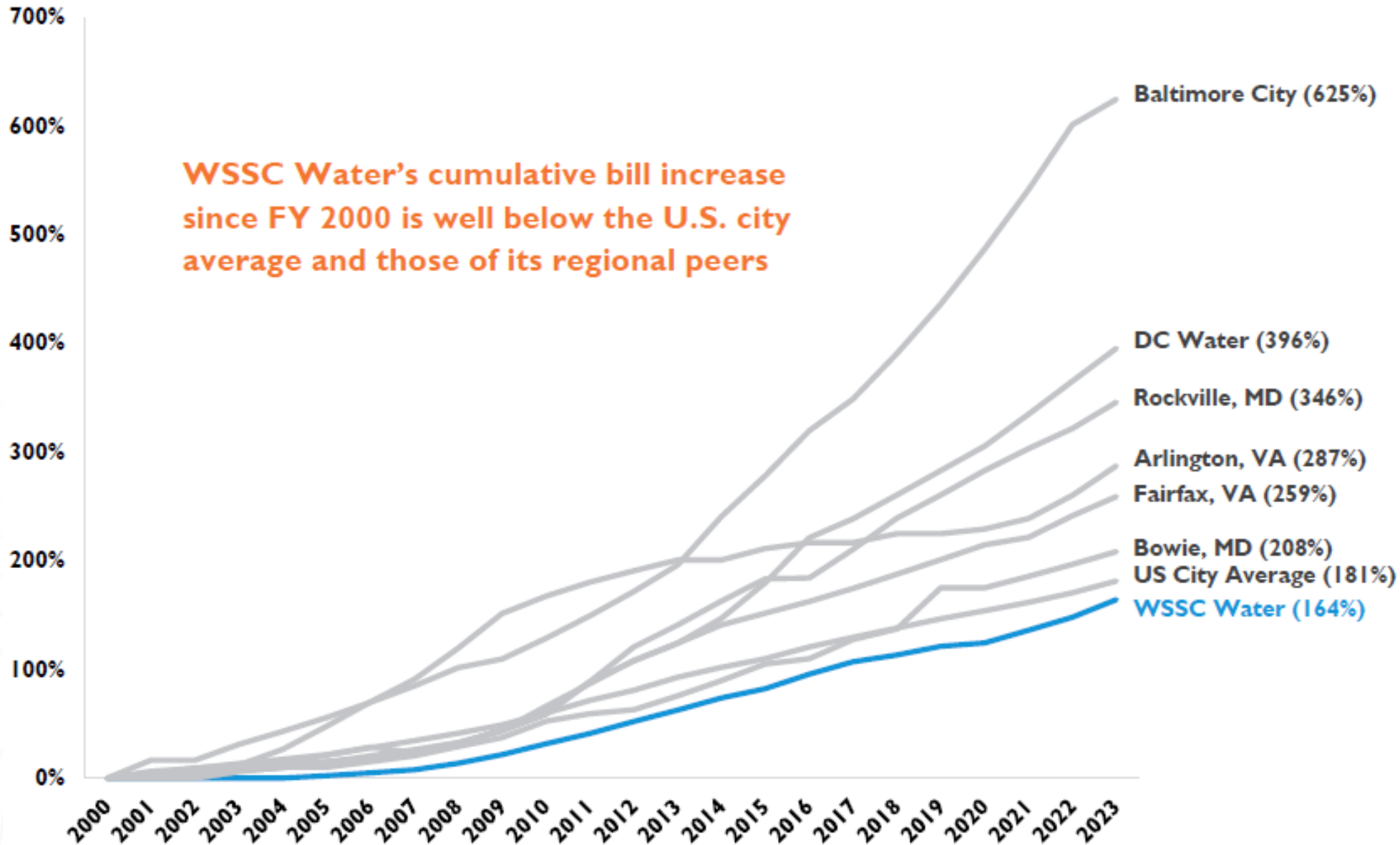
Agency/Region	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
WSSC Water								
Volumetric Rates	5.9%	6.5%	7.0%	8.0%	8.0%	6.5%	6.5%	6.5%
Fixed Fees	0.0%	6.5%	7.0%	8.0%	8.0%	6.5%	6.5%	6.5%
DC Water								
Volumetric Rates	7.8%	9.5%	3.3%	10.0%	7.5%	8.5%	8.0%	8.0%
Fixed Fees	5.7%	-0.8%	11.0%	1.1%	4.4%	4.8%	2.5%	7.0%
Baltimore City								
Volumetric Rates	9.3%	3.4%	3.3%	3.4%				
Fixed Fees	9.5%	3.2%	3.2%	3.2%				
Fairfax, VA *								
Volumetric Rates	5.4%	4.5%	4.8%					
Fixed Fees	8.3%	7.1%	8.5%					

Actual (green) and projected (black) increases per agency websites.

* Fairfax Water is approved through FY 2024, but Fairfax County sewer is only approved through FY 2023.

FYs 2000-2023 Bill Increase Comparison

(150 Gallons per Day; 5/8" Meter)



Financial Challenges & Strategies

Financial Status

Combined Water and Sewer Operating Fund

	FY'18	FY'19	FY'20	FY'21	FY'22
<u>REVENUES</u>					
Water Consumption & Sewer Use Charges	\$597,614	\$615,249	\$618,158	\$628,555	\$709,034
Use of Accumulated Net Revenue	227	11,580	11,341	8,000	0
All Other Revenues	112,279	118,313	122,209	109,601	119,495
TOTAL REVENUES	710,120	745,142	751,708	746,156	828,529
<i>Growth Since FY2018</i>					16.7%
<u>EXPENSES</u>					
Operating Expenses	438,048	467,694	472,147	454,780	455,239
PAYGO	10,065	15,754	0	0	27,585
Debt Service Expense	257,502	275,385	279,745	281,844	280,257
GROSS EXPENSES	705,615	758,833	751,892	736,624	763,081
<i>Growth Since FY2018</i>					8.1%
Less: Reconstruction Debt Service Offset	(7,700)	(12,500)	(11,600)	(9,500)	(6,000)
Less: SDC Debt Service Offset	(2,396)	(5,551)	(6,695)	(5,772)	(5,772)
Less: Premium Transfer	0	0	(7,904)	(9,151)	(2,000)
NET EXPENSES	695,519	740,782	725,693	712,201	749,309
NET REVENUE (LOSS) FOR YEAR	\$14,601	\$4,360	\$26,015	\$33,955	\$79,220
ACCUMULATED NET REVENUE - BEGINNING	173,494	179,780	132,931	142,942	163,334
ACCUMULATED NET REVENUE - ENDING	\$187,868	\$172,560	\$147,605	\$168,897	\$242,554
<i>Growth Since beginning of FY2018</i>					39.8%

*The change in the Ending Accumulated Net Revenue in FY 2019 and the Beginning Accumulated Net Revenue in FY 2020 is due to a change in the depreciation calculation

Declining Consumption Trend

- Since FY 2020 water consumption is down 5.9% and sewer consumption is down 3.3%
- Higher delinquencies and shifts in the water and sewer consumption by rate tiers significantly impact volumetric revenue
- In the FY 2024 Proposed Budget, the average per person consumption is reduced from 55 gallons per day (GPD) to 50 GPD due to the declining trend in water consumption

Water Consumption (%)			
	Non-residential	Residential	Total
FY23	25%	75%	100%
FY22	24%	76%	100%
FY21	21%	79%	100%
FY20	27%	73%	100%

Sewer Consumption (%)			
	Non-residential	Residential	Total
FY23	22%	78%	100%
FY22	21%	79%	100%
FY21	19%	81%	100%
FY20	24%	76%	100%

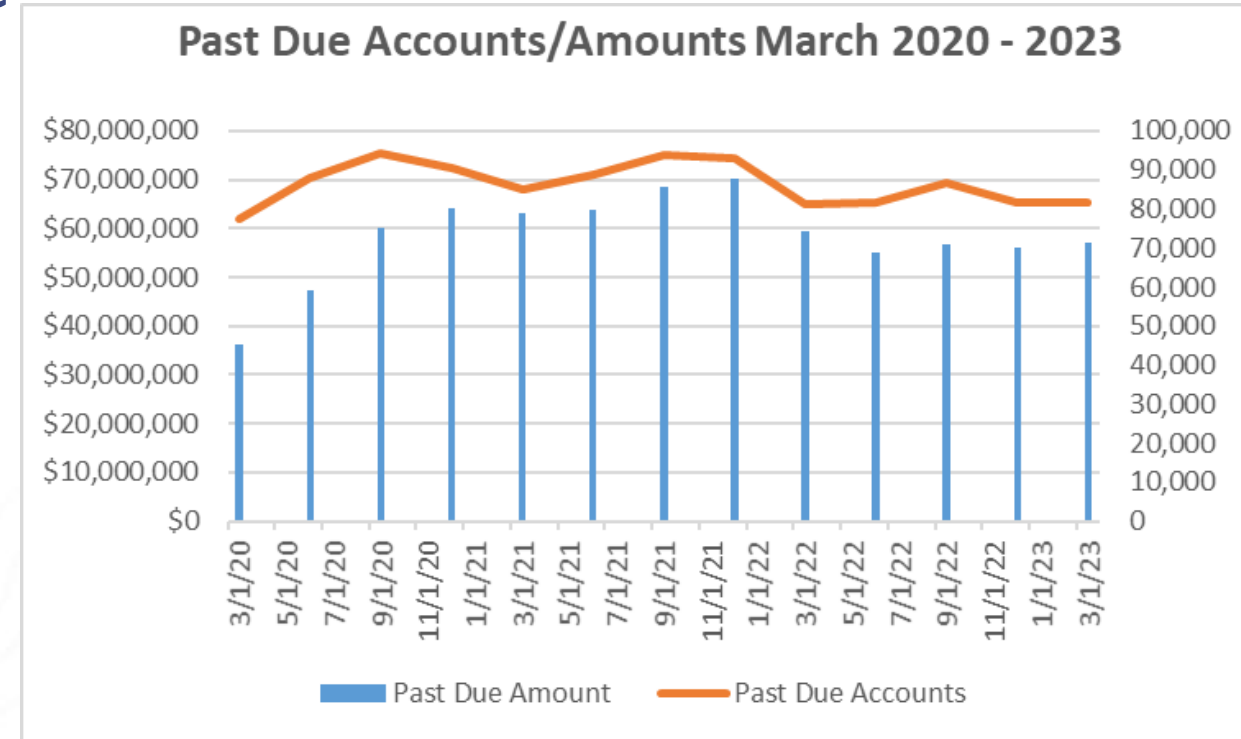
Water Consumption (TG)			
	Non-residential	Residential	Total
FY23	7,394,124	22,433,599	29,827,723
FY22	7,315,707	23,564,502	30,880,209
FY21	6,442,438	23,539,589	29,982,027
FY20	8,678,415	23,024,418	31,702,833

Sewer Consumption (TG)			
	Non-residential	Residential	Total
FY23	6,107,460	21,234,801	27,342,261
FY22	6,033,251	22,173,035	28,206,286
FY21	5,213,877	22,351,318	27,565,195
FY20	6,661,750	21,624,450	28,286,200

1) The water and sewer consumption amounts are thru February of a fiscal year
 2) TG means thousand gallons

Delinquencies

- The pandemic increased delinquent accounts balance which impacted revenue
 - Pre-pandemic delinquencies were \$37 million
 - During the pandemic delinquencies grew and peaked at \$70 million
 - Delinquencies decreased as the economy recovered and water turn-offs were reinstated but continues to be significantly higher than the pre-pandemic level



Rating Agency Analyst Comments/Questions



Moody's

Rating outlook

- Stable outlook reflects expectation that the district's financial position will remain sound, given a **demonstrated willingness to implement annual rate increases**

Factors that could lead to a downgrade

- **Failure to raise rates** or levy ad valorem tax when needed to support operations and debt
- Material erosion of reserves and liquidity
- Substantial deterioration of customer base or service area
- Downgrade of Montgomery or Prince George's counties

S&P

Rating outlook

- WSSD's credit quality is anchored by the extremely strong management team that has historically demonstrated an ability and **willingness to reduce expenditures and increase rates** to maintain sufficient coverage and liquidity

Factors that could lead to a downgrade

- **If management is unable to effectuate necessary rate increases** or contain costs which results in a reduction in reserves or a failure to meet forecast projections, we will lower the rating one or more notches

Fitch

Rating outlook

- Negative Outlook reflects leverage that may again exceed or remain near 10.0x for the next one to two years
- A sustained trend in declining leverage longer-term is **dependent upon continued robust rate adjustments** over the five-year horizon and beyond to generate FADS in support of ongoing capital spending and increasing operating costs

Factors that could lead to a downgrade

- **Failure to secure rate increases** that satisfactorily support operations, continued robust capital investment and declining leverage
- Failure to realize continued improvement in leverage through the five-year horizon

Factors that could lead to stabilization of Outlook

- Sustained improvement in the district's financial performance supporting leverage comfortably below 10.0x and rate increases sufficient to keep pace with expense growth and maintain robust capital investment

Moody's Aaa Medians



2020 Medians US Combined Water and Sewer Utilities by Rating Category					
Selected Indicators	Aaa	Aa	A	Baa	WSSC
Median Family Income (% of US Median)	111%	95%	83%	94%	165%
Asset Condition: (Remaining Useful Life)	26	27	24	29	42
Debt to Operating Revenues	1.9	1.9	2.4	5.5	4.7
Annual Debt Service Coverage	3.29	2.52	2	1.5	1.16
Days Cash on Hand	827	521	359	148	201
System Size (O&M, \$000)	98,404	25,313	7,533	665	539,416
Debt Service (\$000)	22,492	7,498	2,353	1,969	285,669
Net Revenues (\$000)	85,347	20,352	4,609	4,876	330,189
Net Funded Debt (\$000)	261,193	71,604	24,803	9,128	3,911,011
Total Revenues (\$000)	181,675	43,221	13,278	10,840	833,602

Source: Moody's MFRA database

Financial Strategy to Maintain AAA Rating



- Maintaining the AAA rating is a key part of our strategy for preserving long-term affordability for our customers
- A negative outlook is a time-limited rating category of 18-24 months
- WSSC Water needs to demonstrate a sustained improvement in financial conditions to retain the AAA rating by Fall 2023
- Initiating a plan to reduce delinquencies to pre-COVID levels through application of external funding to eligible customer accounts and expedited shutoffs
- Continue focus on external funding opportunities and growing non-rate revenues including monetizing surplus real estate assets, marketing Class A biosolids, renewable natural gas, and intellectual property licensing
- Revise financial metrics to align with rating agency standards

Recommended Actions to Address Rating Agency Concerns

- Use cash based rather than accrual model for financial projections and metrics
- Primary focus on these three metrics
 - Leverage Ratio = $<10.0x$ (**Total Debt/Funds Available for Debt Service**)
 - No change from current metric
 - Days Cash on Hand; (DCOH) = 250 days (**# of days to pay expenses without new revenue**)
 - Current metric is 120 – 150 days based on accrual model
 - Debt Service Coverage Ratio (DSCR) = 1.50 (**Net Revenue/Debt Service**)
 - Current metric is 1.10 to 1.25 based on accrual model
- Rate Increases to improve Coverage Ratio to 1.50 and maintain other metrics
 - FY 2025 & FY 2026 = 8.0%; Gradual Compliance by FY 2029

FY 2023 Revised Forecast



FY 2024 WITH 8% Rate Increases in FY 25 & FY 26/ INCREASE PAYGO/LEVEL PRINCIPAL

A Financial Plan	FY 2023 Estimate	FY 2024 Proposed	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
I Affordability:							
Rate Increase	6.5%	7.0%	8.0%	8.0%	6.5%	6.5%	6.5%
II Capital Demands:							
New Debt Issues	\$ 358,840	\$ 379,960	\$ 388,352	\$ 326,030	\$ 364,708	\$ 325,870	\$ 287,053
PAYGO	31,016	44,000	65,000	147,000	141,597	148,546	177,000
Total Funding for Bonded Projects	\$ 389,856	\$ 423,960	\$ 453,352	\$ 473,030	\$ 506,305	\$ 474,416	\$ 464,053
III Debt Service Coverage:							
Net Operating Revenue	\$ 347,773	\$ 371,740	\$ 423,397	\$ 486,581	\$ 533,154	\$ 577,911	\$ 632,064
Debt Service	302,982	328,467	366,169	387,288	405,949	424,137	434,635
Net Revenue Strength	\$ 44,791	\$ 43,273	\$ 57,228	\$ 99,293	\$ 127,205	\$ 153,774	\$ 197,429
IV Liquidity and Reserves:							
Ending Fund Balance	\$ 266,601	\$ 274,845	\$ 274,846	\$ 234,910	\$ 228,266	\$ 241,242	\$ 269,418
Net Increase/(Shortfall)	24,047	8,244	0	0	(0)	12,976	28,176

Long-Range Financial Plan Metrics



Capital Policy Guidelines

- Reduce new debt issuance and related debt service expense through increased PAYGO
- Maintain improved liquidity and debt service coverage

Metrics	CFO Guideline	FY 2023 Estimated	FY 2024 Proposed	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
I Debt Service Coverage:								
a Debt Service (P+I) as a Percentage Total Expenditures	<40.0%	35.9%	35.5%	36.6%	34.5%	35.1%	35.3%	34.5%
b Debt Service Coverage "Stress Case" *	1.50	1.34	1.31	1.32	1.40	1.43	1.45	1.52
c Leverage Ratio "Stress Case"	<10.0	9.7	9.6	8.8	8.0	7.5	7.1	6.5
II Liquidity and Reserves:								
a Days Cash-on-Hand "Stress Case"*	≥250	227	250	276	275	275	283	310
b Ending Fund Balance as a Percentage of Operating	20.0%	31.1%	29.8%	27.7%	21.9%	20.0%	20.0%	21.0%
III Workforce								
Workyears	n/a	1,796	1,836	1,836	1,836	1,836	1,836	1,836
* The "Stress Case" assumes an increase in capital costs of 10%. This is consistent with how Fitch calculates the Leverage Ratio and Days-Cash-on-Hand								

FY 2024 Budget Summary Highlights



- The proposed budget meets the spending affordability limits of a 7.0% water and sewer rate increase
- Inflation is significantly impacting non-discretionary costs
- Past due amounts continue to be significantly higher than the pre-pandemic levels
- Increased regulatory mandates – PFAS, Revised Lead & Copper Rule
- Capital budget provides for critical infrastructure investment
- Maintaining customer financial assistance programs
- Increased focus on external funding opportunities
- **Preserving our AAA bond rating**



Questions?



WSSC Water

MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC Water) 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, only the Town of Poolesville and portions of the City of Rockville are outside of the District.

WSSC WATER'S PROPOSED BUDGET

WSSC Water's proposed budget is not detailed in this document. The Commission's full budget can be obtained from WSSC Water's Budget Group at the WSSC Water Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland, 20707 (301.206.8000) or from their website at <https://wsscwater.com/budget>.

Prior to January 15 of each year, the Commission prepares a preliminary proposed capital and operating budget for the next fiscal year. On or before February 15, the Commission conducts public hearings in both counties. WSSC Water 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 proposed budgets, recommendations on the proposed budgets, and the record of the public hearings held by WSSC Water to their respective County Councils.

Each County Council may hold public hearings on WSSC Water'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 Water. Should the Councils fail to approve the budgets on or before June 1 of any given year, WSSC Water's proposed budgets are adopted.

Accomplishments and Initiatives

- Operating and maintaining a system of three reservoirs impounding 14 billion gallons of water, two water filtration plants, six water resource recovery facilities, 6,000 miles of water mains, and over 5,700 miles of sewer mains, 24 hours a day, 7 days a week.
- Treating or delivering 162 million gallons per day (MGD) of water to over 477,000 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards.
- Restoring normal service within 24 hours from when the agency is notified of an emergency, and to limit the time a customer is without water service to less than 6 hours.
- Implementing the Customer Assistance Program (CAP) to help those with financial hardship. To date, the CAP has assisted more than 17,000 customers.

Spending Control Limits

The spending control limits process requires that the two counties set annual ceilings on WSSC Water's water and sewer rate increases 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 limit, they must approve budgets within these limits.

The following table shows the FY24 spending control limits adopted by the Montgomery and Prince George's County Councils, compared to the spending control results projected under WSSC Water's proposed FY24 budget and under the County Executive's recommended budget for WSSC Water. The Commission's proposed budget complies with all of the spending control limits approved by the two County Councils except for the Total Water and Sewer

Operating Expenses, which are \$9.1 million higher than the Spending Affordability (SAG)- approved guidelines. The additional operating costs will be recouped with additional miscellaneous fee and revenue income.

FY24 Spending Control Limits Comparison (\$ in Millions)				
SPENDING CONTROL LIMITS	Approved Spending Control Limits		Projected Levels Under	
	Montgomery	Prince George's	WSSC's	County Executive
	County	County	Proposed Budget	Recommended Budget
Maximum Average Water/Sewer Rate Increase	7.0%	7.0%	7.0%	7.0%
New Debt	\$380.0	\$380.0	\$380.0	\$380.0
Water and Sewer Debt Service	\$328.5	\$328.5	\$328.5	\$328.5
Total Water and Sewer Operating Expenses	\$915.3	\$915.3	\$924.4	\$924.4

* Covered by offsetting funding sources.

Source: WSSC Water FY24 Proposed Budget

County Executive Recommendations

Operating Budget

The County Executive recommends that WSSC Water's proposed FY24 budget be approved with a water and sewer rate increase of 7.0 percent in FY24, consistent with the County Council's FY24 Spending Affordability Guidelines.

Capital Budget

The County Executive recommended the WSSC Water Amended FY23-28 Capital Improvements Program budget be approved as submitted by the Commission.

Overall Budget

FY24 fiscal projections for all funds and budgets are shown below.

Expenditures by Category - FY24 WSSC Water Proposed and Executive Recommended						
(\$ in Thousands)						
	WSSC Water	WSSC Water	CE	CE	CE	% Change
	Total	Total	Capital	Operating	Total	(CE Rec. vs.
	Approved	Proposed	Recommended	Recommended	Recommended	WSSC Water
Expenditure Categories	FY23	FY24	FY24	FY24	FY24	Proposed)
Salaries and Wages	\$161,312	\$169,372	\$28,193	\$141,179	\$169,372	0.0%
Heat, Light, & Power	\$19,047	\$27,620	\$247	\$27,373	\$27,620	0.0%
Regional Sewage Disposal	\$60,343	\$64,201	\$0	\$64,201	\$64,201	0.0%
Contract Work	\$351,478	\$384,209	\$384,209	\$0	\$384,209	0.0%
Consulting Engineers	\$72,122	\$84,116	\$84,116	\$0	\$84,116	0.0%
All Other	\$443,565	\$505,436	\$186,304	\$319,132	\$505,436	0.0%
PAYGO	\$31,016	\$44,000	\$0	\$44,000	\$44,000	0.0%
Reserve Contribution	\$0	\$0	\$0	\$0	\$0	--
Debt Service	\$321,844	\$328,467	\$0	\$328,467	\$328,467	0.0%
Total Budget	\$1,460,727	\$1,607,421	\$683,069	\$924,352	\$1,607,421	0.0%

Note: Total expenditures include the water and sewer operating funds and the three capital funds.

Source: WSSC Water FY23 Proposed Operating Budget

PROGRAM CONTACTS

Contact Letitia Carolina-Powell of the WSSC Water at 301.206.8379 or Richard H. Harris of the Office of Management and Budget at 240.777.2795 for more information regarding this agency's operating budget.

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

(\$ IN THOUSANDS)

FISCAL PROJECTIONS	FY23	FY24	FY25	FY26	FY27	FY28	FY29
	Approved	CE REC	PROJECTION	PROJECTION	PROJECTION	PROJECTION	PROJECTION
SPENDING AFFORDABILITY RESULTS							
New Water and Sewer Debt	\$358,840	\$379,960	\$388,352	\$326,030	\$364,708	\$325,870	\$287,053
Total Water and Sewer Operating Expenses	\$855,945	\$924,352	\$1,001,524	\$1,122,725	\$1,155,720	\$1,200,981	\$1,260,761
Debt Service	\$321,844	\$328,467	\$366,169	\$387,288	\$405,949	\$424,137	\$434,635
Average Water and Sewer Rate Increase	6.5%	7.0%	8.0%	8.0%	6.5%	6.5%	6.5%
BEGINNING FUND BALANCE	242,554,000	266,601,000	274,846,000	274,846,000	234,910,000	228,266,000	241,242,000
REVENUES							
Water and Sewer Rate Revenue	\$746,450	\$790,142	\$853,353	\$921,622	\$981,527	\$1,045,326	\$1,113,272
Interest Income	\$2,800	\$8,000	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
Account Maintenance Fee	\$33,887	\$36,259	\$39,160	\$42,293	\$45,042	\$47,969	\$51,087
Infrastructure Investment Fee	\$41,290	\$44,180	\$47,715	\$51,532	\$54,881	\$58,449	\$62,248
Plumbing and Inspection Fees	\$16,780	\$20,380	\$20,991	\$21,621	\$22,270	\$22,938	\$23,626
Rockville Sewer Use	\$3,100	\$3,100	\$3,100	\$3,100	\$3,100	\$3,100	\$3,100
Miscellaneous	\$19,000	\$28,722	\$25,452	\$25,707	\$25,962	\$26,222	\$26,486
Uncollectable	-\$8,000	-\$7,901	-\$8,532	-\$9,218	-\$9,814	-\$10,453	-\$11,133
Cost Sharing Reimbursement	\$635	\$743	\$7,013	\$12,860	\$12,860	\$7,158	\$7,004
Miscellaneous	\$33,515	\$45,044	\$48,024	\$54,070	\$54,378	\$48,965	\$49,083
Total Revenues	\$857,942	\$923,625	\$993,752	\$1,075,017	\$1,141,328	\$1,206,209	\$1,281,190
SDC Debt Service Offset	\$5,772	\$5,772	\$5,772	\$5,772	\$5,748	\$5,748	\$5,748
Reconstruction Debt Service Offset (REDO)	\$4,000						
Use of Fund Balance				\$39,936	\$6,644		
Premium Transfer	\$2,500						
Underwriters Discount Transfer	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Miscellaneous Offset		\$1,200					
TOTAL FUNDS AVAILABLE	\$872,214	\$932,597	\$1,001,524	\$1,122,725	\$1,155,720	\$1,213,957	\$1,288,938
EXPENDITURES							
Salaries and Wages	\$133,765	\$141,179	\$148,238	\$154,908	\$161,879	\$169,164	\$176,776
Reconstruction							
Heat, Light, and Power	\$18,817	\$27,373	\$26,263	\$25,198	\$26,382	\$27,305	\$28,261
Regional Sewage Disposal	\$60,343	\$64,201	\$65,485	\$66,794	\$68,130	\$69,493	\$70,883
Debt Service	\$321,844	\$328,467	\$366,169	\$387,288	\$405,949	\$424,137	\$434,635
PAYGO	\$31,016	\$44,000	\$63,780	\$147,000	\$141,597	\$148,546	\$177,000
All Other	\$290,160	\$319,132	\$331,589	\$341,537	\$351,783	\$362,336	\$373,206
Reserve Contribution							
Unspecified Expenditure Reductions							
TOTAL USE OF RESOURCES	\$855,945	\$924,352	\$1,001,524	\$1,122,725	\$1,155,720	\$1,200,981	\$1,260,761
REVENUE/EXPENDITURE SURPLUS/(GAP)	\$16,269	\$8,245	\$0	\$0	\$0	\$12,976	\$28,177
YEAR END FUND BALANCE w/o additional reserve contribution	\$242,554	\$266,601	\$274,846	\$234,910	\$228,266	\$228,266	\$241,242
Adjustments	\$7,778						
Additional Reserve Contribution	\$16,269	\$8,245				\$12,976	\$28,177
TOTAL YEAR END FUND BALANCE	\$266,601	\$274,846	\$274,846	\$234,910	\$228,266	\$241,242	\$269,419
Debt Service as a Percent of Water and Sewer Operating Budget	37.6%	35.5%	36.6%	34.5%	35.1%	35.3%	34.5%
Estimated Water Production (MGD)	164.0	164.0	164.0	164.0	164.0	164.0	165.0
Total End of Fiscal Year Operating Reserve	\$266,601	\$274,846	\$274,846	\$234,910	\$228,266	\$241,242	\$269,419
Total Operating Reserve as a Percent of Water and Sewer Rate Revenue	31.1%	29.8%	27.7%	21.9%	20.0%	20.0%	21.0%
Total Workyears (all funds)	1,796	1,836	1,836	1,836	1,836	1,836	1,836

Assumptions:

- The County Executive's operating budget recommendation is for FY24 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
- The FY25-29 projections reflect WSSC Water's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended Budget for WSSC Water. 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 FY24 water and sewer operating budget for WSSC Water.
- The FY24 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY24 budget jointly approved by Montgomery and Prince George's counties. The FY24 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC Water's proposed FY24 budget. The FY24 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC Water budget for FY24. The FY25-29 spending affordability figures correspond to the values of the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year and are provided by WSSC Water.
- The total FY24 estimated workyears shown correspond to the actual workyears as of December, 2022.
- Estimates of revenue in FY25-29 assume the rate increases projected by WSSC Water in the Average Water and Sewer Rate Increase line.
- Totals in this chart and WSSC Water's FY24 Proposed Long-Range Fiscal Plan for Water and Sewer Operating Funds may not match due to rounding.

OUR LEADERSHIP AND ORGANIZATION



The flowchart above is an interim organizational structure. Future changes may occur. Section II – Organizational Budgets and Measures in the upcoming FY 2024 Approved Budget book will be updated in the event the organizational structure is revised



COMMISSIONERS
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Howard A. Denis
Lynette D. Espy-Williams
T. Eloise Foster
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GENERAL MANAGER
Kishia L. Powell

March 1, 2023

The Honorable Angela D. Alsobrooks, Prince George's County Executive
The Honorable Marc Elrich, Montgomery County Executive
The Honorable Thomas E. Dernoga, Chair, Prince George's County Council
The Honorable Evan Glass, President, Montgomery County Council

Dear Ms. Alsobrooks, Mr. Elrich, Mr. Dernoga, and Mr. Glass:

On behalf of WSSC Water, I hereby transmit the Proposed Fiscal Year 2024 (FY 2024) Capital and Operating Budget. This budget is released and distributed for review by interested customers, citizens and elected officials.

Budget Overview

The proposed budget for FY 2024 for all operating and capital funds totals \$1.614 billion or \$144.9 million (9.9%) more than the FY 2023 Approved Budget. The proposed operating budget of \$931.2 million represents an increase of \$66.6 million (7.7%) over the FY 2023 Approved Operating Budget of \$864.6 million. The proposed capital budget of \$683.1 million represents an increase of \$78.3 million (12.9%) from the FY 2023 Approved Capital Budget of \$604.8 million. This increase is primarily due to recent inflationary trends and the restoration of reductions totaling \$110.5 million that were made to the FY 2023 Approved Capital Budget.

The proposed budget funds several essential priorities for compliance and infrastructure improvements including:

- Compliance with the revised Lead & Copper Rule
- Water tank painting to prevent metal corrosion
- Maintaining Information Technology (IT) investments in cybersecurity and new and upgraded IT applications
- Inspecting large diameter pipes and valve exercising
- Acoustic fiber optic monitoring of pre-stressed concrete cylinder pipes (PCCP)
- Maintenance and repairs at facilities
- Removal of sediment at the Little Seneca Forebays

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Rebounding from COVID-19 and Financial Challenges

The Proposed FY 2024 Budget also includes a 7.0% average water and sewer rate increase and a 7.0% increase to the Account Maintenance Fee (AMF) and the Infrastructure Investment Fee (IIF). While WSSC Water understands the difficulties associated with a rate increase in the current economic climate, we continue to experience COVID-19 pandemic-related challenges. We are experiencing lower revenue due to shifting consumption patterns and we are confronting historic inflation throughout the supply chain. These challenges make the rate increase vital to fulfilling our mission to provide safe, clean and reliable water, life's most precious resource, to our customers and to recover the full cost of these services.

Unfortunately, as of December 2022, WSSC Water also continues to have about 82,000 accounts that are past due, totaling about \$56 million, which continues to significantly impact revenue. To-date, no direct federal or state assistance has been received during the pandemic, despite our quick and unprecedented waiving of late fees and turn-offs from March 2020 through the late summer of 2021. WSSC Water has been fortunate to receive about \$634,000 of indirect assistance through housing/rental assistance programs and about \$2.5 million through the temporary Low Income Household Water Assistance Program.

Due to the recent and ongoing revenue challenges, Fitch Ratings placed WSSC Water on a Negative Outlook last year. On February 3, 2023, they again affirmed our AAA rating but maintained the Negative Outlook. WSSC Water undertook significant reductions to our FY 2023 operating and capital budgets to maintain our AAA bond rating and remains committed to taking all actions necessary to preserve our AAA rating to ensure we have the lowest interest costs to finance our capital investments.

Rate Increase: Lower than Requested

To keep pace with rising costs and service demands and to help offset revenue losses, our long-term plan showed that an 8.0% rate increase is required to fund the six-year Capital Improvement Program as proposed and fully fund operations; however, both County Councils approved a spending affordability rate increase limit of 7.0%. The approval of a lower than needed rate increase is a recurring trend that results in continued budget reductions that significantly impact our ability to improve service delivery. The impact is a revenue strain that is compounded each year.

Budget Reduction Impacts: FY 2024 Preliminary Proposed Budget

Limiting the rate increase to a 7.0% average rate increase required WSSC Water to make \$13.4 million in reductions. Some of the reductions and related impacts of these cuts are summarized by department below:

- \$4.4 million in Production: Delays in maintenance and repairs at facilities that support customers, evaluation of the safety of facility electrical systems, reservoir dredging, and innovation research projects
- \$4.3 million in IT: Delays in various projects including enhancements and development of applications; and a reduction in services to include business analysis, quality assurance support, quality resources and tool functionality
- \$1.6 million in Utility Services: Reduction in critical fire flow testing services to meet American Water Works Association (AWWA) industry standards and inspections in the mains condition assessment program
- \$1.0 million Human Resources: Reduction in benefits and wellness programs
- \$792,000 in Engineering & Construction: Shifting focus of manhole rehabilitation from operating to capital projects
- \$600,000 in General Services: Reduction in fleet vehicle replacement purchases and delays in energy management and special studies
- \$451,000 in Asset Management: Delays in data analytics, condition assessment and business cases

Spending Affordability Guidelines

WSSC Water, in cooperation with the Montgomery and Prince George’s County governments, continues to participate in the spending affordability process. This process focuses debate, analysis and evaluation on balancing affordability considerations against the provision of resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates, maintain affordable rates and maintain operating and capital budgets and debt service at prudent and sustainable levels. Last fall, the Montgomery County Council and Prince George’s County Council approved resolutions establishing four limits on WSSC Water’s FY 2024 budget. As indicated in the following table, the proposed budget meets the spending affordability limits for New Water and Sewer Debt, Debt Service and Average Water and Sewer Rate Increase.

WSSC Water FY 2024 Proposed Budget vs. Spending Affordability Limits
(\$ In Millions)

	Prince George's County	Montgomery County	FY 2024 Proposed Budget
New Water and Sewer Debt	\$380.0	\$380.0	\$380.0
Total Water and Sewer Debt Service	\$328.5	\$328.5	\$328.5
Total Water and Sewer Operating Expenses	\$915.3	\$915.3	\$924.4*
Water & Sewer Rate Increase	7.0%	7.0%	7.0%

* The exceedance is covered by offsetting funding sources

In addition to reviewing expenses and revenues for water and sewer services, we have analyzed the cost and current fee levels for other WSSC Water services. Based upon these analyses, and to better align fees with program costs, adjustments to current fees are recommended (Section 2).

Customer Impacts and Affordability

The 7.0% rate increase will add approximately \$16.43 per quarter to the bill of a customer using 150 gallons per day (GPD), the average per person consumption of 50 GPD for a 3-person household. Per person consumption was reduced from 55 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption. Even with the rate increase, WSSC Water rates continue to compare favorably to many other comparable, regional water and sewer utilities. The average residential bill is 1.0% of the median household income, which is well below the 4.5% U.S. Environmental Protection Agency affordability benchmark.

Like many utilities across the country, WSSC Water continues to face the challenge of balancing increasing costs for infrastructure and operations with affordability considerations for our customers. While the average costs to ensure access to clean, safe drinking water and efficient wastewater treatment compares favorably to other household utilities and expenses, more residents are struggling to meet their monthly expenses especially with rising inflation which is severely pressuring household budgets. However, it is essential to price water at the cost of safely producing and delivering this essential resource and to offer assistance programs for our most vulnerable customers.

The Customer Assistance Program (CAP) was created in FY 2016 to help economically disadvantaged customers by providing financial assistance with water and sewer bills. The CAP has already reached thousands of our customers in the current fiscal year. The CAP will continue in FY 2024 and the proposed budget estimates the revenue offset at \$2.2 million. Note that CAP customers are automatically enrolled in the Bay Restoration Fund exemption, which waives the state-mandated Bay Restoration Fund fee of up to \$60 per year. In addition, CAP customers are also eligible for 100% waiver of late fee charges, free annual plumbing inspections for leaks, payment plan arrangements for up to 48 months, receive high bill adjustment removing 100% of excess water & sewer usage for one billing cycle in any three-year period, and fees to resume service after turn-off for nonpayment are reduced by 50 percent.

The Water Fund is another program that aids eligible customers in need of assistance. Customers can make multiple requests for assistance with water and sewer bills up to \$500 per year. Also, in accordance with House Bill 408 enacted in the FY 2018 legislative session, the proposed budget includes \$100,000 to continue the Connection Pipe Emergency Replacement Loan Program, which will provide affordable financing of up to \$5,000 per eligible customer.

Infrastructure Reliability

The budget proposes the rehabilitation of 27 miles of smaller water mains (<16 inches in diameter), as WSSC Water begins to ramp back up towards our asset management plan goal of 55 miles per year; continued development of our enhanced pipe condition assessment program; and evaluation of new water main rehabilitation technologies to help control costs while also minimizing disruption for our customers.

For large diameter water mains, the PCCP Program provides for the ongoing acoustic fiber optic monitoring of over 118 miles of pipe, ongoing inspection and rehabilitation and replacement of large diameter pipes. Inspection, rehabilitation and replacement of large valves continues at two per year. The PCCP program will continue building toward a goal of replacing two miles per year on average, with several projects in the planning and design phases. Replacement of large transmission mains is projected at six miles. Funding is also included for the continued compliance with all requirements of the WSSC Water Sanitary Sewer Overflow and Potomac Water Filtration Plant Consent Decrees.

Information Technology Investments

In addition to our ongoing investments in WSSC Water's physical infrastructure, the FY 2024 budget invests in our information technology and cybersecurity infrastructure. Funding is included to continue enhancing our cybersecurity program to mitigate cybersecurity risks efficiently and effectively by ensuring our electronic data and computer systems and networks are protected from theft, attack or unauthorized access. Cybersecurity program initiatives include artificial intelligence threat detection, new end-user security awareness training and risk reduction of identity theft through two-step authentication.

System Development Charge

State law provides that the System Development Charge (SDC), a charge to new applicants for WSSC Water service, which is intended to recover growth costs, may be adjusted annually by the change in the Consumer Price Index for the Urban Wage Earners and Clerical Workers (CPI-W) in the Washington, D.C. metropolitan area. Historically, we have adjusted the maximum allowable charge based on the change in the November CPI-W. We plan to do the same this year. An increase to the SDC for FY 2025 is currently being evaluated by the Bi-County SDC Policy and Rates Workgroup.

Budget Review Process

The Proposed Budget is subject to the Counties' hearings, procedures and decisions, as provided under Section 17-202 of the Public Utilities Article, of the Annotated Code of Maryland, before the final budget is adopted for the fiscal year beginning July 1, 2023.

Sincerely,



Fausto R. Bayonet
Commission, Chair

cc:
Members of Prince George's County Council
Members of Montgomery County Council
Members of the Maryland General Assembly

COMPARATIVE EXPENSES

Comparative Expenses by Fund

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed	FY 2024 Over/(Under) FY 2023	% Change
Operating Funds							
Water Operating	\$ 338,471	\$ 335,324	\$ 339,252	\$ 379,808	\$ 421,293	\$ 41,485	10.9 %
Sewer Operating	413,421	401,300	423,829	476,137	503,059	26,922	5.7 %
General Bond Debt Service	14,292	12,006	10,720	8,661	6,830	(1,831)	(21.1)%
Total Operating	\$ 766,184	\$ 748,630	\$ 773,801	\$ 864,606	\$ 931,182	\$ 66,576	7.7 %
Capital Funds							
Water Supply Bond	\$ 162,378	\$ 142,441	\$ 138,613	\$ 239,027	\$ 315,582	\$ 76,555	32.0 %
Sewer Disposal Bond	211,729	265,865	238,063	343,081	333,298	(9,783)	(2.9)%
General Construction	20,278	18,587	21,131	22,674	34,189	11,515	50.8 %
Total Capital	\$ 394,385	\$ 426,893	\$ 397,807	\$ 604,782	\$ 683,069	\$ 78,287	12.9 %
Grand Total	\$ 1,160,569	\$ 1,175,523	\$ 1,171,608	\$ 1,469,388	\$ 1,614,251	\$ 144,863	9.9 %

Comparative Expenses by Major Expense Category

(\$ in thousands)	FY 2022 Actual			FY 2023 Approved			FY 2024 Proposed		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Expense Categories									
Salaries & Wages	\$ 27,647	\$ 126,682	\$ 154,329	\$ 27,547	\$ 134,461	\$ 162,008	\$ 28,193	\$ 141,927	\$ 170,120
Heat, Light & Power	-	21,014	21,014	230	18,829	19,059	247	27,384	27,631
Regional Sewage Disposal	-	60,751	60,751	-	60,343	60,343	-	64,201	64,201
Contract Work	251,913	-	251,913	351,478	-	351,478	384,209	-	384,209
Consulting Engineers	42,322	-	42,322	72,122	-	72,122	84,116	-	84,116
Debt Service	-	289,214	289,214	-	328,524	328,524	-	333,201	333,201
All Other	75,925	276,140	352,065	153,405	322,449	475,854	186,304	364,469	550,773
Grand Total	\$ 397,807	\$ 773,801	\$ 1,171,608	\$ 604,782	\$ 864,606	\$ 1,469,388	\$ 683,069	\$ 931,182	\$ 1,614,251

PROPOSED RATES, FEES AND CHARGES

Presented in this section are the Fiscal Year (FY) 2024 proposed variable and fixed rates, as well as fees and charges that will be effective July 1, 2023. The majority of WSSC Water’s revenue is derived from user charges for high-quality water and sewer services provided to customers. WSSC Water assessed these rates through an in-depth process ensuring revenue stability, cost recovery, conservation management and affordability.

COMBINED WATER AND SEWER OPERATING FUNDS - PROPOSED RATE IMPACT

7.0% Average Water and Sewer Rate Increase

	FY 2024 Proposed (\$ in thousands)
FUNDING SOURCES	
Revenues	
Consumption Charges (at Current Rates)	\$ 738,450
Account Maintenance Fees (AMF)	36,259
Infrastructure Investment Fees (IIF)	44,180
Uncollectible	(7,901)
Miscellaneous Revenues	60,945
Subtotal	\$ 871,933
Other Credits and Transfers	
Systems Development Charges (SDC) Debt Service Offset	5,772
Underwriters Discount Transfer	2,000
Miscellaneous Offset	1,200
Total Funding Sources	\$ 880,905
EXPENSES	
Operating, Maintenance & Support Services Expenses	551,885
Debt Service	328,467
Pay-As-You-GO (PAYGO)	44,000
Additional Cash Balance Reserve	8,245
Total Expenses	\$ 932,597
Shortfall to be Covered by Rate Increase	<u>\$ (51,692)</u>
Proposed Average Water and Sewer Rate Increase (Shortfall divided by Consumption Charges)	<u>7.0 %</u>

The FY 2024 Proposed Budget calls for a combined 7.0% average increase in water consumption and sewer use revenues, AMF and IIF. This proposed increase meets the 7.0% Spending Affordability Guidelines (SAG) limit recommended by both Prince George’s and Montgomery Counties. Even with this rate increase, WSSC Water rates remain favorable when compared to many other comparable water and sewer utilities as shown on page 3-21.

WATER AND SEWER RATE SCHEDULES

Proposed Rate Schedule Effective July 1, 2023

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2024 July 1, 2023 Proposed		Total
	Water Rates	Sewer Rates	Combined
	Per 1,000 Gallons		
0 - 80.9999	\$ 6.53	\$ 8.67	\$ 15.20
81 - 165.9999	7.38	9.63	17.01
166 - 275.9999	8.50	12.09	20.59
276 & Greater	9.96	15.97	25.93

Proposed Flat Rate Sewer Charge - \$152.00 per quarter

Current Rate Schedule

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2023 July 1, 2022 Approved		Total
	Water Rates	Sewer Rates	Combined
	Per 1,000 Gallons		
0 - 80.9999	\$ 6.10	\$ 8.11	\$ 14.21
81 - 165.9999	6.89	9.01	15.90
166 - 275.9999	7.94	11.30	19.24
276 & Greater	9.30	14.93	24.23

Approved Flat Rate Sewer Charge - \$142.00 per quarter

ACCOUNT MAINTENANCE FEES

Proposed For Implementation July 1, 2023

Meter Size	FY 2023 Current Quarterly Charges	FY 2024 Proposed Quarterly Charges
<u>Small Meters</u>		
5/8" to 1"	\$ 17.04	\$ 18.23
<u>Large Meters</u>		
1-1/2"	17.04	18.23
2"	28.76	30.77
3"	70.29	75.21
4"	151.23	161.82
6"	164.01	175.49
8"	213.00	227.91
10"	261.99	280.33
<u>Detector Check Meters</u>		
2"	35.15	37.61
4"	188.51	201.71
6"	271.58	290.59
8"	490.97	525.34
10"	674.15	721.34
<u>Fire Service Meters</u>		
4"	193.83	207.40
6"	312.05	333.89
8"	481.38	515.08
10"	726.33	777.17
12"	1,053.29	1,127.02

This quarterly fee is prorated based on the number of days in the billing cycle

INFRASTRUCTURE INVESTMENT FEES

Proposed For Implementation July 1, 2023

Meter Size	FY 2023 Current Quarterly Charges	FY 2024 Proposed Quarterly Charges
<u>Small Meters</u>		
5/8"	\$ 11.72	\$ 12.54
3/4"	12.78	13.67
1"	14.91	15.95
<u>Large Meters</u>		
1-1/2"	95.85	102.56
2"	197.03	210.82
3"	623.03	666.64
4"	865.85	926.46
6"	1,347.23	1,441.54
8"	3,029.93	3,242.03
10"	4,712.63	5,042.51
<u>Fire Service Meters</u>		
4"	531.44	568.64
6"	656.04	701.96
8"	2,688.06	2,876.22
10"	2,890.41	3,092.74
12"	5,552.91	5,941.61

This quarterly fee is prorated based on the number of days in the billing cycle

SYSTEM DEVELOPMENT CHARGES

Proposed For Implementation July 1, 2023

SDC Category	FY 2023 Current Charges	FY 2024 Proposed Charges	Current Maximum Allowable	Proposed Maximum Allowable
Apartment				
Water	\$ 896	\$ 896	\$ 1,456	\$ 1,536
Sewer	1,140	1,140	1,852	1,954
1-2 toilets/residential				
Water	1,344	1,344	2,185	2,305
Sewer	1,710	1,710	2,776	2,929
3-4 toilets/residential				
Water	2,240	2,240	3,641	3,841
Sewer	2,850	2,850	4,633	4,888
5 toilets/residential				
Water	3,135	3,135	5,095	5,375
Sewer	3,991	3,991	6,486	6,843
6+ toilets/residential (per fixture unit)				
Water	88	88	145	153
Sewer	115	115	189	199
Non-residential (per fixture unit)				
Water	88	88	145	153
Sewer	115	115	189	199

No increase is proposed for the System Development Charges for FY 2024 in any category. The maximum allowable charge is being adjusted pursuant to Division II, Section 25-403(c) of the Public Utilities Article of the Annotated Code of Maryland, based on the 5.5% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for all items in the Washington, D.C. metropolitan area from November 2021 to November 2022.

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

WSSC Water 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, 2023.

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
INSPECTIONS, LICENSES AND PERMITS			
I Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gas-fitting Inspections			
<u>Plumbing and Gas-fitting Inspections</u>			
New Single Family Detached Dwellings and Townhouses	\$ 1,225	\$ 1,350	Yes
New Attached Dwellings (townhouses/multiplex excluding apartments)	1,225	1,350	Yes
<u>All Other Residential</u>			
Water/Well Hookup	150	150	-
Meter Yoke Inspection (meter only installation)	150	150	-
Water Hookup Converting from Well (includes 2 inspections)	300	300	-
Sewer/Septic Hookup	150	150	-
First Plumbing Fixture	150	150	-
Each Additional Fixture	70	80	Yes
SDC Credit Fixture Inspection (per fixture)	60	65	Yes
Minimum Permit Fee	265	265	-
Permit Reprocessing Fee	75	75	-
Long Form Permit Refund Fee	265	265	-
Long Form Permit Re-Issue Fee	265	265	-
<u>All Non-Residential</u>			
<u>Plan Review without Permit Application</u>			
25 Fixtures or Less	535	590	Yes
26-200 Fixtures	2,670	2,935	Yes
Over 200 Fixtures	5,370	6,175	Yes
<u>2nd or 3rd Review (with or without permit application)</u>			
25 Fixtures or Less	215	235	Yes
26-200 Fixtures	605	665	Yes
Over 200 Fixtures	1,285	1,480	Yes
Water/Well Hookup	270	275	Yes
Meter Yoke Inspection (meter only installation)	270	275	Yes
Sewer/Septic Hookup	270	275	Yes
FOG Interceptor	270	275	Yes
First Plumbing Fixture	270	275	Yes
Each Additional Fixture	70	75	Yes
SDC Credit Fixture Inspection (per fixture)	60	65	Yes
Minimum Permit Fee	385	390	Yes
Permit Reprocessing Fee	75	75	-
<u>Other Services</u>			
Permit Consultation Fee	-	150	Yes
IB Long Form Permit Refund Fees			
Long Form Permit Refund Fee	385	390	Yes
Long Form Permit Re-Issue Fee	385	390	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
INSPECTIONS, LICENSES AND PERMITS (Continued)			
2 License Fees for the Regulated Trades			
<u>Reciprocal Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 2 years)	\$ 140	\$ 140	-
Registration Renewal all types (for 2 years)	115	115	-
Late Registration Renewal	70	70	-
<u>Examined Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 4 years)	150	150	-
Registration Renewal all types (for 4 years)	150	150	-
Late Registration Renewal	70	70	-
Cross-connection Technician Registration	35	35	-
Sewer and Drain Registration and Renewal (for 2 years)	60	60	-
Sewer and Drain Late Renewal Fee	30	30	-
<u>Journeyman License Registration</u>			
Initial Registration per type (for 2 years)	45	50	Yes
Registration Renewal (for 2 years)	45	50	Yes
Late Registration Renewal	30	30	-
License Transfer Fee	30	30	-
License Replacement Fee	20	20	-
Apprentice License Registration Renewal	15	15	-
3 Short Form Permit Fee for Initial, Reinspection, and Reactivation Types (Up to 3 fixtures and Non-Refundable)			
	135	150	Yes
4 Long Form Permit Transfer Fee (with inspection)			
	220	220	-
5 Tapper License Fees			
Permit Fee	360	360	-
Duplicate	35	40	Yes
6 Watershed Use Permit Fees			
<u>Boat Removal and Impoundment Fees</u>			
Boat/Craft Removal and Impoundment Fee	105	105	-
Removed Boat/Craft Storage Fee (Monthly)	80	80	-
<u>Watershed Use Permit Fees</u>			
Watershed Use Permit (January 1-December 31)	70	70	-
Watershed Use Permit (Single Day)	5	5	-
Open Season Boat Mooring (March 15 - November 30)	80	80	-
Winter Boat Mooring (December 1 - March 14)	60	60	-
Azalea Garden Rental (4 hours)	75	75	-
Bio-Brick Pavilion Rental (4 hours)	90	100	Yes
Boarding Stable Entrance Permit (Single Day)	260	260	-
Adjacent Landowner Entrance Permit (Single Day)	80	80	-
<u>Picnic Permit</u>			
Picnic Permit - Groups of 1-5 Persons (Single Day)	5	5	-
Picnic Permit - Groups of 6-10 Persons (Single Day)	10	10	-
Picnic Permit - Groups of 11-15 Persons (Single Day)	15	15	-
7 Site Utility Inspection Fees (Non-Minor)			
Base Fee	1,780	2,795	Yes
Pipeline (per foot)	9.30	9.40	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
DISCHARGE AND WATER PROTECTION			
8 Septic Hauler Discharge Permit Fees			
<u>Category I - Residential & Septic Waste & Grease</u>			
1-49 gallons (per vehicle)	\$ 255	\$ 255	-
50-799 gallons (per vehicle)	6,750	7,425	Yes
800-2,999 gallons (per vehicle)	19,250	21,175	Yes
3,000 gallons & up (per vehicle)	42,050	42,050	-
January thru June (50% of fee)	50% of fee	50% of fee	-
Transfer and/or Replacement Permit Sticker	155	170	Yes
Industrial/Special Waste Disposal Fee (per 1,000 gallons)	380	400	Yes
Zero Discharge Permit Fee	155	170	Yes
Temporary Discharge Permit Fee plus sewer rate per 1,000 gallons	185	220	Yes
Sewer Rate - Hauled Waste (1,000 gallons of truck capacity)	50	50	-
9 Industrial Discharge Control Program Fees By Category			
<u>Industrial Users Subject to Categorical Pretreatment Standards</u>			
Less than 5,000 gpd (double visit)	6,770	7,445	Yes
Greater than 5,000 gpd (double visit)	10,370	11,405	Yes
Non-Discharging Categorical Industries (zero discharge)	1,825	2,010	Yes
<u>Significant Industrial Users</u>			
Less than 25,000 gpd (single visit - priority pollutant sampling)	6,770	7,445	Yes
Greater than 25,000 gpd (double visit - priority pollutant sampling)	10,370	11,405	Yes
Penalty Charge for Late Fee Payment	5% of fee	5% of fee	-
10 Discharge Authorization Permit Fees			
Significant Industrial User - Initial Permit (for 4 years)	8,050	8,855	Yes
Significant Industrial User - Renewal (for 4 years)	3,945	4,340	Yes
Initial Zero-Discharge CIU Permit (for 4 years)	3,055	3,360	Yes
Reissued Zero-Discharge CIU Permit (for 4 years)	2,035	2,240	Yes
Temporary Discharge Permit (non-SIU)	8,050	8,855	Yes
11 Discharge Fees - Food Service Establishment			
Full Permit FSE	535	590	Yes
BMP Permit FSE	155	170	Yes
12 Cross Connection Fees			
Test Report Fee (per report)	55	55	-
Base Fee for High Hazard Commercial Water Customer (per month)	25	25	-
Base Fee for All Other Commercial Water Customer (per month)	12.50	12.50	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
METERS AND RELATED SERVICES			
13 Small Meter Replacement Fee (at Customer Request)	\$ 215	\$ 215	-
14 Meter Replacement Fees (Damaged or Stolen Meter)			
5/8" w/ touch pad (inside w/remote)	135	135	-
5/8" w/ pit pad (outside w/o remote)	140	140	-
5/8 Meter - pad encoder	135	135	-
5/8" x 3/4" w/ touch pad (inside w/ remote)	135	135	-
3/4" w/ touch pad (inside w/ remote)	160	160	-
3/4" w/ pit pad (outside w/o remote)	165	165	-
1" w/ touch pad (inside w/ remote)	205	205	-
1" w/ pit pad (outside w/o remote)	210	210	-
1" Kamstrup Meter, UT	370	370	-
1 1/2" Badger Flanged Meter	570	570	-
1 1/2" Flanged Meter	630	630	-
1 1/2" Nipple Meter	740	740	-
2" Flanged Meter	960	960	-
2" 15 1/4 Flanged Meter	1,210	1,210	-
3" Compound Meter	2,200	2,205	Yes
4" Compound Meter	3,240	3,250	Yes
6" Compound Meter	5,210	5,225	Yes
Turbine, Horizontal 3" Neptune w/ pit pad	1,475	1,480	Yes
Turbine, Horizontal 4" Neptune w/ pit pad	1,975	1,980	Yes
2" Hersey MVR Turbine	990	1,000	Yes
3" Hersey MVR Turbine	2,300	2,805	Yes
4" Hersey MVR Turbine	3,130	3,920	Yes
6" Hersey MVR Turbine	4,800	4,815	Yes
2" Detector Check	4,620	4,620	-
4" Detector Check	3,275	3,300	Yes
6" Detector Check	3,850	3,880	Yes
8" Detector Check	4,990	5,020	Yes
10" Detector Check	6,350	6,385	Yes
12" Detector Check	22,210	22,250	Yes
4" Fire Service Meter	8,160	8,190	Yes
6" Fire Service Meter	10,040	10,075	Yes
8" Fire Service Meter	12,505	12,540	Yes
10" Fire Service Meter	14,390	14,430	Yes
12" Fire Service Meter	20,400	20,440	Yes
3" Octave UT L=24	3,100	3,105	Yes
4" Octave UT L=29/ L=33	4,100	4,110	Yes
6" Octave UT L=45	6,030	6,040	Yes
8" Octave UT L=53	9,680	9,710	Yes
10" Octave UT L=68	13,080	13,115	Yes
15 Meter Testing Fees			
5/8" to 1"	260	260	-
1-1/2"	420	420	-
2" and up	470	470	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
METERS AND RELATED SERVICES (Continued)			
16 Sub-Meter Installation Fees			
One-time Sub-Meter Charge - Small	\$ 260	\$ 260	-
One-time Sub-Meter Charge - Large	525	525	-
One-time Inspection Fee	85	100	Yes
Minimum Permit Inspection fee	265	Delete	Yes
17 Water Turn-Off, Turn-On Fees			
A. Customer Requested - Water Turn-Off, Turn-On Fees			
Small Meter Turn-Off	60	60	-
Small Meter Turn-On	90	90	-
Large Meter Turn-Off	200	200	-
Large Meter Turn-On	230	230	-
B. WSSC Water Scheduled Action - Water Turn-Off, Turn-On Fees			
Small Meter Turn-On	135	135	-
Large Meter Turn-On	405	405	-
18 Call Back Fee (small meters, plumbers)	90	90	-
19 Call Back Fee (large meters, plumbers)	355	355	-
20 Missed Appointment Fees			
First Missed Appointment or Restoration of Service Turn-On	95	95	-
Each Additional Missed Appointment	110	110	-
21 Meter Reinstallation Correction Fee	385	385	-
22 Sewer Meter Maintenance Fee (per year)	18,255	20,995	Yes
Quarterly Calibrations (per quarter)	4,565	5,250	Yes
23 Property Inspection Fee	120	120	-
24 Warehouse Restocking Fee	65	80	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
FIRE HYDRANT SERVICES			
25 Temporary Fire Hydrant Connection Fees			
<u>3/4" Meter - Deposit</u>			
3/4" Meter Deposit	\$ 380	\$ 380	-
<u>3" Meter - Deposit</u>			
3" Meter Deposit	2,420	2,420	-
<u>Service Charge</u>			
2 Weeks or Less (3/4" meter)	85	95	Yes
2 Weeks or Less (3" meter)	130	130	-
Over 2 Weeks (3/4" and 3" meters)	175	175	-
Water Consumption - 3/4" meter (Minimum charge or Tier 4 rate per 1,000 gallons flat rate)	35	35	-
Water Consumption - 3" meter (Minimum charge or Tier 4 rate per 1,000 gallons flat rate)	240	240	-
Late Fee for Return of Meter (per day)	10	10	-
Fee on Unpaid Temporary Fire Hydrant Billings	1.5% per month	1.5% per month	-
Loss/Destruction of Meter	Replacement cost	Replacement cost	-
Loss/Destruction of Wrench	40	40	-
26 Truck Inspection Fee with Attached Fire Hydrant Meter (for 2 years)	50	50	-
27 Fire Hydrant Flow Test Fees			
No Current Test	690	690	-
Current Test	80	80	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
DEVELOPMENT SERVICES			
28 Feasibility Review Fees (WSSC Water Built)			
Feasibility Submission Fee (non-refundable)	\$ 1,960	\$ 1,980	Yes
Feasibility Review & Report Fee Deposit (can be deferred as deficit when extension is completed)	15,790	17,370	Yes
29 Construction Services Fee	9.3% of WSSC Water's unit cost estimate or 12% of contractor's cost estimate	9.3% of WSSC Water's unit cost estimate or 12% of contractor's cost estimate	-
30 Design Review			
Development is More than 10 Residential Units or Commercial	8,645	11,500	Yes
Development is 10 Residential Units or Less	4,325	5,750	Yes
31 Hydraulic Planning Analysis and System Planning Forecast			
Modeling and Re-Modeling Fee - Up to 3 parts	3,235	Delete	Yes
Modeling and Re-Modeling Fee - per part over 3	1,080	Delete	Yes
Pressure Sewer System Review Fee (per system)	590	Delete	Yes
Basic Project Category (per Development Services Code)	-	5,430	Yes
Moderate Project Category (per Development Services Code)	-	7,570	Yes
Complex Project Category (per Development Services Code)	-	9,230	Yes
32 Extra Review Fees			
<u>Per SEP Plan Review</u>			
Minor Additional Reviews of Unsigned or Signed Plans (per review)	1,600	1,705	Yes
Major/Splitting Additional Reviews of Unsigned or Signed Plans (per review)	3,265	3,410	Yes
<u>Per Site Utility/Minor Utility Additional Unsigned or Signed Plan Review</u>			
Site Utility (per review)	1,940	2,135	Yes
Minor Site Utility (per review)	505	555	Yes
<u>Per Hydraulic Planning Analysis/Systems Planning Forecast</u>			
Additional Review of Required Data - HPA/SPF/Non-DR Developer (per review)	1,145	1,315	Yes
33 In-House Design Deposit	Deposit	Deposit	-
34 Partial Certificate of Substantial Completion Release Fee (up to 50% of construction)	1,620	1,640	Yes
35 Off-Property Service Connection Reimbursement	Reimbursement	Reimbursement	-
36 Service Connection Application and Inspection Fee (per permit)	2,430 water and/or sewer connection	2,430 water and/or sewer connection	-
37 Government Referred Plan Review			
Major Development - Over 10 Units	1,695	1,710	Yes
Minor Development - 10 or Less Units	790	790	-
Re-Review Fee for Major Development	790	790	-
Re-Review Fee for Minor Development	395	395	-
38 Pre-Screen Fee All Plan Types	405	410	Yes
39 Site Utility (On-site) Review Fees			
Base Fee	4,025	4,430	Yes
Additional Fee per 100 feet	390	430	Yes
Minor (Waived) Site Utility (On-Site) Fee	1,420	1,535	Yes
40 Name/Transfer of Ownership Change Fee	325	325	-
41 Variance Review Fee	1,500	1,500	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
PIPELINE, ENGINEERING AND ENVIRONMENTAL SERVICES			
42 Shutdown/Charge Simple Water Main Fee	\$ 1,180	\$ 1,180	-
Shutdown/Charge Complex Water Main Fee	2,145	2,145	-
43 Review and Inspection Fees for Site Work Potentially Impacting WSSC Water Pipelines			
Simple Review	400	400	-
Complex Review / Non-DR Developer Review	4,520	5,425	Yes
Inspection for Minor Adjustment / Non-DR Developer (per inspection)	270	270	-
44 Relocation Fee			
Inspection for MOU project (minimum charge up to 4 hours)	600	600	-
45 Connection Abandonment Fees			
County Roads (except Arterial Roads) - Water	1,470	1,470	-
County Roads (except Arterial Roads) - Sewer	1,870	1,870	-
State Roads and County Arterial Roads - Water	1,770	1,770	-
State Roads and County Arterial Roads- Sewer	2,200	2,200	-
46 Chlorination Confirmation Test Fee (per first test)	245	245	-
Re-Test or Additional Tests (per hour)	185	185	-
47 Re-Test or Additional Tests Chlorination and Pressure Test (per test)	185	185	-
Inspector Overtime (per hour)	205	205	-
48 Review Fee for Additional Reviews of Contract Documents As-Builts (per hour)	206	206	-
49 Residential Outside Meter Housing Upgrade/Pipe Alteration	6,805	6,810	Yes
50 Utility Erosion and Sediment Control Permit Fees (per linear foot)			
Minor Projects (<125 linear foot OR less than 42 inch deep and 20 inch width)	0.45	0.45	-
Major Projects	0.45	0.45	-
Minimum Charge for Major Projects	120	120	-
51 Right-of Way Release (or Subordination) Review Fee (per document)	1,500	1,575	Yes
52 Right-of Way Acquisition and Condemnation for SEP Projects	Reimbursement	Reimbursement	-
53 Environmental Site Review Fee			
With Database Search Submitted by Applicant	505	440	Yes
54 Feasibility Report and Committee Review Fee for On-Site Takeover Projects	1,705	1,960	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
PUBLICATIONS AND ADMINISTRATIVE			
55 Plans, Plats and 200' Reference Maps Copies			
Xerographic bond paper copy (per sheet)	\$ 5	\$ 5	-
56 WSSC Water Plumbing and Fuel Gas Code (Plumbing Code)			
Sale of Plumbing Regulation (per book)	55	55	-
57 Contract Specifications, Contract Specification Books, Drawings, Design Manuals, Standard Details and General Conditions			
<u>Construction Specifications/Drawings</u>			
Utility Contracts (up to \$20)	11 - 20	11 - 20	-
Facility Contracts (up to \$450)	40 - 450	40 - 450	-
Construction Standard Details	80	80	-
Construction General Conditions & Standard Specifications	80	85	Yes
SEP Construction General Conditions & Standard Specifications	80	85	Yes
<u>Procurement Specifications/Drawings/General Conditions</u>			
With Routine Specifications	No charge	No charge	-
With Complex/Voluminous Specifications (up to \$200)	40 - 200	40 - 200	-
58 Photocopies of WSSC Water Documents Charges			
Readily Available Source Material (per single sided page)	0.30	0.30	-
Certified Copy of Readily Available Source Material (per single sided page)	0.60	0.60	-
Scanning Documents (per single sided page)	0.30	0.30	-
(A reasonable fee may be charged for time in excess of two hours expended by WSSC Water in searching for requested records or preparing such records for inspection and copying)			
59 WSSC Water Pipeline Design Manual Fee	90	90	-
60 WSSD Laws			
Bound Volume	85	85	-
Supplements	45	45	-
61 Transcribed Tape of a Hearing or Meeting Fee	Prevailing fee charged by vendor	Prevailing fee charged by vendor	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
OTHER FEES AND CHARGES			
62 Patuxent Watershed Civil Citation Fines (State Mandated)			
First Offense	\$ 150	\$ 150	-
Each Additional Offense within Calendar Year	300	300	-
63 Sediment Control, Theft of Service, and Plumbing Civil Citation Fines (State Mandated)			
First Offense	250	250	-
Second Offense	500	500	-
Third Offense	750	750	-
Each Violation in Excess of Three	1,000	1,000	-
64 Lobbyist Registration Fee (Code of Ethics)	125	125	-
65 Dishonored Check Fee & Electronic Payment Fee (applies to all dishonored checks and dishonored electronic payments)	35	35	-
66 Credit Card Surcharge (Applies to customer payment of the Point-of-Sale fee/charge by credit card other than water and sewer billing)	2% of amount charged	2% of amount charged	-
67 Protest Filing Fee	857	857	-
68 Preparation of Hold Harmless Agreement Fee	1,635	1,800	Yes
69 Connection Redemption Fee	16	16	-
70 Financial Disclosure Filer Late Fee (per day/\$500 max)	5	5	-

SECTION 3
RACIAL EQUITY AND SOCIAL JUSTICE

RACIAL EQUITY AND SOCIAL JUSTICE

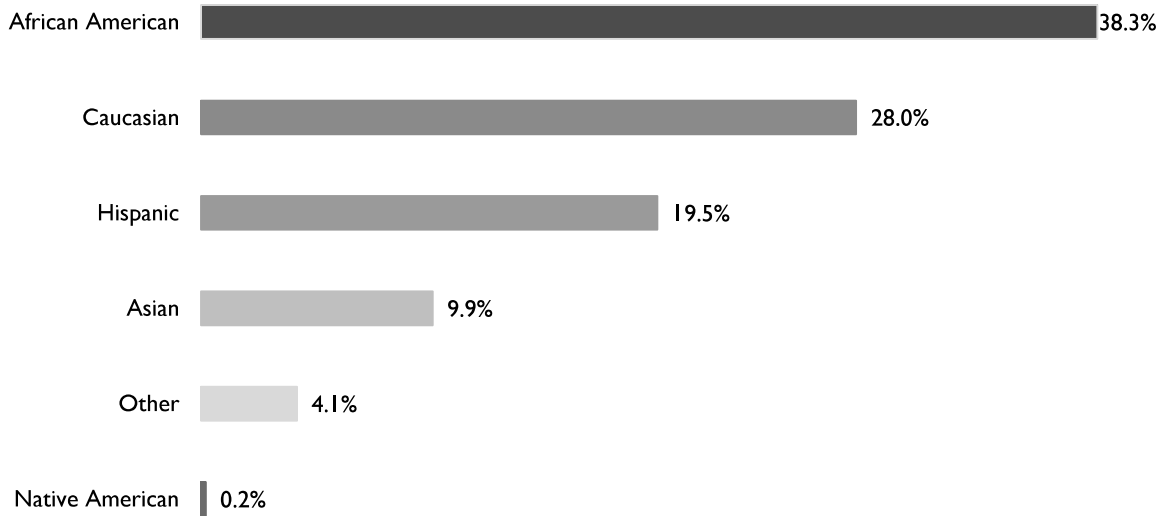
This section discusses racial equity and social justice (RESJ) topics related to WSSC Water’s operations, including demographics about our customer base, equity issues in the provision of water and sewer services, supplier diversity, workforce diversity and customer affordability. In addition, this section highlights future and existing RESJ programs supported by the Fiscal Year (FY) 2024 Proposed Budget and data related to these focus areas.

CUSTOMER DEMOGRAPHICS

WSSC Water provides water and sewer services to a diverse customer base of approximately 1.9 million residents across Montgomery and Prince George’s Counties. The demographic data presented in this section is based on combined 5-year data for Montgomery and Prince George’s Counties from the U.S. Census Bureau’s American Community Survey (www.census.gov). The data represents estimates for calendar year 2021, which is the latest year for which data is available, but is based on sampling data for calendar years 2017 through 2021 in order to improve the accuracy of the estimates. The water and sewer services provided by WSSC Water include most areas, but not all, of the two Counties. Therefore, the demographics of the population served may vary slightly from those reported for the Counties as a whole.

The chart below shows the ethnic and racial makeup of the Montgomery and Prince George’s residents. The two Counties have a diverse and majority-minority population. The residents are 38.3% African American, 28.0% Caucasian, 19.5% Hispanic, 9.9% Asian, 0.2% Native American, and 4.1% Other.

Population by Race/Ethnicity



CUSTOMER DEMOGRAPHICS (Continued)

The table below shows the breakdown of the population of Montgomery and Prince George’s Counties by age. There is a relatively even distribution between the age brackets for those under 65 years of age. Summarizing the data further, 31.4% of the population is under 25 years of age, 40.8% is between the ages of 25 and 54, and 27.8% is 55 years of age or older.

Age Bracket	Share of Population (%)
Under 5 Years	6.2%
5 to 14 Years	12.8%
15 to 24 Years	12.4%
25 to 34 Years	13.3%
35 to 44 Years	13.7%
45 to 54 Years	13.8%
55 to 64 Years	13.3%
65 to 74 Years	8.8%
75 to 84 Years	4.0%
85 Years and Over	1.7%
Total	100.0%

As shown in the table below, the median household income for Montgomery and Prince George’s Counties was \$105,070 in calendar year 2021. This compares favorably to the state-wide median household income of \$91,431 and the national median household income of \$69,021. This means that the median household income in the two Counties is approximately 14.9% higher than the state-wide figure and 52.2% higher than the national figure.

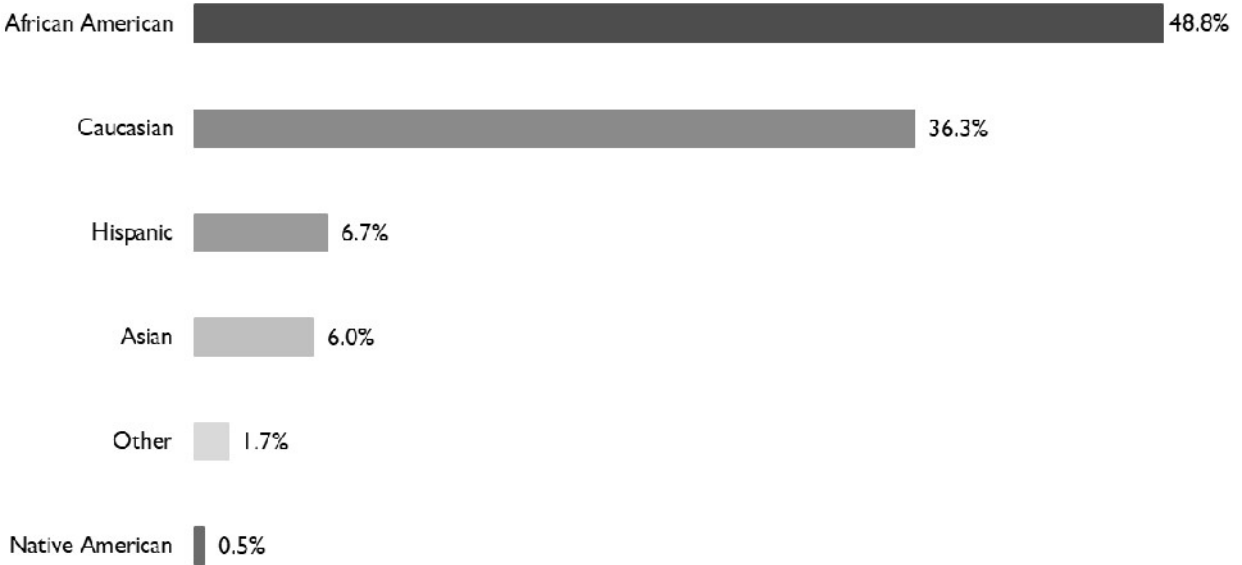
The table below also shows the percent of the population that is below the poverty level in Montgomery and Prince George’s Counties combined, the State of Maryland, and the United States. In Montgomery and Prince George’s Counties, approximately 8.1% of the population is below the poverty level. This is lower than the 9.2% figure for the State of Maryland and well below the national figure of 12.8%.

Region	Median Household Income	Population Below Poverty Level (%)
Montgomery & Prince George's Counties	\$ 105,070	8.1%
Maryland	\$ 91,431	9.2%
United States	\$ 69,021	12.8%

WSSC WATER WORKFORCE DIVERSITY

WSSC Water employs a diverse, majority-minority workforce. As shown in the chart below, as of June 30, 2022, the workforce is 48.8% African American, 36.3% Caucasian, 6.7% Hispanic, 6.0% Asian, 0.5% Native American and 1.7% Other. Compared to the ethnic and racial makeup of Montgomery and Prince George's Counties, the WSSC Water workforce is generally overrepresented in the African American and Caucasian groups and underrepresented in the Hispanic and Asian groups. WSSC Water promotes a diverse workplace that is free of discrimination and harassment based upon race, color, religion, gender, sexual orientation, national origin, age, disability, genetic information and retaliation or reprisal through the Equity, Engagement and Inclusion Division within the Human Resources Office.

Workforce by Race/Ethnicity



OFFICE OF SUPPLIER DIVERSITY & INCLUSION

The Office of Supplier Diversity & Inclusion (OSDI) is responsible for carrying out WSSC Water's commitment to ensure that our vendor base is reflective of the community that we serve. OSDI is dedicated to creating an inclusive purchasing environment and adding value to the organization and community by building sustainable relationships, expanding opportunities and cultivating growth with small, local and minority businesses. OSDI helps the organization achieve these goals through its management of the Minority Business Enterprise (MBE) Program and the Small Local Business Enterprise (SLBE) Program. The key components that OSDI uses to support these programs are supplier advocacy, compliance, outreach and development.

OSDI is also responsible for ensuring that the MBE and SLBE programs conform to all legal requirements. As part of these duties, OSDI prepares annual performance reports on the MBE and SLBE programs and conducts a disparity study that is typically done once every five years. The annual performance reports are required under state law to be sent to the elected officials from Montgomery and Prince George's Counties in the Maryland General Assembly by October 31st of each year. The performance reports provide details on the implementation and administration of the MBE and SLBE programs during the prior fiscal year and provide any appropriate recommendations regarding the programs. The disparity studies determine the following:

- The extent to which MBEs participate in the procurement of construction services, architectural and engineering services, goods and general services and professional services with WSSC Water
- If MBE participation is representative of the availability of MBE firms that are ready, willing and able to participate in WSSC Water contracts
- If discrimination exists, and is found, identifies the race, ethnicity and gender of the affected individuals
- Best practices to assist in administering the MBE Program and the establishment of an overall aspirational goal

In 2022 WSSC Water completed a Disparity Study which reviewed WSSC Water's minority business enterprise program and analyzed its activity with minority and women-owned businesses. The 2022 Disparity Study had reached the following conclusions:

- Evidence exists to show the presence of business discrimination of M/WBEs in both the private and public sector within the WSSC Water's marketplace. Business discrimination continues to be a barrier to M/WBE business opportunities. Statistical evidence also finds discriminatory experiences of vendors in the marketplace. WSSC Water should tailor its M/WBE and SLBE programs participation policies to remedy the disparities
- WSSC Water should be commended for its extensive set of incentives for M/WBE and SLBE participation, including SLBE bid incentives, funds for management and technical assistance, sheltered markets, subcontractor goals, mentor-protégé program and small contracts rotation
- WSSC Water should be commended for its extensive outreach activities, which include widespread coverage of the program on the WSSC Water website, partnerships with numerous business organizations, participation in numerous events, monthly training and other activities
- One solution to the issues with size standards is to adopt a two-tier standard MBE and SLBE certification in which contracts can be set aside for small and very small firms and goals that include very large MBEs and SLBEs can be established on large projects
- WSSC Water should work to improve prime contractor compliance with entering non-MBE subcontractor data into the system of record

OFFICE OF SUPPLIER DIVERSITY & INCLUSION (Continued)

MBE Program

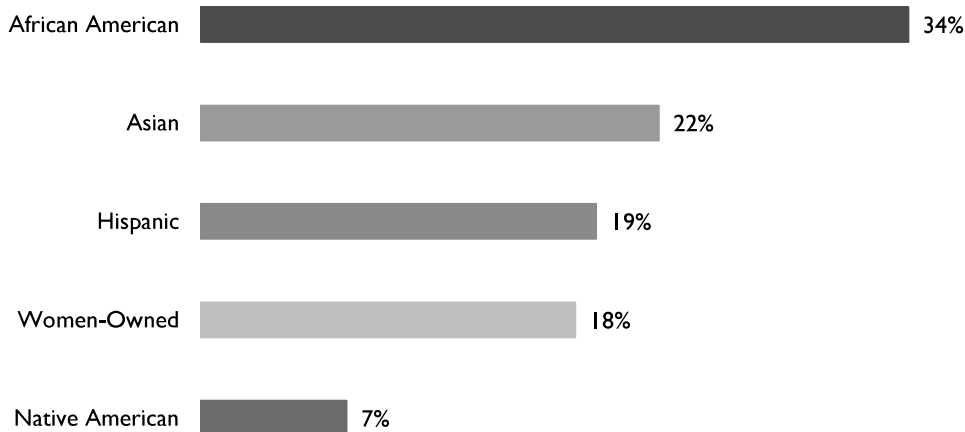
WSSC Water’s MBE Program was originally developed in 1978. For more than 40 years, the MBE Program has sought to promote fair and inclusive contract participation, provide greater access for diverse firms and produce educational content to further develop diverse businesses. The program seeks to eliminate barriers to success in the public marketplace for both prime contractors and subcontractors. The MBE Program recognizes certifications for minority-owned companies, women-owned companies and disadvantaged companies from five local and national entities.

Since 2012, the MBE Program has resulted in more than \$1.4 billion in payments to diverse businesses. In FY 2022, WSSC Water spent more than \$140.4 million with MBE firms. This represents 28% of the total contract payments in FY 2022 for architectural and engineering services, construction services, goods and general services and professional services. Approximately 84% of the payments to MBE firms in FY 2022 went to firms located in the State of Maryland or Washington D.C. The table below summarizes the contract payments performance of WSSC Water’s MBE Program over the last five years.

Fiscal Year	MBE Contract Payments	Total Contract Payments	MBE Share (%)
2012	102,281,071	365,680,655	28%
2013	92,137,148	465,068,695	20%
2014	99,965,604	491,360,333	20%
2015	134,409,006	542,740,015	25%
2016	114,832,166	587,498,789	20%
2017	156,900,804	588,775,203	27%
2018	146,562,712	518,434,501	28%
2019	152,510,264	517,153,557	29%
2020	136,209,781	481,475,872	28%
2021	154,826,411	474,978,466	33%
2022	140,418,391	506,532,398	28%
Total	\$ 1,431,053,358	\$ 5,539,698,484	26%

The chart below shows the breakdown of the FY 2022 contract payments by the type of MBE firm that received the payments. As shown in the chart, African American firms received the largest share of the MBE contract payments with a 34% share.

Share of Contract Payments



OFFICE OF SUPPLIER DIVERSITY & INCLUSION (Continued)

MBE Program (Continued)

The MBE Program also tracks contract awards as they are a leading indicator of future contract payments to MBE firms. In FY 2022, WSSC Water awarded approximately \$358.9 million in contracts to MBE firms in the architectural and engineering services, construction services, goods and general services and professional services contracting areas. This equates to 28% of the approximately \$1.3 billion of total contract awards issued in these four contracting areas.

SLBE Program

WSSC Water's SLBE Program was created in 2001 to provide race and gender-neutral contracting opportunities for small businesses principally located in Montgomery and Prince George's Counties. To qualify for the SLBE Program, firms must meet several eligibility criteria. Some examples of the eligibility criteria include the firm being principally located within or having a significant employment presence (at least 25% of the firm's total number of employees) in Montgomery County or Prince George's County, the firm not being a subsidiary of another business and the firm meeting size eligibility requirements. In FY 2022, approximately \$38.5 million was spent with SLBE firms for architectural and engineering services, construction services, goods and general services and professional services. Another approximately \$102.4 million was awarded in contracts to SLBE firms in these four contracting areas in FY 2022.

Additional information on the WSSC Water MBE and SLBE programs, including copies of the most recent performance report and disparity study, can be found on our website at <https://www.wsscwater.com/supplierdiversity>.

OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES

WSSC Water also has several other RESJ initiatives that are currently underway. Three examples of these initiatives are the effort to address the public health, equity and environmental justice concerns with unserved and underserved communities, the effort to incorporate RESJ criteria into the capital project prioritization process, and efforts to obtain external funding for projects located in disadvantaged communities throughout Montgomery and Prince George's Counties in alignment with the U.S. government's Justice40 Initiative. The following sections describe these three initiatives in further detail, including the current status of each.

Unserved and Underserved Communities

An unserved community is defined as an area within the sewer service envelope where a new sewer main greater than 1,500 feet is required to extend sewer service to the homes within the community. An underserved community is defined as an area within the sewer service envelope where public sewer service is available to some homes within the community, but one or more houses cannot access the service until a new sewer main greater than 200 feet in length is built.

Thousands of homes throughout Montgomery and Prince George's Counties have septic systems despite being in communities that were planned for public sewer service. Many of these homes have old septic systems that are beginning to fail and many of these failing systems cannot be easily repaired or replaced either because the lot is too small or the soil conditions are inadequate. These unserved and underserved communities cannot access sewer service from WSSC Water until sewer mains are extended into their community. Under current state statute, homeowners are responsible for the cost of any new water or sewer infrastructure that is required to extend service to their homes. A typical sewer extension can cost up to \$700 per foot and total project costs can range from \$100,000 to over \$1.0 million. Although the current application process provides for long-term financing and limited subsidies in cases where failing septic systems are causing a public health problem in the community, very few homeowners can afford to extend water or sewer service into their communities. Since 2005, only 16 sewer extension projects have been constructed to provide service to approximately 84 homes with septic systems.

WSSC Water, in conjunction with Montgomery and Prince George's Counties, formed a subset of the Bi-County Infrastructure Working Group to identify policy challenges and deficiencies of the current system and to build a roadmap for an improved system of extending water and sewer service to unserved and underserved communities. The workgroup identified the following key legal, financial and policy challenges:

- The current approach places all of the burden of project financing on the homeowner, which makes most sewer extension projects unaffordable for the majority of homeowners
- There is a lack of fairness and equity in the current approach to extending sewer service to unserved and underserved communities because only homeowners who are requesting service pay for the extension project deficit costs over and above the front foot benefits assessments
 - Homeowners who decide to take advantage of the availability of sewer service in the future get a "free ride" because they only pay a front foot benefit assessment after they connect
- The current sewer extension process, which is applicant driven, impedes the Counties' ability to address septic system problems and other potential community health hazards comprehensively
 - Sewer service is not being extended into communities where it is most needed
 - This is preventing the Counties from addressing the public and environmental health impacts of septic systems in a systematic, cost-effective manner

The workgroup believes that WSSC Water and the Counties must adopt a collaborative approach to address the needs of homeowners in unserved and underserved communities and reached consensus on eight discrete recommendations that lay the groundwork for a comprehensive, programmatic solution to the problems facing residents in these communities. The recommendations are as follow:

- Public subsidies for sewer extension projects in unserved and underserved communities should be increased
- A uniform, affordable fee for sewer service for homeowners in unserved and underserved communities should be implemented

OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

Unserved and Underserved Communities (Continued)

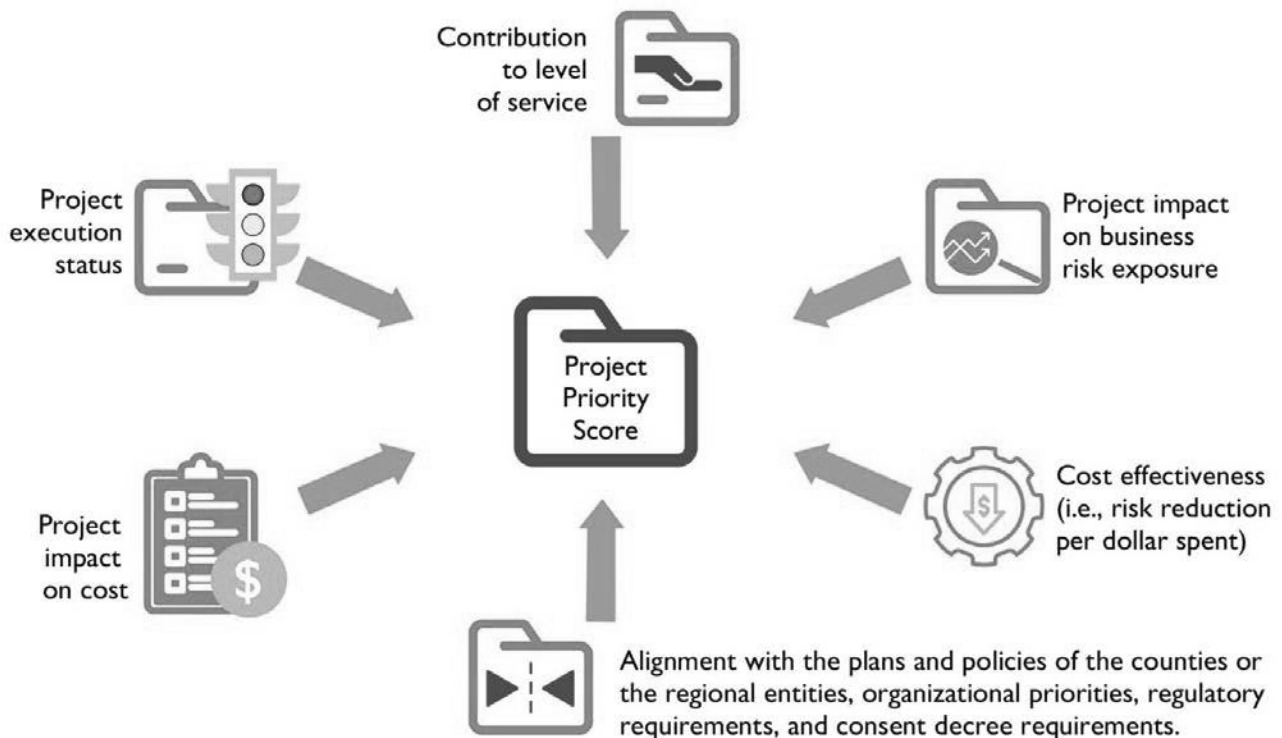
- Additional assistance with up-front costs for homeowners who are experiencing other financial hardship should be provided
- A Pay-As-You-GO (PAYGO) funded Capital Improvements Program (CIP) project for sewer extensions to unserved and underserved communities should be established
- Program funding should be equitably allocated between Montgomery and Prince George's Counties
- The Counties and WSSC Water should aggressively pursue funding from the State of Maryland's Bay Restoration Fund for sewer extension projects in unserved and underserved communities
- A subdistrict process to secure support within unserved and underserved communities for sewer connection projects should be established
- Each County should develop an approach to identify and prioritize communities with the greatest need for sewer extensions

The workgroup's eight policy recommendations provide a starting point for further discussions between WSSC Water and the Counties on the development of an effective, long-term program to address the lack of water and sewer service in unserved and underserved communities.

In January 2023, WSSC Water submitted an application to the Maryland Water Infrastructure Financing Administration seeking funding for an Onsite Septic Conversion Program to extend sewer service to unserved and underserved communities. The application covers several state grant and federal grant/loan programs. The state typically sends out award notification letters 10-15 months after the application period closes in January, depending on the program from which funds have been awarded.

Capital Project Prioritization Criteria

As part of the CIP process each year, the Asset Management Division prioritizes the projects in the CIP based on a predetermined set of criteria. The graphic below shows the six elements that make up the CIP prioritization criteria.



OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

Capital Project Prioritization Criteria (Continued)

The Asset Management Division undertook a pilot project in FY 2022 to examine ways to incorporate RESJ considerations into the CIP prioritization criteria shown on the prior page. The division identified the element concerning alignment with the plans and policies of the Counties as a potential way to incorporate RESJ factors into the criteria. Both Montgomery and Prince George's Counties have identified parts of their respective jurisdictions as focus areas based on RESJ or related criteria. Montgomery County has designated portions of the County as equity focus areas based on factors such as high concentrations of minorities, low-income households and people age 5 or older with lower levels of English language proficiency. Prince George's County has established revitalization tax credit districts throughout the County based on factors such as median household income, residential density of an area, land use in an area, economic factors and unemployment rates.

For the pilot, the Asset Management Division reviewed the geographic locations of the projects included in the CIP and identified those that either provided widespread benefits that impacted one of the areas designated by either County or that provided benefits to a specific location within one of the areas. The projects were then given a prioritization score that reflected their designation as a project that aligned with the plans and policies of the Counties based on the RESJ factors. All of the CIP projects were then re-ranked based on the new priority scores that incorporated RESJ considerations. The results of the pilot were then presented to other departments throughout WSSC Water. Based on the results of the pilot project, the Asset Management Division incorporated the RESJ factors, utilizing the identified methodology, into the CIP prioritization criteria for the FYs 2024-2029 CIP. The Asset Management Division is also continuing to research other methods for incorporating RESJ factors into the prioritization criteria in the future.

External Funding for Disadvantaged Communities

The federal government, through the Justice40 Initiative created by President Biden in Executive Order 14008, has made it a goal that 40% of the overall benefits of certain federal investments flow to disadvantaged communities that are marginalized, underserved and overburdened by pollution. There are seven categories of investments that fall within the Justice40 initiative, which are as follows: i) climate change; ii) clean energy and energy efficiency; iii) clean transit; iv) affordable and sustainable housing; v) training and workforce development; vi) remediation and reduction of legacy pollution; and vii) the development of critical clean water and wastewater infrastructure. The Justice40 Pilot Program identified 21 existing federal programs to serve as pilots for the Justice40 Initiative by undergoing rapid changes to accelerate the implementation of the Justice40 Initiative and create a roadmap for all covered programs to meet the goals of the initiative by providing lessons and best practices that could be applied to other programs. The Clean Water State Revolving Fund (SRF) and Drinking Water SRF programs, which are administered by the U.S. Environmental Protection Agency (EPA), were selected as part of the pilot program.

Federal funding to help provide low-cost financing for water and wastewater projects is provided to all 50 states, the District of Columbia and U.S. territories through the Clean Water SRF and the Drinking Water SRF programs. In Maryland, these funds are administered by the Maryland Water Infrastructure Financing Administration (MWIFA), which is part of the Maryland Department of the Environment. MWIFA is responsible for encouraging capital investment for drinking water and wastewater projects pursuant to the federal Clean Water Act of 1987 and the federal Safe Drinking Water Act and Amendments of 1996. The primary avenue through which MWIFA encourages capital investment in water and wastewater infrastructure is its administration of the Drinking Water Revolving Loan Fund (DWRLF), the Water Quality Revolving Loan Fund (WQRLF), the Bay Restoration Fund, the Supplemental Assistance Grant, the Water Supply Grant and the Comprehensive Flood Management Grant Program. The DWRLF and WQRLF programs are the state sponsored programs that receive the federal Clean Water SRF and Drinking Water SRF funding from the EPA, respectively, including supplemental funding through the Bipartisan Infrastructure Law.

MWIFA accepts applications for funding from the programs that it administers in December through January each year. WSSC Water submitted 10 applications for external funding to MWIFA as part of the latest funding round in January 2023. Out of the 10 applications, 8 align with the goal of the Justice40 Initiative to have 40% of the overall benefits of the federal investments flow to disadvantaged communities that are marginalized, underserved and overburdened by pollution.

OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

External Funding for Disadvantaged Communities (Continued)

The list below includes a brief description of the 10 projects/programs included in the applications submitted to MWIFA and additional information on how those projects/programs align with the Justice40 Initiative, if applicable.

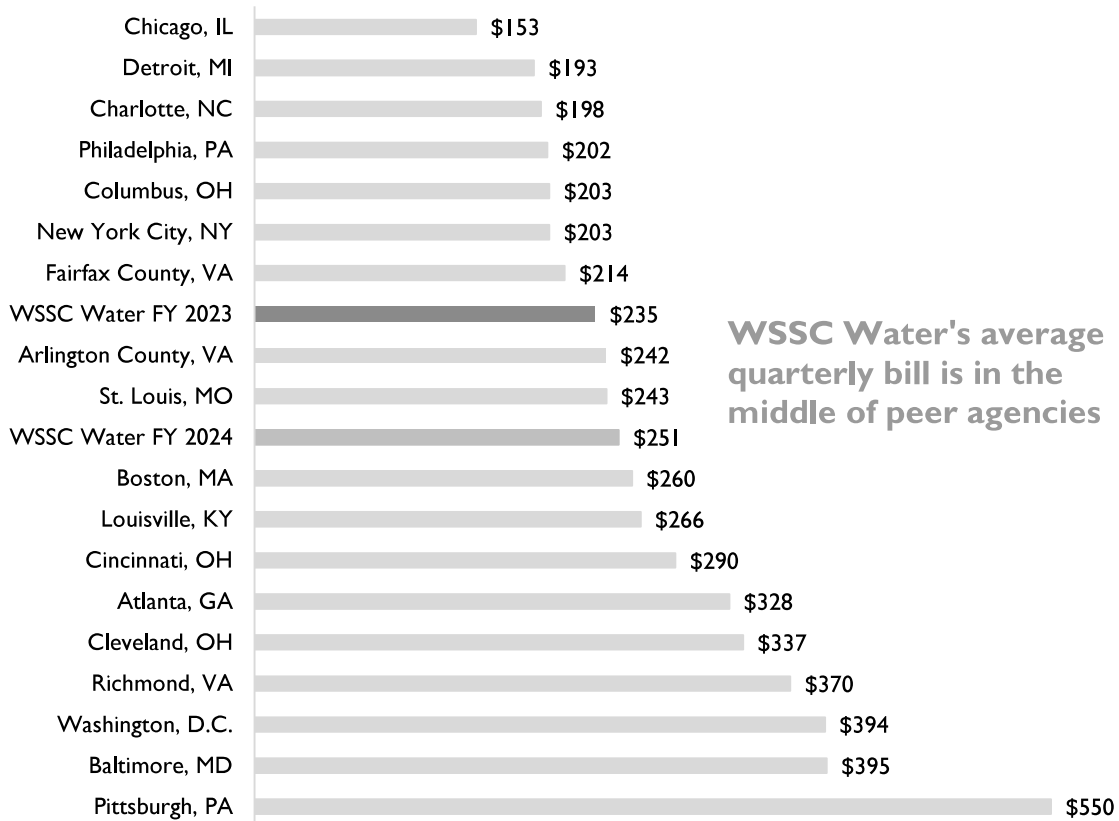
- **Karla Lane Water Main Replacement**
 - Description: This project will replace approximately 1.47 miles of small diameter 4” and 8” water mains in the Fort Washington area.
 - Justice40 Initiative Alignment: Based on the MWIFA criteria for determining qualified disadvantaged communities, this project is wholly located within a disadvantaged community.
- **Newburg Drive Water Main Replacement**
 - Description: This project will replace approximately 1.62 miles of small diameter 4”, 8”, 10” and 12” water mains in the Lanham area.
 - Justice40 Initiative Alignment: This project is wholly located within a disadvantaged community.
- **Village in the Woods Water Main Replacement**
 - Description: This project will replace approximately 2.71 miles of small diameter 4”, 6”, 8”, 10” and 12” water mains in the Landover area.
 - Justice40 Initiative Alignment: This project is wholly located within a disadvantaged community.
- **Sanitary Sewer Reconstruction – Section 8**
 - Description: This project will rehabilitate 78.36 miles of 6” to 42” diameter sewer mains and 834 manholes throughout WSSC Water’s service area.
 - Justice40 Initiative Alignment: Based on the MWIFA criteria, it has been determined that 59.0% of the project costs will be spent on work within qualified disadvantaged communities.
- **Water Storage Facility Rehabilitation Program**
 - Description: This program will rehabilitate the Andrews Elevated Tank and Greenbelt Standpipe in Prince George’s County and the North Woodside Standpipe in Montgomery County, including structural, mechanical and electrical upgrades to the water storage facilities.
 - Justice40 Initiative Alignment: Based on the MWIFA criteria, it has been determined that 53.4% of the area inside the three water pressure zones served by these facilities are qualified disadvantaged communities.
- **Lead Service Line Inventory**
 - Description: While WSSC Water currently has no known publicly owned lead service lines (LSLs), we are preparing for continued compliance with EPA’s Lead and Copper Rule Revisions (LCRR), including expanded customer tap sampling, monitoring for schools and childcare facilities, and an LSL inventory, replacement plan and sampling plan. This project will categorize all service lines, regardless of ownership, as either lead, non-lead, galvanized requiring replacement (GRR), or unknown. This includes the need to evaluate existing plumbing records and field inspections of homes with potential LSLs. For more information on the LCRR and its requirements, please refer to Section 10.
 - Justice40 Initiative Alignment: Nationally, communities where LSLs have been found are disproportionately disadvantaged communities with underserved and marginalized populations.
- **Lead Service Line Replacement Program**
 - Description: While WSSC Water currently has no known publicly owned LSLs, we are preparing for continued compliance with EPA’s LCRR, including expanded customer tap sampling, monitoring for schools and childcare facilities, and an LSL inventory, replacement plan and sampling plan. If any service line is determined to be an LSL or GRR, WSSC Water will initiate a full service line replacement. This program covers the replacement work. For more information on the LCRR and its requirements, please refer to Section 10.
 - Justice40 Initiative Alignment: Nationally, communities where LSLs have been found are disproportionately disadvantaged communities with underserved and marginalized populations.

WATER AND SEWER BILL COMPARISONS

Quarterly Bill Comparison

Presented below is a comparison of WSSC Water’s average quarterly residential bill for water and sewer services at 150 gallons per day to the equivalent bill from 18 other cities and communities, both locally and nationally. The consumption level of 150 gallons per day represents the average household in WSSC Water’s service area, a 3-person household using 50 gallons of water per person per day. The rates and fees used in this comparison were in effect as of December 2022. The chart includes WSSC Water bills at FY 2023 approved and FY 2024 proposed rates. As shown in the chart, the quarterly bills in the other communities range from a low of \$153 in Chicago, Illinois to a high of \$550 in Pittsburgh, Pennsylvania. WSSC Water ranks in the middle of the peer agencies, with quarterly bills of \$235 in FY 2023 and \$251 in FY 2024. This shows that WSSC Water’s rates and fees are competitive both locally and nationally.

**Residential Quarterly Water/Sewer Bill Comparison
(150 Gallons per Day)**

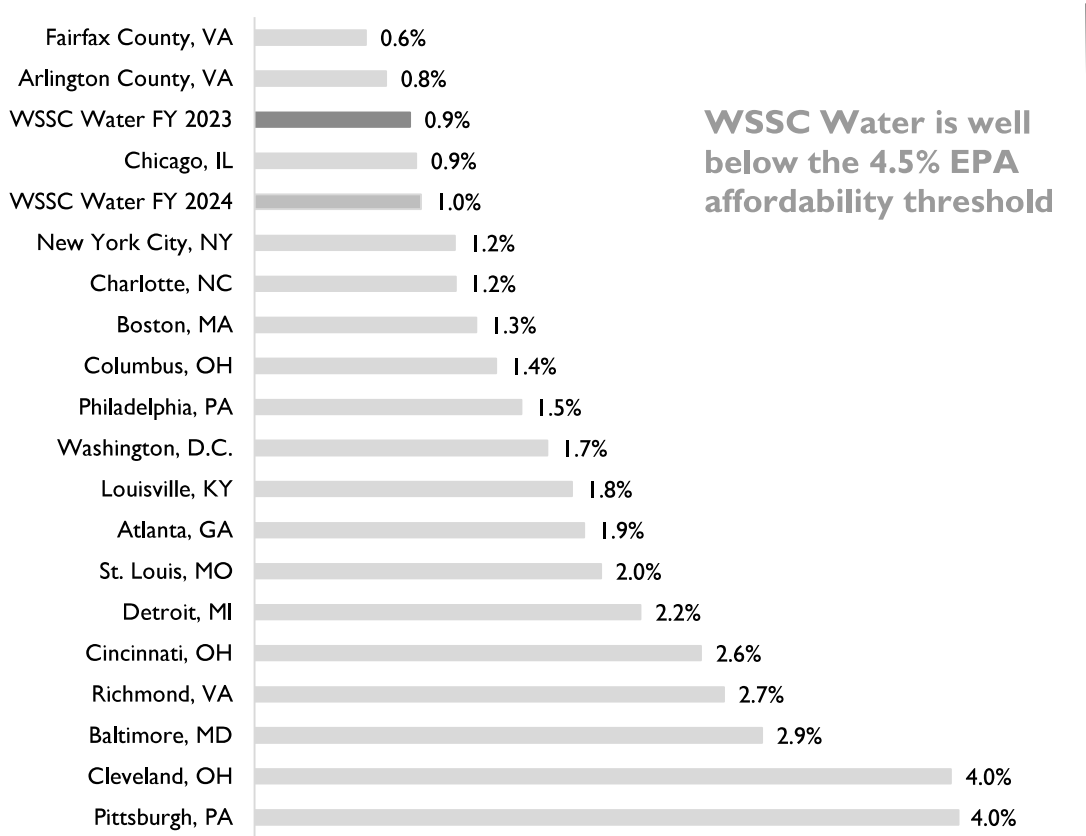


WATER AND SEWER BILL COMPARISONS (Continued)

Bill as a Percentage of Median Household Income Comparison

The chart below shows a comparison of the average residential bills as a percentage of median household income for WSSC Water and the 18 other cities and communities analyzed for customers using 150 gallons of water per day. The average annual bill from WSSC Water in FY 2024 is only 1.0% of the median household income of its customers, a slight increase from the 0.9% in FY 2023. This places WSSC Water among the most affordable of its peer agencies, with only two agencies (Fairfax County and Arlington County in Virginia) having lower percentages. Additionally, WSSC Water is well below the 4.5% threshold that the EPA considers to be affordable for customers.

**Average Residential Bill as a Percentage of Median Income
(150 Gallons per Day)**



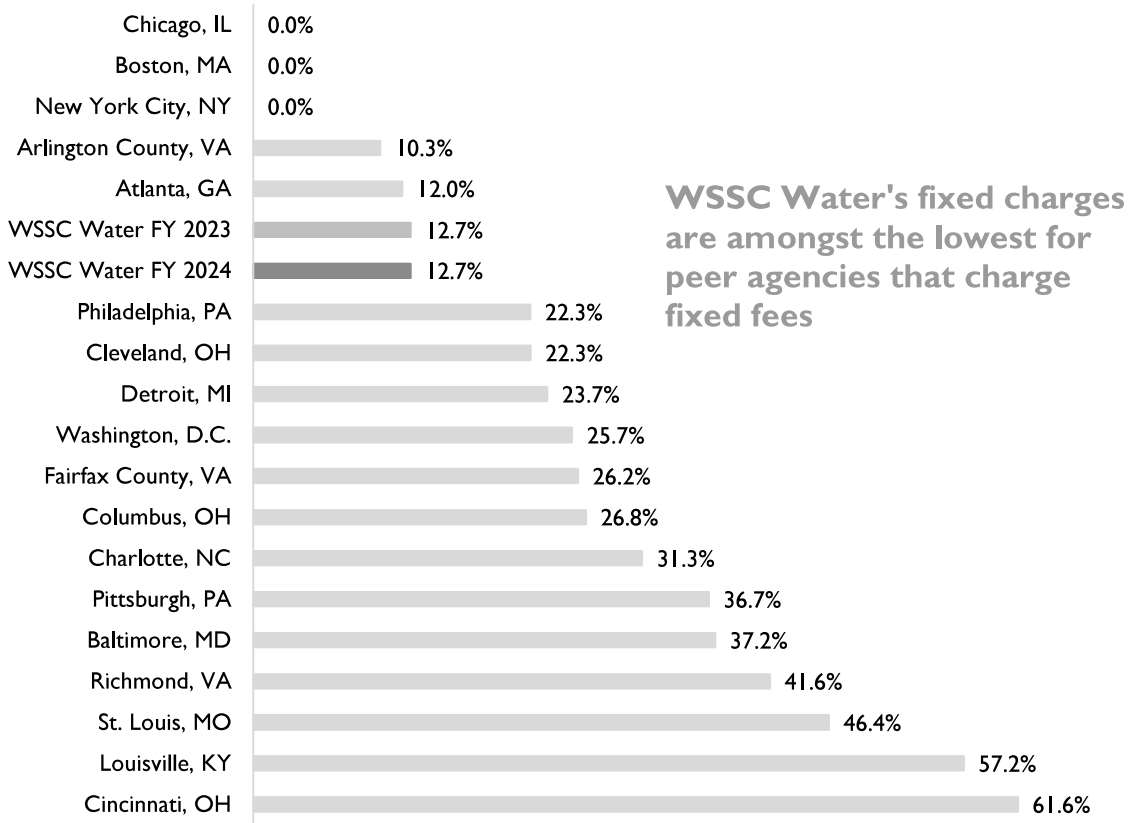
Median household income figures (in 2021 dollars) from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2017-2021.

WATER AND SEWER BILL COMPARISONS (Continued)

Percentage of Bill from Fixed Charges Comparison

The chart below compares fixed charges as a portion of the average residential bill for WSSC Water and the 18 other cities and communities reviewed. Three of the peer agencies (Chicago, Illinois; Boston, Massachusetts; and New York City, New York) do not have any fixed fees as part of their water and sewer bills. Of the agencies that do charge fixed fees, WSSC Water's fixed charges are the third lowest as a percentage of the average bill. In FY 2023 and FY 2024, 12.7% of the average residential bill from WSSC Water is attributable to fixed fees. WSSC Water's CAP focuses on limiting the impact of these fixed fees on those who are most likely to struggle to pay their bills.

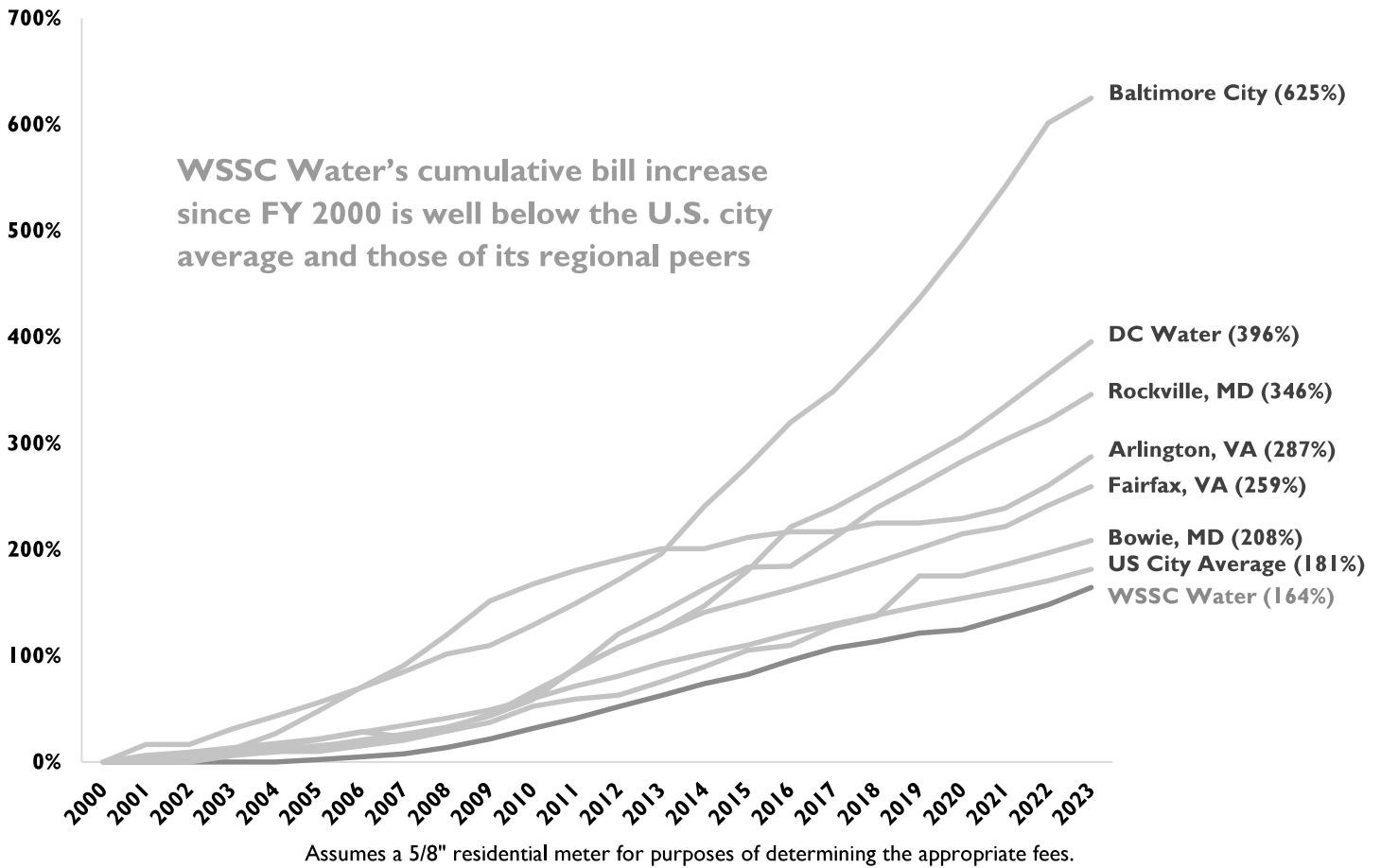
Percentage of Average Residential Bill from Fixed Charges
(150 Gallons per Day)



WATER AND SEWER BILL COMPARISONS (Continued)

Bill Increases Over Time Comparison

The chart below shows a comparison of the cumulative bill increases for comparable water and sewer providers in the greater Washington-Baltimore-Arlington combined statistical area and the U.S. city average for FYs 2000-2023. As with the previous comparisons, the consumption level used is 150 gallons per day to represent the average 3-person household using 50 gallons of water per person per day. The chart shows that the cumulative increase in the average WSSC Water bill was about 164% over the last 23 years, which is lower than the increases for all of the peer agencies and the U.S. city average over the same time period. The increases for the comparable regional providers range from a low of 208% for Bowie, Maryland to a high of 625% for Baltimore City, Maryland. The U.S. city average increased by 181% over the 23-year analysis period.



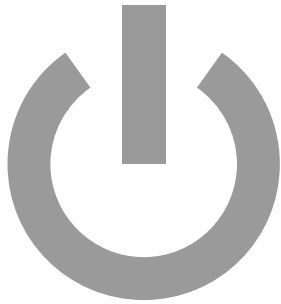
The U.S. city average is based on the water and sewerage maintenance component of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, from the U.S. Bureau of Labor Statistics (www.bls.gov). Values for July of each fiscal year (i.e., July 2022 = FY 2023).

WATER AND SEWER BILL COMPARISONS (Continued)

Electric and Cell Phone Service Bill Comparison

Another useful comparison is looking at the cost of other utility or utility-like services. Two such services for which there is readily available data from government sources are electric services and cell phone service. The most recent year for which data are available for all three services (electricity, cell phone and WSSC Water services) is 2021. The data shows that in 2021 the average cost of electricity from the two primary providers in Montgomery and Prince George's Counties, Baltimore Gas and Electric Company (BGE) and Potomac Electric Power Company (PEPCO), was approximately \$115 per month. For cell phone service, the 2021 data for the South Census Region, which includes the State of Maryland, has a monthly cost of about \$104. The average monthly cost of water and sewer services from WSSC Water, based on a three-person household using FY 2021 rates and fees, was only about \$70 in comparison. This means that the monthly cost of water and sewer was only around 61% of the cost of electricity and 67% of the cost of cell phone service in 2021.

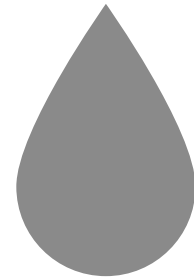
In 2021, the average household spent per month...



\$115
on electricity from
BGE and PEPCO



\$104
on cell phone
service



\$70
on water and sewer
services from **WSSC**
Water

Electric sales, revenue and average price data from the U.S. Energy Information Administration (www.eia.gov), 2021 Electricity Reports.

Cellular phone service expenditures from the U.S. Bureau of Labor Statistics (www.bls.gov), Consumer Expenditure Survey, September 2022.

The average WSSC Water bill is based on a three-person household with consumption of 50 gallons of water per person per day. The average per person consumption is adjusted from 55 GPD to 50 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption.

SPENDING AFFORDABILITY AND LONG-RANGE FINANCIAL PLAN

In May 1993, the Montgomery and Prince George's County Councils created the Bi-County Working Group on WSSC Spending Controls (Working Group) to review WSSC Water's finances and recommend spending control limits. The Working Group's January 1994 report recommended "the creation of a spending affordability process that requires the Counties to set annual ceilings on the WSSC's rates and debt (debt in this context means both bonded indebtedness and debt service), and then place corresponding limits on the size of the capital and operating budgets of the Commission."

Each year, the spending affordability process focuses debate, analysis and evaluation on balancing affordability considerations against the provision of resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates and maintain operating and capital budgets and debt service at prudent and sustainable levels.

The FY 2024 Spending Affordability Guidelines (SAG) rate increase recommended by the two County Councils is 7.0% for both water and sewer volumetric and ready-to-serve charges. The agency prepared the proposed budget based on the 7.0% water and sewer rate increase meets the recommended limits established by both the Counties.

A long-range financial plan (the Plan) complements the spending affordability process by utilizing approved SAG limits to forecast outer year implications and strategize potential problems and opportunities which may impact WSSC Water's work program. The Plan is the agency's roadmap and reflects financial strategic intent, as well as imposing discipline by highlighting the cumulative effects of decisions. Addressing issues earlier not only protects WSSC Water's long-term financial condition, but also ensures that necessary actions and/or changes are properly communicated to our customers, County Councils and other stakeholders.

MAJOR ASSUMPTIONS, WORKLOAD INDICES AND DEMAND PROJECTIONS

Below is a summary of the budget outcomes from the FY 2024 SAG process.

- Fund Balance – It was assumed for the purpose of preparing the FY 2024 Proposed Budget that, at the end of FY 2023, accumulated net revenues for the water and sewer operating funds would total \$266.6 million. For FY 2024, the total water and sewer operating revenues are \$923.6 million; therefore, at least \$184.7 million will be held in accumulated net revenues in adherence to WSSC Water's 20% reserve policy (see Fiscal Guidelines page 6-1). The budgeted accumulated net revenue of \$274.8 million exceeds the reserve target and is 30.0% of the total operating revenues.
- Revenues – The estimated FY 2024 revenues from water consumption and sewer use charges are \$355.1 million and \$435.0 million, respectively. Water production is assumed to be 162.0 million gallons per day (MGD) in FY 2024 and water consumption is projected to slightly increase from 124.5 MGD in FY 2023 to 124.7 MGD in FY 2024.
- Capital Budget – The capital budget includes expenditure estimates for all projects for which work is reasonably expected to be accomplished. This provides management with maximum flexibility to proceed on the many and diverse projects approved each year in the budget. The FY 2024 Capital Budget is \$683.1 million.
- Debt Service – The debt service estimates for FY 2024 assume that \$191.4 million in Water Supply bonds and \$188.6 million in Sewage Disposal bonds will be issued in FY 2024, in addition to repayment of existing debt. The water and sewer issues will be 30-year bonds with an estimated 4.5% average interest rate.
- Reconstruction Debt Service Offset (REDO) – There will be no transfer in FY 2024 as the fund balance has been spent down as planned.
- Workforce and Compensation – Forty additional authorized workyears are included. A marker is included for salary enhancements in the FY 2024 budget.

MAJOR ASSUMPTIONS, WORKLOAD INDICES AND DEMAND PROJECTIONS (Continued)

The following table presents data used during the SAG process to develop the FY 2024 Proposed Budget.

Workload Data	Actual					Projected	
	FY	FY	FY	FY	FY	FY	FY
	2018	2019	2020	2021	2022	2023	2024
Water and Sewer Combined Rate Increase (%)	3.5	4.5	5.0	6.0	5.9	6.5	7.0
Population to be Served (000s)*	1,777	1,801	1,910	1,915	1,939	1,945	1,952
Customer Accounts (000s): **	460	461	464	467	469	475	477
Residential (%)	95.7	95.5	95.4	95.4	94.4	94.4	94.4
Commercial and Industrial (%)	3.7	3.7	3.8	3.7	4.7	4.7	4.7
Government and Other (%)	0.6	0.8	0.8	0.9	0.9	0.9	0.9
Water Program:							
Water Production (Average MGD)	163.9	161.7	162.6	162.8	161.2	163.0	162.0
Water Consumption (Average MGD)	126.6	123.2	128.6	126.4	127.2	124.5	124.7
Water Mains Maintained (Miles)	5,768	5,816	5,844	5,869	5,884	6,000	6,000
Water House Connections Maintained (000s)	465	469	471	473	476	479	482
Sewer Program:							
Sewage Treated (Average MGD)	172.8	218.7	188.3	204.1	184.3	196.9	194.4
Sewer Use (Average MGD)	116.3	113.3	116.0	114.6	114.6	112.7	112.3
Sewer Mains Maintained (Miles)	5,578	5,604	5,624	5,615	5,624	5,700	5,700
Sewer House Connections Maintained (000s)	438	441	443	445	446	449	451
House Connections added:							
Water	2,931	3,480	2,410	2,553	2,622	2,700	2,800
Sewer	2,500	3,152	1,868	1,869	1,869	2,100	2,100
New Water & Sewer Bond & Notes Debt Issues (\$ in millions)	459	390	234	350	327	359	380
Average Annual Interest Rate for New Bond Issuance (%)	3.3	3.6	2.6	2.0	2.3	4.0	4.5

* FY 2020 population served is based on the decennial census which is conducted by the U.S. Census Bureau every 10-years

** Beginning FY 2020, the data source for the customer accounts is based on the Customer-to-Meter (C2M) billing system

PENSION OBLIGATIONS AND OTHER UNFUNDED LIABILITY

WSSC Water makes continued funding contributions as part of its operating budget planning to remedy unfunded liabilities. While these liabilities will continue to persist over the long-term, WSSC Water's management is committed to making substantial forward progress in addressing these liabilities as part of our long-term financial plan, while balancing such need within the context of actuarial review, reasonableness, and affordability. If market and/or actuarial changes reflect a need for more strict and rapid progress in addressing these liabilities, WSSC Water management will consider appropriate action and make course changes as necessary.

Pension

Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension costs are impacted by fluctuations in the market affecting actual and projected investment income and related deferred outflows or inflows. Investment activities are reported as non-operating revenues, therefore pension costs are allocated amongst operating and non-operating costs and/or revenues.

WSSC Water's net pension liability as of December 2021 is \$24,681,000 and the net pension liability is 2.4% of the total pension liability. The actuarial assumptions for pension are: 2.5% inflation factor, 2.75%-7.5% salary increase, and 7.0% investment rate of return.

Other Post-Employment Benefits (OPEB)

WSSC Water employees are eligible to continue group insurance coverage after retirement provided that retiring employees have had coverage in effect for two years prior to retirement.

WSSC Water's net OPEB liability as of December 2021 is \$37,223,000 and net OPEB liability is 15.0% of the total OPEB liability. The actuarial assumptions for OPEB are: 2.5% inflation factor, a salary increase, and 7.0% investment rate of return.

More information can be found within WSSC Water's Annual Financial Report or on our website at the following <https://wsscwater.com/financereports>.

LONG-RANGE FINANCIAL PLAN FOR WATER AND SEWER OPERATING FUNDS

(\$ in thousands)	FY 2023 Approved	FY 2024 Proposed	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
New Water and Sewer Debt Issues	\$ 358,840	\$ 379,960	\$ 388,352	\$ 326,030	\$ 364,708	\$ 325,870	\$ 287,053
Water and Sewer Combined Rate Increase (Average)	6.5 %	7.0 %	8.0 %	8.0 %	6.5 %	6.5 %	6.5 %
Operating Revenues							
Consumption Charges	\$ 746,450	\$ 790,142	\$ 853,353	\$ 921,622	\$ 981,527	\$ 1,045,326	\$ 1,113,272
Account Maintenance Fees (AMF)	33,887	36,259	39,160	42,293	45,042	47,969	51,087
Infrastructure Investment Fees (IIF)	41,290	44,180	47,715	51,532	54,881	58,449	62,248
Plumbing and Inspection Fees	16,780	20,380	20,991	21,621	22,270	22,938	23,626
Rockville Sewer Use	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Miscellaneous	19,000	28,722	25,452	25,707	25,962	26,222	26,486
Interest Income	2,800	8,000	5,500	5,500	5,500	5,500	5,500
Uncollectible	(6,000)	(7,901)	(8,532)	(9,218)	(9,814)	(10,453)	(11,133)
Cost Sharing Reimbursement	635	743	7,013	12,860	12,860	7,158	7,004
Total Operating Revenues	\$ 857,942	\$ 923,625	\$ 993,752	\$ 1,075,017	\$ 1,141,328	\$ 1,206,209	\$ 1,281,190
Other Credits and Transfers							
Use of Fund Balance	-	-	-	39,936	6,644	-	-
Reconstruction Debt Service Offset	4,000	-	-	-	-	-	-
SDC Debt Service Offset	5,772	5,772	5,772	5,772	5,748	5,748	5,748
Premium Transfer	2,500	-	-	-	-	-	-
Underwriters Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Miscellaneous Offset	-	1,200	-	-	-	-	-
Total Funds Available	\$ 872,214	\$ 932,597	\$ 1,001,524	\$ 1,122,725	\$ 1,155,720	\$ 1,213,957	\$ 1,288,938
Operating Expenses							
Salaries & Wages	133,765	141,179	148,238	154,908	161,879	169,164	176,776
Heat, Light & Power	18,817	27,373	26,263	25,198	26,382	27,305	28,261
Regional Sewage Disposal	60,343	64,201	65,485	66,794	68,130	69,493	70,883
All Other	290,160	319,132	331,589	341,537	351,783	362,336	373,206
Total Operating Expenses	\$ 503,085	\$ 551,885	\$ 571,575	\$ 588,437	\$ 608,174	\$ 628,298	\$ 649,126
Debt Service							
Bonds and Notes Principal and Interest	321,844	328,467	366,169	387,288	405,949	424,137	434,635
Other Transfers and Adjustments							
Additional and Reinstated	-	-	(1,220)	-	-	-	-
PAYGO	31,016	44,000	65,000	147,000	141,597	148,546	177,000
Total Expenses	\$ 855,945	\$ 924,352	\$ 1,001,524	\$ 1,122,725	\$ 1,155,720	\$ 1,200,981	\$ 1,260,761
Net Revenue (Loss)	\$ 16,269	\$ 8,245	\$ -	\$ -	\$ -	\$ 12,976	\$ 28,177
Beginning Fund Balance - July 1	\$ 242,554	\$ 266,601	\$ 274,846	\$ 274,846	\$ 234,910	\$ 228,266	\$ 241,242
Net Increase (Decrease) in Fund Balance	16,269	8,245	-	-	-	12,976	28,177
Use of Fund Balance/Other Adjustments	7,778	-	-	(39,936)	(6,644)	-	-
Ending Fund Balance - June 30	\$ 266,601	\$ 274,846	\$ 274,846	\$ 234,910	\$ 228,266	\$ 241,242	\$ 269,419
Debt Service as a % of Total Expenses (< 40% Target)	37.6 %	35.5 %	36.6 %	34.5 %	35.1 %	35.3 %	34.5 %
Debt Service Coverage "Stress Case" (>=1.5 Target)	1.3	1.3	1.3	1.4	1.4	1.5	1.5
Leverage Ratio "Stress Case" (<10.0)	9.9	9.6	8.8	8.0	7.5	7.1	6.5
Days-Cash-on-Hand "Stress Case" (250 Days Target)	183	250	276	275	275	275	310
End Fund Balance as a % of Operating Revenue (min. 20%)	31.1 %	29.8 %	27.7 %	21.9 %	20.0 %	20.0 %	21.0 %
Total Workyears (All Funds)	1,796	1,836	1,836	1,836	1,836	1,836	1,836

1. The FYs 2025-2029 projections reflect WSSC Water's multi-year forecast and assumptions. 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 FY 2024 Proposed Budget. Data excludes General Bond Debt Service
2. Leverage ratio is calculated as net adjusted debt (debt outstanding less cash and cash equivalent) to adjusted funds available for debt service (Operating Revenues less Operating Expenses excluding depreciation plus adjustments for miscellaneous revenues and expenses)
3. Debt Service for bonds and notes includes Maryland Water Quality Bonds and interfund debt service transfers
4. Adjustments to Consumption Charges, AMF and IIF for Water and Sewer Combined Rate Increase assumes rate increase is in effect for 12 months
5. Debt Service Coverage is Funds Available for Debt Service divided by the Debt Service on bonds and notes. The target increased from 1.10-1.25 range in FY 2023 to >=1.5 in FY 2024
6. Days Cash-on-Hand is Unrestricted Cash and Investments times 365 days divided by Total Operating Expenses (excluding Depreciation). Starting in FY 2024, the metric is revised from Days Operating Reserve-on-Hand to Days Cash-on-Hand. The target also increased from 150 days in FY 2023 to 250 in FY 2024
7. The FY 2023 adjustments reflect the FY 2023 estimated increase in Net Revenue
8. The "Stress Case" assumes an increase in capital costs of 10%. This is consistent with how Fitch calculates the Leverage Ratio and Days-Cash-on-Hand

ORGANIZATIONAL BUDGETS AND MEASURES

This section discusses expenses by organizational unit, assumptions related to WSSC Water's workforce and compensation, including retiree benefits. In addition, this section highlights the role, mission and core activities of each organization within the agency. It also provides goals, outcomes and measures for key performance metrics measured by the agency.

COMPARATIVE EXPENSES BY ORGANIZATIONAL UNIT ALL OPERATING AND CAPITAL FUNDS

Organization	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Change	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Governance & General Manager's Office								
Commissioners'/Corporate Secretary's Office*	2.0	\$ 590,990	2.0	\$ 477,706	2.0	\$ 490,357	-	\$ 12,651
Office of the Inspector General*	9.3	1,597,799	10.0	1,605,603	10.0	1,668,842	-	63,239
General Manager's Office	7.9	1,480,745	9.0	1,595,403	8.0	1,824,198	(1.0)	228,795
General Counsel's Office	24.7	7,332,817	29.0	10,562,152	29.0	10,690,162	-	128,010
Strategy & Partnerships								
Intergovernmental Relations Office	4.0	546,589	4.0	753,368	4.0	775,495	-	22,127
Strategy & Innovation Office	13.6	4,820,655	14.0	3,029,434	14.0	3,099,212	-	69,778
Communications & Community Relations Office	14.0	2,033,635	16.0	2,506,802	16.0	2,406,076	-	(100,726)
Human Resources Department	31.4	7,044,268	39.0	8,008,350	40.0	8,824,509	1.0	816,159
Customer Service Department	118.3	14,502,468	94.0	16,721,325	125.0	16,307,123	31.0	(414,202)
Operations								
Asset Management Division	5.6	1,945,946	7.0	2,636,714	7.0	2,680,815	-	44,101
Police & Homeland Security Office	35.4	4,531,797	40.0	5,336,375	40.0	5,487,066	-	150,691
Engineering & Construction Department	346.1	408,767,686	375.0	598,225,774	379.0	659,840,530	4.0	61,614,756
Production Department	307.0	148,187,143	340.0	159,986,489	345.0	180,643,157	5.0	20,656,668
Utility Services Department	461.9	88,332,540	511.0	103,934,530	510.0	120,929,454	(1.0)	16,994,924
Administration								
Office of Supplier Diversity & Inclusion	8.6	1,041,251	10.0	1,220,583	10.0	1,350,416	-	129,833
Procurement Office	21.8	2,652,501	31.0	3,181,169	31.0	3,454,267	-	273,098
General Services Department	82.8	38,949,379	98.0	38,834,334	99.0	56,249,817	1.0	17,415,483
Finance Department	59.7	7,627,397	64.0	8,221,268	64.0	8,425,887	-	204,619
Information Technology Department	87.3	53,085,927	103.0	56,299,284	103.0	61,091,863	-	4,792,579
Other								
Human Resources Non-Departmental	-	27,557,301	-	33,781,806	-	32,624,782	-	(1,157,024)
Finance Non-Departmental								
Debt Service	-	289,213,777	-	328,523,374	-	333,201,310	-	4,677,936
PAYGO	-	27,585,000	-	31,016,000	-	44,000,000	-	12,984,000
Other (Social Security, Retirement, etc.)	-	32,949,761	-	54,603,458	-	59,818,218	-	5,214,760
Retirement Trust Chargeback	-	(769,300)	-	(1,673,547)	-	(1,632,330)	-	41,217
Total	1,641.4	\$1,171,608,072	1,796.0	\$1,469,387,754	1,836.0	\$1,614,251,226	40.0	\$ 144,863,472

(*) Commissioners (6) and Inspector General (1) not included in totals for workyears. However, funds shown in table do provide for associated workyear expenses

Note: Explanations of workyear and budget variances are included in the department details of Section II

"Section II - Organizational Budget and Measures" in the upcoming FY 2024 Approved Budget book will be updated in the event the organizational structure is revised

WORKFORCE AND COMPENSATION

The workforce and compensation assumptions approved for Fiscal Year (FY) 2024 incorporate the policy and guideline recommendations discussed in the Sections 4 and 6.

Salaries & Wages Summary

	<u>FY 2024 Proposed</u>	
	Work Years	Amount
Base Positions Funded Full Year	1,836	\$ 167,686,052
Overtime		7,809,862
Subtotal		175,495,914
Lapse on Base Positions*		(14,244,190)
Subtotal		161,251,724
Salary Enhancements		8,790,340
Salary - 6 Commissioners		78,500
Total	1,836	\$ 170,120,564

*Lapse is the reduction of gross salary costs due to vacancies and normal delays in filling positions.

Employee Benefits

The following employee benefits are funded in WSSC Water’s FY 2024 Proposed Budget through a combination of lump sum or payroll-based contributions.

FICA (Social Security & Medicare) – Contributions are collected each payday based on actual payroll. Since contribution rates and salary maximums change at the start of the calendar year, figures used in the budget represent an average of the projected changes for FY 2024. The employer rates are 6.2% for Social Security and 1.45% for Medicare.

Workers' Compensation – This is handled by the Human Resources Office. Contributions are set each year based on an actuarial valuation of exposures, past and projected claims experience and administrative expenses.

Group Insurance – The contributions for health insurance are actuarially determined, and the contribution for life insurance is based on fixed rates per coverage amounts based on an employee's salary. Contribution rates are set based on various factors, including the fund balance in the Retiree Other Post-Employment Benefits (OPEB) Trust and claims cost experience.

Retirement System – WSSC Water maintains a retirement system for its employees which is intended to provide income during their retirement years. Annual employer contributions to the Employees’ Retirement Plan are actuarially-determined and set at a level percentage of pay. This ratio is currently 16.9% of pay and has remained consistent over a number of years. The Employees’ Retirement Plan is administered by an Executive Director who is appointed by the General Manager.

APPENDIX A
ECONOMIC INDICATORS AND TRENDS

Top 20 Customers - Water and Sewer Usage

Rank	Name of Customer
1	National Institutes of Health
2	University of Maryland
3	Department of Public Works Howard County
4	Leisure World
5	General Services Administration (GSA)
6	U.S. Navy
7	Southern Management Corp
8	National Institute of Standards and Technology (NIST)
9	Joint Base Andrews
10	Gaylord
11	Franklin Park Apartments
12	MedImmune LLC
13	Prince George's County Central Services
14	MGM Resorts
15	Pepsi Cola
16	Advance Conservation Technology
17	Keys Energy Center
18	Wheaton Plaza Shopping Center
19	Coca Cola Bottling Company
20	Enclave Holding LLC

ACTIVE CUSTOMER ACCOUNTS

WSSC Water Active Customer Accounts for Montgomery and Prince George's Counties as of the end of the fiscal year.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Customer Accounts Both Counties	460,072	460,825	463,755	466,884	468,929
Percent Change (%)	0.1%	0.2%	0.6%	0.7%	0.4%

By Type of Customer*					
Residential	440,164	440,087	442,536	445,503	442,968
Percent Change (%)	0.1%	0.0%	0.6%	0.7%	-0.6%
Commerical and Industrial	16,921	16,852	17,455	17,402	21,843
Percent Change (%)	-1.4%	-0.4%	3.6%	-0.3%	25.5%
Government and Other	2,987	3,886	3,764	3,979	4,118
Percent Change (%)	0.2%	30.1%	-3.1%	5.7%	3.5%

By Type of Property*					
Single-Family Residence	341,514	341,093	341,776	343,414	343,851
Townhouse	90,880	91,244	92,883	94,823	96,209
General Commercial	16,915	16,844	17,446	16,050	13,202
Garden Apartment	3,911	3,890	3,861	3,978	3,977
Multi-Unit (Individually Metered)	2,630	2,619	2,615	2,626	2,624
High-Rise Apartment	442	442	426	468	473
Other	3,780	4,693	4,748	5,525	8,593
	460,072	460,825	463,755	466,884	468,929

* Data source: WSSC Water's Customer-to-Meter (C2M) customer billing system

The following pages include economic facts for Montgomery County and Prince George's County, published Maryland Department of Commerce.