



Committee: T&E
Committee Review: Completed
Staff: Keith Levchenko, Senior Legislative Analyst
Purpose: Final action – vote expected
Keywords: #WSSCCIP and Water and Sewer

AGENDA ITEM #2L
March 31, 2020
Action

SUBJECT

FY20-25 CIP Amendment to the Washington Suburban Sanitary Commission (WSSCWATER) Capital Improvements Program (CIP)

- A-101.05, Customer Resource Building, +\$13.5 Million
- W-172.07, Patuxent Raw Water Pipeline
- X-170.08, Septage Discharge Facility

EXPECTED ATTENDEES (WSSCWATER)

None

DISCUSSION

- On February 5, 2020, the County Council received a request from WSSCWATER (see ©3-7) for an amendment to the FY20-25 WSSC CIP to provide for the acquisition and build-out of the office building located at 14400 Sweitzer Lane in Laurel, Maryland.
- WSSCWATER is seeking the acquisition of this building in order to alleviate space issues at its Richard G. Hocevar Headquarters Building (RGH), avoid current lease costs, provide needed swing space for renovations at RGH, improve security by moving all public facing functions to the newly acquired building, provide needed parking, generate revenue from lease income, and potentially provide for a multi-Agency Service Center through co-located services.
- To offset the expenditure impact in FY20, WSSCWATER has identified two ongoing projects (Patuxent Raw Water Pipeline and Septage Discharge Facility Planning & Implementation) which WSSCWATER recommends amending to move spending from FY20 to FY22.
- WSSCWATER reviewed several cost/benefit scenarios (see ©8) to phase renovations at the RGH. The scenarios include three building acquisition scenarios (100% finance, 50% finance, cash purchase) and a no purchase scenario where space is leased during the RGH renovation period.
- The lease space scenario would cost \$5.9 million over 10 years. All three “purchase” scenarios result in lower 10-year costs than the lease scenario. A key reason is the revenue WSSCWATER would obtain from leasing two of the four floors of the building. Annual lease income is projected at \$1.6 million per year based on current leases at the building.
- The County Executive and Council Staff recommend approval of the request.

COMMITTEE RECOMMENDATION

- The Transportation & Environment Committee discussed this request on March 2, 2020 and recommends approval.

This report contains:

- | | |
|---|-----------|
| • T&E Committee 3/2/2020 Council Staff Report (Excerpt) | Pages 1-2 |
| • Resolution | ©1-2 |
| • 1/30/2020 Letter from WSSCWATER: Customer Resource Building Amendment | ©3-7 |
| • Customer Resource Building Acquisition Options (Preliminary Analysis) | ©8 |
| • WSSCWATER Answers to Council Staff Questions | ©9-12 |
| • 3/4/2020 Memorandum from the County Executive | ©13 |

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Council Staff Report Excerpt

T&E COMMITTEE #1
March 2, 2020

(NOTE: © page references have been updated)

Worksession

AGENDA ITEM #1b

FY20-25 Amendment to the WSSCWATER Capital Improvements Program

- **A-101.05, Customer Resource Building, +\$13.5 Million**
- **W-172.07, Patuxent Raw Water Pipeline**
- **S-170.08, Septage Discharge Facility**

Background

On February 5, 2020, the County Council received a request from WSSCWATER (see ©3-7) for an amendment to the FY20-25 WSSCWATER CIP to provide for the acquisition and build-out of a 120,904 square foot office building located at 14400 Sweitzer Lane in Laurel, Maryland. WSSCWATER is seeking the acquisition of this building in order to alleviate space issues at its Richard G. Hocevar Headquarters Building (RGH), avoid current lease costs, provide needed swing space for renovations at RGH, improve security by moving all public facing functions to the newly acquired building, provide needed parking, generate revenue from lease income, and potentially provide for a multi-Agency Service Center through co-located services with other government agencies.

To offset the initial expenditure impact in FY20, WSSCWATER has identified two ongoing projects (Patuxent Raw Water Pipeline and Septage Discharge Facility Planning & Implementation) which WSSCWATER recommends amending to move spending from FY20 to FY22.

A recommendation from the County Executive on this amendment is expected shortly. A public hearing is scheduled for March 3, 2020.

Cost/Benefit Analysis of the Building Acquisition

WSSCWATER reviewed several cost/benefit scenarios (see ©8) to phase renovations at the RGH. The scenarios include three building acquisition scenarios (100% finance, 50% finance, cash purchase) and a no purchase scenario where space is leased during the RGH renovation period.

The lease space scenario would cost \$5.9 million over 10 years. All three “purchase” scenarios result in lower 10-year costs than the lease scenario. A key reason is the revenue WSSCWATER would obtain from leasing two of the four floors of the building. Annual lease income is projected at \$1.6 million per year based on current leases at the building. The 100% finance scenario has the lowest net present value of the options. However, given that WSSCWATER’s debt service is already close to its “no more than 40% of expenditures” target, WSSCWATER may need to consider the 50% finance or the cash purchase. Regardless of the financing option chosen, WSSC will need to incorporate the FY20 fiscal impact into its long-term fiscal plan and its FY22 spending affordability assumptions for later this fall.

WSSCWATER staff's responses to Council staff's questions regarding the amendment are attached on ©9-12. WSSCWATER staff will be available to discuss the costs and benefits of this proposed acquisition.

Council Staff recommends approval of WSSCWATER's Proposed CIP Amendment for the Customer Resource Building acquisition.

Attachments

F:\Levchenko\WSSC\WSSC CIP\FY20-25\T&E WSSC CIP 3 2 2020 excerpt.docx

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Amendment to the Washington Suburban Sanitary Commission's FY20-25
Capital Improvements Program
A-101.05, Customer Resource Building, +\$13.5 Million
W-172.07, Patuxent Raw Water Pipeline
X-170.08, Septage Discharge Facility

Background

1. Md. Code Ann., Pub. Util. §23-306 authorizes the Council to approve, disapprove, or modify the Washington Suburban Sanitary Commission (WSSCWATER) CIP.
2. Md. Code Ann., Pub. Util. §17-202 requires approval by the Montgomery County Council of supplements to the WSSCWATER capital and operating budgets.
3. Md. Code Ann., Pub. Util. §23-312 requires approval by the County Councils of each affected County for amendments to the Approved Capital Improvements Program.
4. Md. Code Ann., Pub. Util. §23-312 authorizes WSSCWATER or either the Montgomery or Prince George's County Councils to propose an amendment to the WSSCWATER's Capital Improvements Program.
5. On February 5, 2020, the County Council received a request from WSSCWATER for an amendment to the FY20-25 WSSCWATER CIP to provide for the acquisition and build-out of the office building located at 14400 Sweitzer Lane in Laurel, Maryland. This project will alleviate space issues at the WSSCWATER's Richard G. Hocevar Headquarters Building (RGH), avoid current lease costs, provide needed swing space for renovations at RGH, improve security by moving all public facing functions to the newly acquired building, provide needed parking, generate revenue from lease income, and potentially provide for a multi-Agency Service Center through co-located services with other government agencies.
6. WSSCWATER has identified two ongoing projects (Patuxent Raw Water Pipeline and Septage Discharge Facility Planning & Implementation) which can be amended with expenditures deferred from FY20 to FY22 to offset the FY20 impact.

7. After providing reasonable advance notice of public hearing on this request, the Council held a public hearing on March 3, 2020.
8. The Montgomery County Comprehensive Water Supply and Sewerage Systems Plan will be revised upon approval of this amendment request.

Action

The County Council for Montgomery County, Maryland approves the following action:

The FY20-25 Capital Improvements Program of the Washington Suburban Sanitary Commission is amended as described in the background and as shown on the attached project description forms.

This action also amends the Montgomery County Comprehensive Water Supply and Sewerage Systems Plan, which includes the Washington Suburban Sanitary Commission Capital Improvements Program. The Department of Environmental Protection must incorporate this capital program amendment into the plan's capital projects appendix.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council



COMMISSIONERS

Chris Lawson, Chair
T. Eloise Foster, Vice Chair
Fausto R. Bayonet
Keith E. Bell
Howard A. Denis
Sandra L. Thompson

GENERAL MANAGER

Carla A. Reid

January 30, 2020

The Honorable Angela D. Alsobrooks, Prince George's County Executive
The Honorable Marc Elrich, Montgomery County Executive
The Honorable Todd M. Turner, Chair, Prince George's County Council
The Honorable Sidney Katz, President, Montgomery County Council

Dear Ms. Alsobrooks, Mr. Elrich, Mr. Turner, and Mr. Katz:

The purpose of this letter is to request approval of an amendment to the WSSC Water Adopted Fiscal Years 2020-2025 Capital Improvements Program (CIP). The amendment provides for the addition of one new CIP project, A-101.05, Customer Resource Building, and offsetting reductions to two existing CIP projects, W-172.07, Patuxent Raw Water Pipeline and S-170.08, Septage Discharge Facility Planning & Implementation. The projects to be reduced fully offset the new project and no increase to the FY 2020 Approved Budget is required.

At the January 15, 2020 meeting the WSSC Water Commissioners unanimously approved transmittal of this amendment to the counties for your review and approval.

The table below summarizes the changes to the projects. Amended project description forms are attached.

| FY20 CIP Amendment | | | FY20 Budgeted | FY20 Amendment |
|--------------------|--------|-----------------------------|------------------|-------------------|
| A | 101.05 | Customer Resource Building | - | 13,500,000 |
| W | 172.07 | Patuxent Raw Water Pipeline | 8,580,000 | 1,695,000 |
| S | 170.08 | Septage Discharge Facility | 12,276,000 | 5,661,000 |
| sub total | | | 20,856,000 | 20,856,000 |
| FY2020 Net Change | | | | 0 |

Your prompt approval of this CIP amendment is respectfully requested.

Sincerely,

Carla A. Reid
General Manager/CEO

Septage Discharge Facility Planning & Implementation

| A. Identification and Coding Information | | |
|--|----------------|-------------|
| Agency Number | Project Number | Update Code |
| S - 000170.08 | 103802 | Change |

| | |
|--------------|------------------|
| PDF Date | October 1, 2019 |
| Date Revised | January 15, 2020 |

| | |
|-----------------|-----------|
| Pressure Zones | |
| Drainage Basins | |
| Planning Areas | Bi-County |

B. Expenditure Schedule (000's)

| Cost Elements | Total | Thru FY'18 | Estimate FY'19 | Total 6 Years | Year 1 FY'20 | Year 2 FY'21 | Year 3 FY'22 | Year 4 FY'23 | Year 5 FY'24 | Year 6 FY'25 | Beyond 6 Years |
|--------------------------------|---------------|--------------|----------------|---------------|--------------|---------------|--------------|--------------|--------------|--------------|----------------|
| Planning, Design & Supervision | 4,880 | 4,080 | 40 | 760 | 166 | 360 | 234 | | | | |
| Land | | | | | | | | | | | |
| Construction | 25,095 | 1,095 | 1,200 | 22,800 | 4,980 | 10,800 | 7,020 | | | | |
| Other | 2,480 | | 124 | 2,356 | 515 | 1,116 | 725 | | | | |
| Total | 32,455 | 5,175 | 1,364 | 25,916 | 5,661 | 12,276 | 7,979 | | | | |

C. Funding Schedule (000's)

| | | | | | | | | | | | |
|------------|--------|-------|-------|--------|-------|--------|-------|--|--|--|--|
| WSSC Bonds | 32,455 | 5,175 | 1,364 | 25,916 | 5,661 | 12,276 | 7,979 | | | | |
|------------|--------|-------|-------|--------|-------|--------|-------|--|--|--|--|

D. Description & Justification

DESCRIPTION

This project provides for the planning, design, and construction of a new Septage and Fats, Oils, Grease (FOG) discharge facility at the abandoned Rock Creek WRRF, and new Septage discharge facilities at Anacostia WWPS No. 2 and Piscataway WRRF.

JUSTIFICATION

Currently septage waste is collected at three locations: Muddy Branch Road Disposal Site in Montgomery County, and Ritchie Road Disposal Site and Bladensburg Disposal Site in Prince George's County (the Temple Hills Road site was closed down on July 1, 2015). The types of waste collected are as follows: Septic Tank Pump-Out (Sludge), Waste Holding Tank Discharge (Gray Water); Grease Trap Pump Out (FOG), Bus Holding Tank Discharge (Sewage and Chemicals), and Small Food Service Providers (Low Volume FOG Waste). FOG wastes should not be discharged to the Commission's sewerage system without treatment. Septage Discharge Facility Study for Montgomery County: Final Report, JMT (July 2012); Septage Discharge Facility Study for Prince George's County: Final Report, JMT (July 2012).

COST CHANGE

The estimated construction cost of the three facilities has increased based upon more refined cost estimates for all three sites.

OTHER

The project scope has remained the same. The design of the Rock Creek and Anacostia sites are 100% complete. The design of the Piscataway site is 90% complete. The expenditures and schedule projections shown in Block B are estimates at the current design stages at each site, and may change based upon actual bids. The design and construction of the FOG Discharge Facility at the Piscataway WRRF has been moved to the Piscataway WRRF Bio-Energy Project.

The Rock Creek and Anacostia sites will be advertised as one project in 2019. The design of the Piscataway site will be completed with construction deferred until 2023, after the performance of the Rock Creek and Anacostia sites have been evaluated, and coordinated with the construction schedule of other Piscataway facility projects.

COORDINATION

Coordinating Agencies: Maryland Department of Natural Resources; Maryland Department of the Environment; Maryland-National Capital Park & Planning Commission;(Mandatory Referral); Montgomery County Department of Environmental Protection; Montgomery County Government; Prince George's County Department of Environmental Resources; Prince George's County Government
Coordinating Projects: S - 000096.14 - Piscataway WRRF Facility Upgrades; S - 000103.02 - Piscataway Bioenergy

| E. Annual Operating Budget Impact (000's) | | FY of Impact |
|---|---------|--------------|
| Staff & Other | | |
| Maintenance | | |
| Debt Service | \$2,111 | 23 |
| Total Cost | \$2,111 | 23 |
| Impact on Water and Sewer Rate | \$0.05 | 23 |

F. Approval and Expenditure Data (000's)

| | |
|------------------------------|--------|
| Date First in Program | FY 10 |
| Date First Approved | FY 10 |
| Initial Cost Estimate | 10,835 |
| Cost Estimate Last FY | 30,494 |
| Present Cost Estimate | 32,455 |
| Approved Request Last FY | 5,229 |
| Total Expense & Encumbrances | 5,175 |
| Approval Request Year 1 | 5,661 |

G. Status Information

| | |
|---------------------------|--------------------------|
| Land Status | Public/Agency owned land |
| Project Phase | Design |
| Percent Complete | 70 % |
| Estimated Completion Date | June 2022 |

| | |
|--------------------------|------|
| Growth | |
| System Improvement | 100% |
| Environmental Regulation | |
| Population Served | |
| Capacity | |

H. Map

MAP NOT APPLICABLE

Patuxent Raw Water Pipeline

| | | | | | | | | |
|--|----------------|-------------|--------------|------------------|-----------------|-----------------------------|--|--|
| A. Identification and Coding Information | | | PDF Date | October 1, 2018 | Pressure Zones | Prince George's Main HG320A | | |
| Agency Number | Project Number | Update Code | Date Revised | January 15, 2020 | Drainage Basins | | | |
| W - 000172.07 | 063804 | Change | | | Planning Areas | | | |

B. Expenditure Schedule (000's)

| Cost Elements | Total | Thru FY'18 | Estimate FY'19 | Total 6 Years | Year 1 FY'20 | Year 2 FY'21 | Year 3 FY'22 | Year 4 FY'23 | Year 5 FY'24 | Year 6 FY'25 | Beyond 6 Years |
|--------------------------------|--------|------------|----------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Planning, Design & Supervision | 5,957 | 5,377 | 180 | 400 | 40 | 200 | 160 | | | | |
| Land | 219 | 219 | | | | | | | | | |
| Construction | 26,325 | 7,525 | 3,600 | 15,200 | 1,501 | 7,600 | 6,099 | | | | |
| Other | 1,938 | | 378 | 1,560 | 154 | 780 | 626 | | | | |
| Total | 34,439 | 13,121 | 4,158 | 17,160 | 1,695 | 8,580 | 6,885 | | | | |

C. Funding Schedule (000's)

| | | | | | | | | | | | |
|------------|--------|--------|-------|--------|-------|-------|-------|--|--|--|--|
| WSSC Bonds | 34,439 | 13,121 | 4,158 | 17,160 | 1,695 | 8,580 | 6,885 | | | | |
|------------|--------|--------|-------|--------|-------|-------|-------|--|--|--|--|

D. Description & Justification

| |
|--|
| <p>DESCRIPTION</p> <p>This project provides for the planning, design, and construction of approximately 2.5 miles of new 48-inch diameter raw water pipeline from the Rocky Gorge Raw Water Pumping Station to the Patuxent Water Filtration Plant, cleaning of the existing water lines, and replacement of valves.</p> <p>JUSTIFICATION</p> <p>The existing raw water supply facilities are hydraulically limited to 72 MGD with all pumps running at the Rocky Gorge Pumping Station. In order to convey more than 72 MGD of raw water, a new raw water pipeline is required. A fourth raw water pipeline from the Rocky Gorge Pumping Station to the Patuxent Plant and modification/expansion of the Rocky Gorge Pumping Station will provide a firm raw water pumping transmission capacity of 110 MGD. These improvements, in conjunction with expansion of the Patuxent Water Filtration Plant, will give the Plant a firm nominal capacity of 72 MGD, with an emergency capacity of 110 MGD.</p> <p>Patuxent WFP Facility Plan (April 1997); In-House Study (April 2002).</p> <p>COST CHANGE</p> <p>Not applicable.</p> <p>OTHER</p> <p>The project scope has remained the same. The Rocky Gorge Valve Replacement and the cleaning of existing raw water pipelines are 100% complete. The new raw water pipeline is currently in design. Expenditure and schedule estimates for the new raw water pipeline may change based upon design constraints and permitting issues. The project has been delayed due to a lengthy permit and right-of-way acquisition process. As with any construction project, areas disturbed by construction will be restored. This restoration includes paving of impacted roads in accordance with Prince George's County Policy and Specifications for Utility Installation and Maintenance Manual (Section 4.7.2).</p> <p>COORDINATION</p> <p>Coordinating Agencies: Baltimore Gas & Electric; Interstate Commission on the Potomac River Basin; Local Community Civic Associations;(West Laurel Civic Association); Maryland Department of the Environment; Maryland-National Capital Park & Planning Commission; Montgomery County Government; Prince George's County Government</p> <p>Coordinating Projects: W - 000172.05 - Patuxent WFP Phase II Expansion; W - 000172.08 - Rocky Gorge Pump Station Upgrade</p> |
|--|

| | | |
|---|---------|--------------|
| E. Annual Operating Budget Impact (000's) | | FY of Impact |
| Staff & Other | | |
| Maintenance | \$341 | 23 |
| Debt Service | \$2,240 | 23 |
| Total Cost | \$2,581 | 23 |
| Impact on Water and Sewer Rate | \$0.05 | 23 |

| | |
|--|--------|
| F. Approval and Expenditure Data (000's) | |
| Date First in Program | FY 06 |
| Date First Approved | FY 03 |
| Initial Cost Estimate | 18,750 |
| Cost Estimate Last FY | 33,663 |
| Present Cost Estimate | 34,439 |
| Approved Request Last FY | 378 |
| Total Expense & Encumbrances | 13,121 |
| Approval Request Year 1 | 1,695 |

| | |
|---------------------------|---------------|
| G. Status Information | |
| Land Status | Land Acquired |
| Project Phase | Design |
| Percent Complete | 98 % |
| Estimated Completion Date | June 2022 |
| Growth | |
| System Improvement | 100% |
| Environmental Regulation | |
| Population Served | |
| Capacity | |

| |
|-------------------|
| H. Map |
| MAP NOT AVAILABLE |

Customer Resource Building

| A. Identification and Coding Information | | |
|--|----------------|-------------|
| Agency Number | Project Number | Update Code |
| A - 000101.05 | | Add |

| | |
|--------------|------------------|
| PDF Date | January 15, 2020 |
| Date Revised | |

| | |
|-----------------|-----------|
| Pressure Zones | |
| Drainage Basins | |
| Planning Areas | Bi-County |

B. Expenditure Schedule (000's)

| Cost Elements | Total | Thru FY'18 | Estimate FY'19 | Total 6 Years | Year 1 FY'20 | Year 2 FY'21 | Year 3 FY'22 | Year 4 FY'23 | Year 5 FY'24 | Year 6 FY'25 | Beyond 6 Years |
|--------------------------------|---------------|------------|----------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Planning, Design & Supervision | | | | | | | | | | | |
| Land | | | | | | | | | | | |
| Construction | 13,500 | | | 13,500 | 13,500 | | | | | | |
| Other | | | | | | | | | | | |
| Total | 13,500 | | | 13,500 | 13,500 | | | | | | |

C. Funding Schedule (000's)

| | | | | | | | | | | | |
|------------|--------|--|--|--------|--------|--|--|--|--|--|--|
| WSSC Bonds | 13,500 | | | 13,500 | 13,500 | | | | | | |
|------------|--------|--|--|--------|--------|--|--|--|--|--|--|

D. Description & Justification

DESCRIPTION

The project provides for the acquisition and build-out of the office building located at 14400 Sweitzer Lane.

JUSTIFICATION

Acquisition of the building provides the following benefits: alleviates space issues at the Richard G. Hovevar Headquarters Building (RGH); avoids current lease costs; provides needed swing space for renovations at the RGH; improves security at the RGH by moving all public facing functions to the new building including Development Services - Permitting, Cashier functions, and inspectors for both Regulatory and Construction Divisions; provides needed parking; generates revenue from lease income; and, potential to serve as a Multi-Agency Service Center through co-located services with other government agencies. Additional benefits include: location across the street from the RGH; economical and secure IT connectivity; and, investment in an asset vs. lease.

COST CHANGE

Not applicable.

OTHER

The present project scope was developed as an amendment to the FY2020 CIP and has a projected total cost of \$13,500,000. The schedule and expenditure information shown in Block B are based upon the best available information for purchase of the building, partial build-out of space and related costs. Constructed in 2000, this modern, Class A, LEED Silver Certified, four story building with approximately 121,000 square feet of space and 479 parking spaces is located on 1.84 acres, across the street from the RGH, near the Montgomery and Prince George's County line. In comparison, the estimated new construction cost including land for a building this size is approximately \$36 million. The CIP amendment for the acquisition of the building requires the approval of both the Montgomery and Prince George's County Councils.

COORDINATION

Coordinating Agencies: Montgomery County Government; Prince George's County Government
Coordinating Projects: Not Applicable

| E. Annual Operating Budget Impact (000's) | | FY of Impact |
|---|-----------|--------------|
| Staff & Other | \$(2,249) | 21 |
| Maintenance | \$1,104 | 21 |
| Debt Service | \$824 | 21 |
| Total Cost | \$(321) | 21 |
| Impact on Water and Sewer Rate | | |

F. Approval and Expenditure Data (000's)

| | |
|------------------------------|--------|
| Date First in Program | FY 20 |
| Date First Approved | FY 20 |
| Initial Cost Estimate | 13,500 |
| Cost Estimate Last FY | |
| Present Cost Estimate | 13,500 |
| Approved Request Last FY | |
| Total Expense & Encumbrances | |
| Approval Request Year 1 | 13,500 |

G. Status Information

| | |
|---------------------------|----------------|
| Land Status | Not Applicable |
| Project Phase | Not Applicable |
| Percent Complete | 0 % |
| Estimated Completion Date | June 2020 |
| Growth | |
| System Improvement | 100% |
| Environmental Regulation | |
| Population Served | |
| Capacity | |

H. Map

MAP NOT AVAILABLE

bcc: Commissioners
Commission/Corporate Secretary's Office
Office of the Inspector General
General Counsel's Office
Engineering & Construction Department
Finance Department
Budget Division

Mr. Robert Williams
Mr. J. Kenneth Battle, Jr.
Ms. Canjor Reed
Mr. Brent Johnson
Ms. Marlene Michaelson
Mr. Keith Levchenko
Mr. Rafael Murphy

Acquisition Options (Preliminary Analysis*)

| | Purchase 100% Finance | Purchase 50% Finance | Cash Purchase | Lease Space |
|--|--------------------------|-------------------------|-----------------------|-------------------|
| Square Feet (SF) | 120,904 | | | 30,226 |
| price per SF | \$ 110.00 | | | \$ 22.00 |
| Purchase Amount Financed | \$ 13,299,440 | \$ 6,649,720 | \$ - | |
| add build-out | 639,240 | 639,240 | 639,240 | |
| Annual debt service | 824,000 | 412,000 | 38,000 | - |
| plus Operating costs | 1,269,492 | | | |
| adj - water bill | (24,708) | | | |
| adj - taxes 2 floors | (140,456) | | | |
| less lease income | (1,584,541) | | | |
| less swing lease avoided | (664,972) | | | |
| Net Operating impact | (1,145,186) | (1,145,186) | (1,145,186) | 664,972 |
| Annual Impact | \$ (321,186) | \$ (733,186) | \$ (1,107,186) | \$ 664,972 |
| <i>less Konterra lease option avoided in Years 4-5</i> | <i>(310,100)</i> | <i>(310,100)</i> | <i>(310,100)</i> | |

* preliminary analysis based upon information provided by WSSC's broker; further evaluation required
Note: totals do not include one-time operating costs for furniture (\$880k) and IT (\$600k)

Acquisition Annual Impacts (Preliminary)

| | Purchase 100% Finance | Purchase 50% Finance | Cash Purchase | Lease Space |
|------------------------------|--------------------------|-------------------------|----------------|--------------|
| Year 0: purchase | \$ - | \$ 6,649,720 | \$ 13,299,440 | \$ - |
| Year 1 | \$ (321,186) | \$ (593,542) | \$ (827,898) | \$ 664,972 |
| Year 2 | \$ (355,541) | \$ (624,965) | \$ (856,388) | \$ 684,921 |
| Year 3 | \$ (390,928) | \$ (657,357) | \$ (885,786) | \$ 705,469 |
| Year 4: Konterra avoided | \$ (737,476) | \$ (1,000,848) | \$ (1,226,220) | \$ 726,633 |
| Year 5: Konterra avoided | \$ (784,341) | \$ (1,044,592) | \$ (1,266,843) | \$ 748,432 |
| Year 6 | \$ (503,584) | \$ (760,649) | \$ (979,713) | \$ 770,885 |
| Year 7 | \$ (543,412) | \$ (797,223) | \$ (1,013,033) | \$ 794,011 |
| Year 8 | \$ (584,434) | \$ (834,923) | \$ (1,047,412) | \$ 817,832 |
| Year 9: Lease savings ends | \$ 215,679 | \$ (31,418) | \$ (240,515) | |
| Sum (Yrs 0-9) | \$ (4,005,222) | \$ 304,205 | \$ 4,955,633 | \$ 5,913,154 |
| Net Present Value (Yrs 0-30) | \$ (461,875) | \$ 724,413 | \$ 2,667,950 | |

Note: Years 10-30: add 3% inflation

WSSC CIP Amendment: Customer Resource Building Questions and Answers

1. Can you elaborate on the current space issues at RGH? As we previously discussed, WSSC had authorized workyears of approximately 2,200 before the CAP reductions in the mid-2000s. Today the authorized workyears are 1,776.

As part of the CAP Re-Engineering approved workyears were reduced. However, some of those were vacant positions and some were outside of the RGH building (including eliminating maintenance Crew Chief positions at the depots). As for the impact on the RGH, in addition to the expected increased efficiencies reducing the “permanent” headcount, many of the re-engineering recommendations included bringing in temporary, non-permanent contractors, only when needed, to meet the workload. Recently, contractors working in the RGH building on projects where it would not make sense to hire full-time permanent employees include the staff augmentation required for Consent Decree pipeline design work, Cornerstone implementation and other IT project support. In addition to the 864 employees assigned to the RGH, we have several hundred contractors and temporary employees assigned to the RGH and additional staff and contractors working next door in leased space at Konterra.

2. When does WSSC expect to begin renovations of RGH? What will the scope and cost of these renovations be and will this be done as a capital project or within the Operating Budget?

Originally constructed in 1989, we currently expect to resume renovations of the RGH in fall 2020. The scope includes: replacement of HVAC systems that are inefficient, obsolete and orphaned; replacement of electrical wiring and systems to bring them up to date and latest code requirements; paint, carpet, ceilings, including public and common areas, including required ADA code renovations; and, new employee workstations for more efficient space use. Our current estimate is approximately \$2.3 million per floor (plus annual inflation) for the 10 remaining floors (9th floor and cafeteria are complete). In addition, the lobby level will be redesigned with the entire One-Stop-Shop (north-end of RGH) converted into new office space (no cost estimate yet). The RGH renovations will be primarily completed from capital funds already budgeted annually in the Engineering Support Program (ESP). Only some IT costs and furniture costs for the new workstations will be added to the operating budget (~\$1.1M per floor).

3. Please list all of the WSSC functions that would move to the purchased building.

In the short-term, the Customer Resource Building (CRB) would be used as temporary swing space enabling us to renovate an entire floor of the RGH, all at one time (avoiding sunk operating costs for temporary lease space during ongoing renovations). This is the safest, quickest and most cost-efficient plan for renovating the RGH. Ultimately, the plan is for all customer-facing functions to be moved to the CRB including: the One-Stop-Shop for all Development Services permitting functions; cashier functions; and, both Regulatory and Construction inspection services. We also envision that in the future there is potential to co-locate other local government offices at the CRB to offer improved service to all County residents.

4. Please elaborate on how security will be improved at RGH by moving all public facing functions to the purchased building.

By moving public facing functions to the CRB, we will avoid some previously planned costs for security upgrades to prevent open visitor access including: new security checkpoint scanner systems (similar to

those found in the EOB, Stella-Werner, CAB and Wayne K. Curry buildings); turnstile-type barriers (similar to Metro) with card readers on employee entry floors; hard-barrier glass doors with card readers for elevator lobbies on all floors; and, additional security cameras and monitoring systems. Nearly all of these costs would have to be added to the operating budget.

5. How much parking does WSSC have now (distinguish between employee and visitor).

Currently the RGH has 899 employee and Commission vehicle parking spaces in the RGH garage, 170 surfacing customer parking spaces around the RGH, and, via the lease arrangement with Konterra, 34 additional parking spaces next door – only while we continue to lease office space from Konterra. (Total count 1,103).

6. How many spaces does WSSC need to accommodate staff, visitors, and contractors on a regular basis?

On a “regular” day, we already fill over 95% of the spaces available. On Tuesdays (bid day), and during special events, we normally have cars double parked in front and across the street, parked around the circle, and parked in spaces at Konterra - that are over and above our agreed allotment. (Konterra has formally notified us of our “ongoing pattern of infringement”. The building across the street has gone as far as to post “private parking only” signs at their entrances.)

7. How many additional spaces will WSSC obtain at the new building (479 is mentioned for the new building in the PDF, but I assume some of these would be reserved for folks leasing portions of the building from WSSC).

Spaces are allocated based upon square footage occupied so WSSC would immediately gain half or approximately 240 additional parking spaces.

8. How much of the purchased 4 story 121,000 square foot building will WSSC occupy? How much will be leased to others?

Initially WSSC would occupy the two lower floors. The two upper floors are leased (63,000 SF) through December 2025.

9. You mentioned that WSSC did a 10 year NPV analysis for the building purchase (versus other options). Please provide this analysis and the major assumptions included.

For the 30-year Net Present Value analysis we looked at the first 8-9 years to compare the lease vs. purchase impacts during the renovation period for the RGH building. Year 9 would be the first “post-renovation” year, used as the new baseline. Years 10-30 are then inflated at 3% and the NPV is calculated for the 30-year period. See attached.

The attached preliminary analysis assumes: \$13.9 million borrowed; 5.0% interest rate on new debt; 30 year life; 3% inflation; 4% discount rate; 2.1% interest rate on income; swing lease costs and Konterra lease costs are avoided.

10. How much build-out/reconfiguration/rehab will WSSC need to make before or soon after move-in? Are these costs included in the CIP amendment?

The second floor can be occupied soon after acquisition as the floor is fully finished and needs only minor changes and IT fit-out. The first floor is approximately 50% finished. These costs are included in the CRB CIP amendment.

11. How much annual additional revenue will be generated from leasing portions of the purchased building?

The leasing of the top two floors provides approximately \$1.6 million in annual revenue. Leasing the two upper floors will produce a net positive cashflow for the entire building (not including debt service).

12. How much lease savings (from moving some WSSC functions from leased space to this building) are you assuming?

The lease cost (costs avoided) is estimated to be \$6.5 million over the 8 years required to renovate the RGH.

13. Please note any other major costs/revenues assumed in the analysis.

The preliminary analysis assumes a \$13.3 million purchase price plus \$639,240 to build-out the first floor space. The options looked at 100% financed, 50% financed and a 100% cash purchase. Operating costs were adjusted to remove the estimated water utility bill and 50% of the tax bill to account for WSSC Water owning/using the space. The swing lease costs and Konterra lease costs (years 4 & 5) are not currently budgeted, these are avoided costs. Interest income foregone is included in the analysis.

14. To offset the building acquisition cost, the proposed action for Wednesday would also include FY20 reductions in two WSSC projects: the Trunk Sewer Reconstruction Program and the Patuxent Raw Water Pipeline.

Update: In reviewing the amendment item with the Commissioners prior to the meeting, the Commissioners requested that we not make any reductions/deferrals to the Trunk Sewer Reconstruction Program. In response, at the Commission meeting, we recommended reducing/deferring the Septage Discharge Facility Implementation project in place of the Trunk Sewer project.

15. What are the impacts of these cuts in each project in FY20?

None. Based upon the latest schedule projections available, the funding amounts cut from the two offsetting projects would not be spent prior to June 30, 2020.

16. Are these reductions assumed to be cost deferrals (with the expenses restored in FY21 or beyond) or permanent reductions in these projects?

The reductions are cost deferrals based upon the latest schedule projections. Full funding for both projects is included in the FY'21 Proposed CIP.

17. Does WSSC currently have staff in leased space who could move to the new building or to RGH if the new building is acquired? It looks like the NPV analysis only counts avoided lease costs from folks who would have to move out of the RGH during its renovations.

Staff currently in leased space at Konterra could be relocated to the RGH. However, our current lease with Konterra runs through year 3, so we could only avoid that cost in years 4 and 5 (lease option years), as shown.

18. Are the debt service costs from the two financing options included in the “plus operating costs” line? If not, where are those costs reflected? How much are the debt service costs per year under the 50% and 100% financing options?

Debt service costs are shown separately on the Annual Debt Service line for each of the three options. Adding together the Net Operating Impact line and Annual Debt Service line results in the Annual Impact line. Debt service costs per year under the 50% and 100% financing options are \$412,000 and \$824,000, respectively.




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

MEMORANDUM

March 4, 2020

TO: Sidney Katz, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Decision Memorandum - Amendment to the WSSC Water Fiscal Year 2020-2025 Capital Improvements Program

Washington Suburban Sanitary Commission (WSSC Water) is requesting to amend the Fiscal Year (FY) 2020-2025 Capital Improvements Program (CIP) as described below.

The amendment adds one new CIP project, A-101.05, the Customer Resource Building, and offsetting reductions to two existing CIP projects, W-172.07, Patuxent Raw Water Pipeline and S-170.08, Septic Discharge Facility Planning & Implementation.

WSSC Water requests the amendment to purchase an adjacent facility that will serve as a Customer Resource Building (CBR). The benefits of the CBR include alleviating space issues at the Richard G. Hovecar Headquarters Building (RGH), avoiding current lease costs, providing needed swing space for a renovations at the RGH, improving security at the RGH by moving all public facing functions to the CBR, providing needed parking, generating revenue from lease income, and potentially serving as a Multi-Agency Service Center.

I have determined that this action serves a public purpose and is in the public interest. Therefore, I recommend that the Council amend the WSSC Water Fiscal Year 2020-2025 CIP.

ME:rpm

Attachment: WSSC Water Proposed FY2020-2025 Amendment

c: Carla A. Reid, WSSC Water General Manager/CEO