

SUBJECT

FY21 Washington Suburban Sanitary Commission (WSSC) Operating Budget¹

EXPECTED ATTENDEES

Carla Reid, General Manager/CEO, WSSCWater
 Patricia Colihan, Chief Financial Officer, WSSCWater
 Letitia Carolina-Powell, Budget Division Manager, WSSCWater
 Raphael Murphy, Office of Management and Budget

WSSC PROPOSED

FY21 WSSC Proposed	\$856.2 million	1,776 FTE
Increase (Decrease) from FY20	\$38.8 million 4.7%	0.00 FTE 0%

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$856.2 million	1,776 FTE
Increase (Decrease) from FY20	\$38.8 million 4.7%	0.00 FTE 0%

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$850.5 million	1,776 FTE
Increase (Decrease) from FY20	\$33.1 million 4.1%	0.00 FTE 0%
Increase (Decrease) from WSSC/CE FY21	(\$5.7 million) (0.7%)	0.00 FTE 0%

WSSC PROPOSED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- **FY21 Compensation Adjustment (\$5.7 million):** Compensation adjustments will be considered for all of County Government separately and are not included in the “continuity of services” budgets for County Government. For consistency, FY21 Compensation adjustments included in the WSSC Proposed Budget have also been removed from the “continuity of services” calculation for WSSC. *(NOTE: The total compensation adjustment reduction when including CIP-funded positions is \$7.2 million)*

¹ WSSC’s Proposed Budget is available for download at:
<https://www.wsscwater.com/files/live/sites/wssc/files/Financial/FY2021%20Proposed%20Budget.pdf>

POTENTIAL REDUCTIONS

- None

POTENTIAL ITEMS RELATED TO COVID-19

- WSSC is experiencing substantially reduced revenues related to the COVID-19 emergency. April's volumetric revenue is down 10% from April of last year. Factoring in the FY20 rate increase, revenues are down 15% in April. WSSC has also waived late fees, offered bill payment plans, and suspended shutoffs. In response to the fiscal situation, WSSC has developed an FY20 savings plan with an estimated \$60 million in cuts and is developing contingency plans for FY21. WSSC is not proposing any changes to its FY21 Budget at this time.

OPERATING BUDGET HIGHLIGHTS

Total Operating Expenditures by Category

Expense Categories	Approved	Proposed	Change	
	FY20	FY21	\$\$	%
Salaries and Wages	130,134	133,866	3,732	2.9%
Heat, Light, and Power	19,444	20,431	987	5.1%
Regional Sewage Disposal	59,000	58,000	(1,000)	-1.7%
All Other	288,932	318,293	29,361	10.2%
Debt Service	319,883	325,593	5,710	1.8%
Total	817,393	856,183	38,790	4.7%

- The total proposed Operating Budget is \$856.2 million, an increase of \$38.8 million (or 4.7 percent) from the Approved FY20 Operating Budget of \$817.4 million.
- Assumes a rate increase of 7.0 percent (During the spending control limits process last fall, both the Montgomery and Prince George's County Councils recommended a rate increase ceiling of 7.0 percent.)
- Assumes continued implementation of a customer assistance program (reducing FY21 revenue by an estimated \$888,000), which waives the Account Maintenance Fee and Infrastructure Investment Fee for approximately 12,965 eligible customers. As in FY20, for FY21 WSSC is also setting aside another \$1.0 million for assistance in other areas focusing on: water conservation, plumbing repair assistance, flexible billing and payment options, arrearage forgiveness, financial counseling, and social service referrals.
- No changes in the Account Maintenance Fee or Infrastructure Investment Fee are assumed for FY21.
- Includes \$13.0 million for holistic rehabilitation work in the Piscataway basin to address infiltration and inflow.
- A pool of \$7.2 million (\$5.7 million rate impact) for salary enhancements is included in the Proposed Budget, with the final amount and allocation of these dollars to be adjusted as needed to be consistent with both Councils' actions regarding their employee union bargaining agreements.
- Water production is projected at 164 million gallons per day (mgd), which is the same amount assumed in FY20 and the same as assumed for FY21 during the spending control limits process last fall.

- Includes \$58 million (a decrease of \$1.0 million from FY20) for regional sewage disposal costs for WSSC sewage treated at the Blue Plains Wastewater Treatment Facility. Note: Several years ago, WSSC estimated that the cost per thousand gallons of treatment of WSSC sewage at Blue Plains is \$1.37, compared to \$2.05 at WSSC facilities. About 64 percent of all WSSC sewage and 84 percent of Montgomery County's sewage (generated within the WSSC service area) is treated at the Blue Plains Wastewater Treatment Plant.
- Assumes to use \$8.0 million from fund balance to fund a portion of WSSC's IT initiatives in FY21.
- Includes \$32.9 million for large diameter pre-cast concrete cylinder pipe (PCCP) water main inspection, repairs, and acoustic fiber optic (AFO) installation, as well as acoustic fiber optic monitoring of all previously-installed AFO. Also includes \$31.9 million for large diameter main repairs and cathodic protection and \$3.1 million for large valve inspections, replacement, and repairs.
- Funds 25 miles of water main reconstruction and associated house connection renewals and 26 miles of sewer mains and lateral lines (consistent with the Proposed FY21-26 CIP).
- No change in system development charges proposed. However, WSSC supports increasing the maximum rate the charge could be increased in future years by a CPI adjustment (1.2 percent) for FY21, as permitted under State law. **Council Staff concurs.**

WSSC OPERATING BUDGET AND CIP REVIEW SCHEDULE

- April 28, 2020: Prince George's County Council review of the WSSC CIP and Operating Budget
- April 30, 2020: Montgomery County Council review of the WSSC Operating Budget
- May 7, 2020: Bi-County meeting to resolve any CIP and Operating Budget differences with the Prince George's County Council

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Council Staff Report

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Council Staff Report: WSSC FY21 Budget

General Information about WSSC

WSSC provides public water and sewer services to 1.8 million residents in a sanitary district covering nearly 1,000 square miles in Montgomery and Prince George's Counties. WSSC has 3 reservoirs and 2 water treatment plants (providing about 164 mgd of drinking water) and maintains 7 wastewater treatment plants (including the Blue Plains Plant in Washington DC). WSSC has 5,900 miles of water mains and 5,700 miles of sewer mains. WSSC has about 475,000 customer accounts (see ©61 for more statistical information) and is one of the ten largest water and wastewater utilities in the country.

WSSC'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

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

Prince George's County

Chris Lawson, Chair
Keith E. Bell
Sandra L. Thompson

The current General Manager, Carla Reid, was appointed by the Commissioners in early 2016.

An organizational chart (page 1-10), the Chair's budget transmittal letter (page 1-11), and other excerpts from the Proposed FY21 Budget are attached.

About two-thirds of all WSSC sewage and four-fifths of Montgomery County's sewage (generated within the WSSC service area) is treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. This plant is managed by DC Water.¹ WSSC 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 WSSC's capital sewer program. The projected FY21 operating payment is \$58 million (6.8 percent of WSSC's Proposed Operating Budget).

¹ 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.

Long-Range Financial Plan

As it has done the past two years, WSSC has included a one-page financial forecast summary (see page 3-3) in its Proposed Operating Budget. A similar chart is included in the Executive's Recommended Operating Budget (see page 15-3). This forecast includes similar assumptions to those used in the spending control limits process each fall. Like Montgomery County's fiscal plan, this forecast presents a scenario that assumes a balanced budget across the six-year period and meets WSSC's fund balance, cash-on-hand, and debt service coverage and debt service as a percentage of total expenditures targets.

The Long-Range Financial Forecast assumes a 7.0 percent rate increase in FY21 (as proposed) and 8.0 percent in FY22, 7.0 percent increases in FY23 and FY24 and 6.5 percent increases in FY25 and FY26. These rate increases are higher than shown last year. However, in this year's plan there is no "Adjustments" line as there was in last year's forecast (FY21 and FY22 had -\$10 million in each year) to bring expenditures into balance with funds available. This plan assumes no "additional and reinstated" items until FY26. The plan also assumes a ramping up of PAYGO in FYs24-26 to keep debt service at manageable levels.

The Taxpayers League expressed concern about the Fiscal Plan the past two years, especially regarding the assumed rate increases needed to cover WSSC's budget gaps over the six-year period. This year, the testimony raised concerns about WSSC's rates compared to Fairfax's rates. The Proposed budget includes a rate comparison chart (see Page 2-4). While WSSC's rates are higher than Fairfax's, they are within the lower end of rates nationwide.

WSSC does have some substantial fiscal challenges, including ongoing capital responsibilities that are keeping debt service as a high percentage of the WSSC budget (36 to 40 percent). At the same time, water usage by WSSC's customers is flat or declining. However, WSSC has also been identifying productivity improvements in its operations over time (some of which are noted in the Commission Chair's letter in the Proposed Budget (see pages 1-13 and 1-14 of the Proposed budget)), such as WSSC's Supply Chain Management Transformation project, group insurance and Workers Compensation savings, and overtime reductions. WSSC has had no net increase in positions since FY17. WSSC also commissioned a benchmarking study several years ago, described in more detail later in this report.

WSSC Fees and Charges

System Development Charge (SDC)

WSSC’s Proposed CIP and draft Operating Budget assume no change in the SDC rate. However, WSSC supports increasing the maximum rate the charge could be increased in future years by a CPI adjustment (1.2 percent) for FY21, as permitted under State law. The proposed charge and the maximum allowable charge are presented below.

Proposed SDC Charges

Item	FY21 Charge	Max. Allowable Charge
Apartment		
- Water	\$896	\$1,346
- Sewer	\$1,140	\$1,714
1-2 toilets/residential		
- Water	\$1,344	\$2,022
- Sewer	\$1,710	\$2,568
3-4 toilets/residential		
- Water	\$2,240	\$3,368
- Sewer	\$2,850	\$4,285
5 toilets/residential		
- Water	\$3,135	\$4,714
- Sewer	\$3,991	\$6,000
6+ toilets/residential*		
- Water	\$88	\$134
- Sewer	\$115	\$175
Non-residential*		
- Water	\$88	\$134
- Sewer	\$115	\$175

*costs shown are per fixture unit

The SDC fund itself is discussed in more detail in the Council Staff Report for the Proposed FY21-26 WSSC CIP from April 21 (Agenda Item #6), available at the Council website at: https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2020/20200421/20200421_6.pdf

Council Staff is supportive of WSSC’s approach with the caveat that the issue of SDC rates is an annual decision. *NOTE: Both the maximum rate and the adopted rate will be noted in the annual Council resolution to be approved in mid-May.*

At the Council’s recent discussion of the WSSC CIP, Councilmember’s Hucker and Riemer expressed support for revisiting WSSC’s current process for providing SDC credits to developers who build large scale water/sewer infrastructure needed to gain serve for their project but which also provide benefits to other properties in the service area. The issue came up most recently with regard to a hotel project in downtown Silver Spring. WSSC sent a letter to Council Vice President Hucker providing background on the SDC and SDC credit program, noting some options for changes (and the pros and cons of those changes) and offering to discuss this issue further with the Council after budget and supporting the formation of a Bi-County working group if there is interest in further study of potential changes.

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 WSSC Budget reflected the full phase-in. No changes were made to either fee for FY18 through FY20. WSSC is not recommending changes to either fee for FY21. Fee schedules for both are based on meter size. Most residential customers pay an AMF of \$16 per quarter and an IIF of \$12 per quarter. Ratepayers eligible for the customer assistance program have these fixed charges waived.

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, WSSC provides a substantial ongoing benefit to eligible residential customer accounts across the WSSC 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 (typically \$16 per quarter), the Infrastructure Investment Fee (\$12 per quarter), and the Bay Restoration Fee (\$15 per quarter). The monthly benefit (not counting the Bay Restoration Fee waiver) for most eligible residential customers in FY20 is \$9.33 per month (\$112 per year). WSSC is seeing growth in program participation, with 12,659 customers enrolled as of April 2020.

WSSC has been seeking to expand the program to include tenants in multi-unit homes. In many of these situations, the tenant is an “indirect” WSSC customer, receiving WSSC water and discharging into WSSC’s sewer system but paying for water/sewer through monthly rent payments or through apartment/condo association fees.

During the 2019 legislative session, State legislation was passed (HB325 “WSSC – Indirect Customer Assistance Program”) which gives WSSC the enabling authority to provide assistance to “indirect” customers. WSSC will now need to develop a process and eligibility criteria to provide this assistance. WSSC has indicated it hopes to implement this new benefit in FY21 or FY22.

Other Fees

A list of WSSC fees (and proposed revenue changes) is attached on pages 2-10 to 2-19. Most of these fees have to do with construction activity and not with general customer activities.

WSSC 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 WSSC’s annual process and methodology. The Council has not received any correspondence or public hearing testimony from MBIA or others on the FY21 fee increases to date.

Spending Control Limits

Background

In April 1994, the Council adopted Resolution No. 12-1558, which established a spending affordability process for the WSSC budget. Under this process, which stems from the January 1994 report of the Bi-County Working Group on WSSC Spending Controls, each Council appoints a Spending Affordability Committee (SAC). For Montgomery County, the SAC is the Transportation 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 a ceiling regarding what the Councils direct WSSC to propose in its budget. The limits do not cap what the Councils can ultimately approve each year.**

FY21 Spending Control Limits

Last fall, the T&E Committee and the Council reviewed WSSC’s major revenue and expenditure assumptions as part of the FY20 spending control limits process. WSSC developed a “base case” scenario (a “same services” scenario with some enhancements) that included an 8.0 percent rate increase.

Both the Montgomery County and Prince George’s County Councils supported a 7.0 percent rate increase ceiling.

The table below, shows how WSSC’s Proposed FY21 Budget compares to the approved limits and to the County Executive’s FY21 budget recommendations. The FY21 Proposed WSSC Budget is within each of the limits for New Debt, Water and Sewer Debt Service, and the Maximum Average Rate Increase. Total Water/Sewer Operating Expenses are slightly higher than the ceiling (+\$4.8 million). \$2.0 million of this increase is a technical change (GASB change) of moving the Underwriters discount transfer previously budgeted as a capital expense into operating expenses. The balance of the increase is offset by higher projected miscellaneous revenues (\$1.99 million) and a slightly higher SDC Debt Service offset (\$788,000). The County Executive’s assumptions reflect his support of the WSSC budget as proposed.

**FY21 Spending Control Limits Approved by Each Council
versus the FY21 Proposed WSSC Budget and CE Recommendation**

Spending Control Limit Categories	Recommended Limits		WSSC	CE
	MC	PG	Proposed	Rec
New Debt (in \$000s)	409.9	409.9	409.9	409.9
Water and Sewer Debt Service (in \$000s)	313.9	313.9	313.9	313.9
Water/Sewer Operating Expenses (in \$000s)	837.7	837.7	842.5	842.5
Maximum Avg. Rate Increase	7.0%	7.0%	7.0%	7.0%

FY21 Revenue Projections and Funds Available

WSSC Revenue Trends: FY20 to FY21

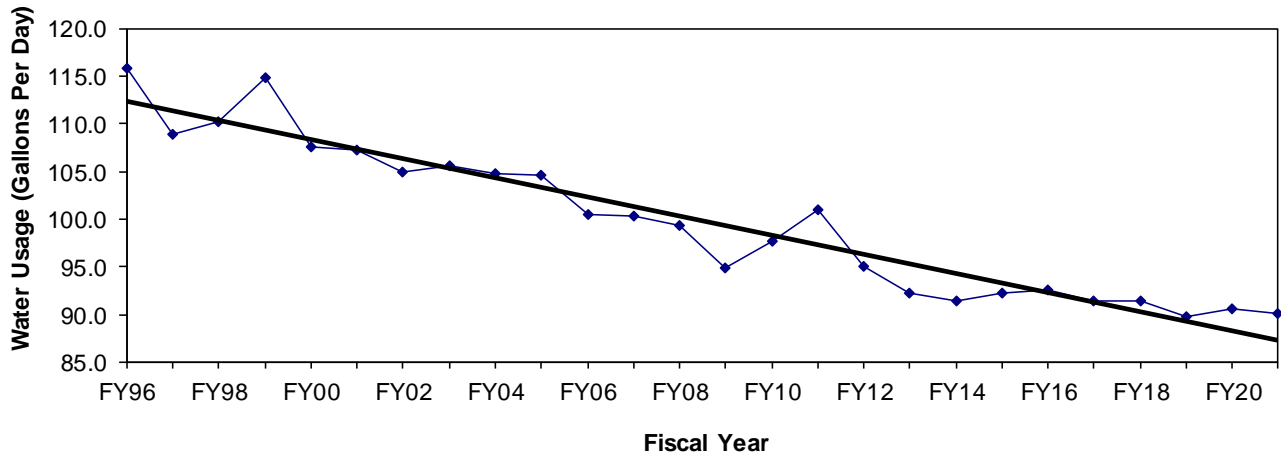
Water Revenue	Approved FY20	Proposed FY21	change	% change	Impact on Rate (%)
Water and Sewer Rate Revenue	658,899,000	650,197,000	(8,702,000)	-1.3%	1.34
Customer Affordability Program	(0)		0	-100.0%	(0.00)
Account Maintenance Fee	32,296,000	32,360,000	64,000	0.2%	(0.01)
Infrastructure Renewal Fee	39,331,000	39,410,000	79,000	0.2%	(0.01)
Interest Income	5,500,000	10,000,000	4,500,000	81.8%	(0.69)
Plumbing/Inspection Fees	12,900,000	14,470,000	1,570,000	12.2%	(0.24)
Rockville Sewer Use	3,000,000	3,000,000	-	0.0%	-
Miscellaneous	19,800,000	20,800,000	1,000,000	5.1%	(0.15)
Total Revenues	771,726,000	770,237,000	(1,489,000)	-0.2%	0.23
Use of Fund Balance	11,341,000	8,000,000	(3,341,000)	-29.5%	0.51
Adjustments for REDO and SDC Debt Service Offset	19,553,000	18,772,000	(781,000)	-4.0%	0.12
Funds Available	802,620,000	797,009,000	(5,611,000)	-0.7%	0.86

Revenue trends were discussed in detail during last fall's spending control limits process. The above chart compares WSSC's FY21 revenue assumptions (assuming no water/sewer rate increase) with FY20 approved revenues. The chart shows that water/sewer volumetric rate revenue (WSSC's dominant source of revenue) is expected to drop about \$8.7 million. According to WSSC, this deficit is related to sewer charges and results in a rate impact of about 1.3%. This impact is mostly offset by slight increases in other revenues as shown. Overall, revenues are down about \$1.5 million (0.23 percent rate impact).

WSSC is proposing to gradually ramp down its use of fund balance over time. For FY21, \$8.0 million in fund balance is assumed for some one-time FY20 IT expenditures. This is \$3.3 million less than is being used in FY20. The use of REDO and SDC Debt Service Offset is also down slightly. Therefore, overall, funds available are down by about \$5.6 million (for an equivalent rate impact of 0.85 percent).

This trend of flat to declining revenues is not new and is the result of overall water consumption in the WSSC service area being essentially unchanged from 25 years ago, despite 25.7 percent growth in the WSSC customer base over that same time. Per capita water usage is down 22.2 percent since FY96. While water conservation is a good thing from an environmental standpoint, it means WSSC's dominant revenue source has been stagnant, putting more pressure on rates. WSSC's unique rate structure in place until FY21 (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 new rate structure put in place for FY21, may provide less revenue volatility as per capita usage changes.

**Average WSSC Water Usage Per Capita
FY96 to FY21
Projected**



FY21 WSSC Proposed Budget Expenditures

Summary Charts

The following chart presents summary budget data for WSSC for the FY20 Approved and FY21 Proposed Budgets.

WSSC Expenditures by Fund (in \$000s)				
	Approved	Proposed	Change	
	FY20	FY21	\$\$	%
Capital				
Water Supply	212,555	257,227	44,672	21.0%
Sewage Disposal	357,109	308,386	(48,723)	-13.6%
General Construction	68,862	41,116	(27,746)	-40.3%
Total Capital	638,526	606,729	(31,797)	-5.0%
Operating				
Water Operating	352,472	368,437	15,965	4.5%
Sewer Operating	450,148	474,086	23,938	5.3%
Subtotal W&S Operating	802,620	842,523	39,903	5.0%
Interest and Sinking	14,773	13,660	(1,113)	-7.5%
Total Operating	817,393	856,183	38,790	4.7%
Grand Total	1,455,919	1,462,912	6,993	0.5%

The combined total of the FY21 Capital and Operating Budgets is \$1.463 billion, an increase of \$7 million (or 0.5 percent) from the Approved FY20 amount of \$1.456 billion.

The total proposed FY21 Operating Budget is \$856.2 million, an increase of \$38.8 million (or 4.7 percent) from the Approved FY20 Operating Budget of \$817.4 million.

The following chart summarizes the Approved and Proposed operating expenditures by major category.

Total Operating Expenditures by Category				
Expense Categories	Approved	Proposed	Change	
	FY20	FY21	\$\$	%
Salaries and Wages	130,134	133,866	3,732	2.9%
Heat, Light, and Power	19,444	20,431	987	5.1%
Regional Sewage Disposal	59,000	58,000	(1,000)	-1.7%
All Other	288,932	318,293	29,361	10.2%
Debt Service	319,883	325,593	5,710	1.8%
Total	817,393	856,183	38,790	4.7%

Regional sewage disposal costs are paid by WSSC to DC Water to cover WSSC's portion of costs for the Blue Plains Wastewater Treatment Plant's operations. The costs are based on actual flows. For FY21, the amount is proposed at \$58 million, a decrease of \$1.0 million from FY20.

The heat, light, and power category is up about \$1.0 million from FY20 (5.1 percent). This increase is due to the State of Maryland substantially increasing the Renewable Portfolio Standard (RPS) and requiring that solar and wind renewable energy sites be located within Maryland (solar) and within the PJM territory. This will have the effect of increasing renewable power costs and thereby increasing the weighted cost of electricity in total

FY21 upward trend follows notable declines seen the past several years as a result of both reductions in the weighted average unit price of electricity and reductions in energy usage. Over the past 10 years, WSSC has pursued a number of electricity retrofit initiatives, funded mostly through a large performance contract with Constellation Energy, that have helped offset operational changes increasing WSSC's energy requirements (such as installation of ultraviolet disinfection processes). Reduced infiltration and inflow into WSSC'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.

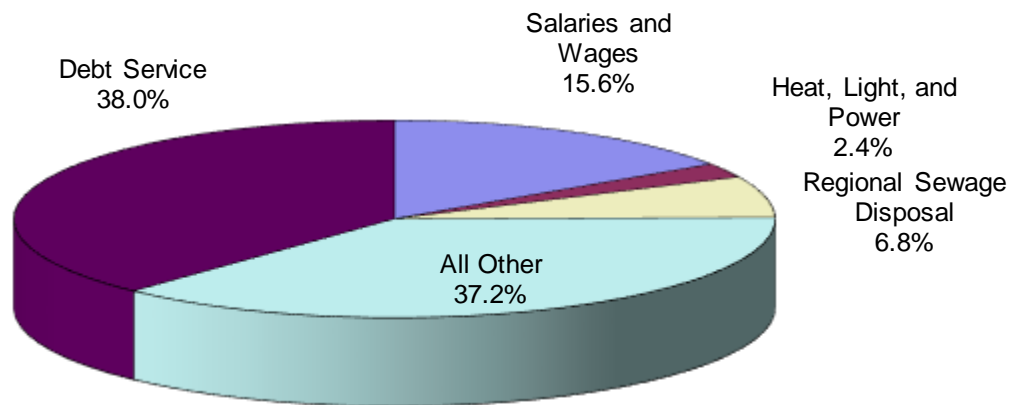
WSSC also had made a major long-term investment in wind power through wholesale purchases from a wind farm in Pennsylvania. This contract expired at the end of FY17, at which time WSSC purchased renewable energy credits pending a new wind power contract. The new contract takes effect June 1, 2020, will last 10 years, and will cover approximately 30 percent of WSSC's power needs at fixed kWh rates.

The "All Other" category includes all operating costs not otherwise broken out above, including: services by others (\$106.9 million), employee benefits (\$61 million), PAYGO (\$31 million), outside engineering (\$19.3 million), contract work (\$22.4 million), materials (\$14.1 million), contract restoration (operating cost portion of paving costs; \$14.4 million), chemicals (\$14.0 million), and a number of other items.

Compensation

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

WSSC FY21 Proposed Operating Expenditures (\$856.2m)



Even adding employee benefits² (which are included in the “All Other” category), personnel costs for FY21 make up less than 23 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County Government, where personnel costs are 52.9 percent of County Government expenditures in the FY21 Recommended Budget. MCPS’s personnel costs have historically represented about 90 percent of its budget.

WSSC’s operating “Salaries and Wages” costs are proposed to increase by \$3.7 million (2.9 percent). A total of \$5.7 million is for salary enhancements. WSSC is still in negotiations with its employee union so these costs represent a placeholder at this time.

WSSC’s personnel costs (and increases) are a small part of WSSC’s budget. The ratepayer impact of all salary changes from FY20 to FY21 (not just enhancements) is \$3.7 million, which equates to about a 0.56 percent rate increase. *Note: since WSSC’s budget is funded by ratepayers rather than by tax dollars, WSSC’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 WSSC budget can be adjusted as needed to conform with the approved County Government employee FY21 compensation increases.*

Balancing Revenues and Expenditures

Each 1.0 percent of rate increase provides an estimated \$6.5 million in revenue. WSSC’s Proposed Budget assumes a 7.0 percent rate increase with no changes assumed for its Account Maintenance Fee or Infrastructure Investment Fee. The following chart presents all the elements (plus and minus) that go into the rate increase request for FY21.

² Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other” expense category and total about \$59.5 million for FY20.

WSSC Water and Sewer Operating Funds Revenue and Expenditure Trends: FY20 to FY21

Combined Revenue	Approved FY20	Proposed FY21	change	% change	Impact on Rate (%)
Water and Sewer Rate Revenue (FY20 rates)	658,899,000	650,197,000	(8,702,000)	-1.3%	1.34
Customer Affordability Program	(0)		0	-100.0%	(0.00)
Account Maintenance Fee	32,296,000	32,360,000	64,000	0.2%	(0.01)
Infrastructure Renewal Fee	39,331,000	39,410,000	79,000	0.2%	(0.01)
Rockville Sewer Use	5,500,000	10,000,000	4,500,000	81.8%	(0.69)
Plumbing and Inspection Fees	12,900,000	14,470,000	1,570,000	12.2%	(0.24)
Interest Income	3,000,000	3,000,000	-	0.0%	-
Miscellaneous	19,800,000	20,800,000	1,000,000	5.1%	(0.15)
Total Revenues	771,726,000	770,237,000	(1,489,000)	-0.2%	0.23
Use of Fund Balance	11,341,000	8,000,000	(3,341,000)	-29.5%	0.51
Adjustments for REDO and SDC Debt Service Offset	19,553,000	18,772,000	(781,000)	-4.0%	0.12
Funds Available	802,620,000	797,009,000	(5,611,000)	-0.7%	0.86
Expenditures					
Salaries & Wages	129,676,000	133,197,000	3,521,000	2.7%	0.54
Heat, Light & Power	19,436,000	20,423,000	987,000	5.1%	(0.15)
Regional Sewage Disposal	59,000,000	58,000,000	(1,000,000)	-1.7%	0.15
All Other	257,185,000	286,022,000	28,837,000	11.2%	(4.44)
Debt Service	306,307,000	313,865,000	7,558,000	2.5%	(1.16)
PAYGO	31,016,000	31,016,000	-	0.0%	-
Total Expenditures	802,620,000	842,523,000	39,903,000	5.0%	(6.14)
Gap	0	45,514,000			(7.00)
Rate Increase Requirement		7.0%			

Debt service and heat, light, and power account for about a 1.3 percent rate increase. Salary and wage increases add about a 0.53 percent rate increase. However, the bulk of the rate increase is in the “All Other category (\$28.8 million, 4.4 percent rate increase impact).

The largest increase in the “All Other” category is \$13 million for a comprehensive rehabilitation of the Piscataway basin to reduce infiltration and inflow (I/I). As discussed during the spending control limits process last fall, these I/I issues were exacerbated by record rainfall in 2018 and the first part of 2019. These improvements are critical given that without these improvements, WSSC would need to consider much more expensive capacity improvements to the Piscataway Water Resource Recovery Facility.

As in past years, WSSC has identified service improvements it supports but that could not fit within the Proposed Budget including:

- a unidirectional flushing program of the water distribution pipe network to reduce discolored water complaints and improve water quality
- Testing all 43,000 fire hydrants on a ten-year cycle as recommended by the American Waterworks Association
- Expanding our leak detection program to provide proactive repairs and reduce water loss
- Implement the WSSC Water Right-of-Ways maintenance program to address routine and emergency access issues to WSSC Water assets

As recommended in past years, Council Staff suggests that these issues (as well as WSSC’s CIP pressures, which were previously discussed by the T&E Committee) be revisited as part of next fall’s spending control limits process.

Rate Increase History

WSSC Rate Increases Since FY99

The following table presents WSSC's rate increase history going back over 20 years and compares those increases to WSSC's Budget over that same time period.

**Table 1:
Rate Increase and Budget Increase Percentages**

Fiscal Year	Approved Rate Increase	WSSC Budget in (000s)
FY99	0.0%	443,575
FY00	0.0%	
FY01	0.0%	
FY02	0.0%	
FY03	0.0%	
FY04	0.0%	
FY05	3.0%	465,253
FY06	2.5%	
FY07	3.0%	
FY08	6.5%	
FY09	8.0%	
FY10	9.0%	
FY11	8.5%	
FY12	8.5%	
FY13	7.5%	
FY14	7.25%	
FY15	5.50%	707,190
Cumulative Increase (FY99-15):	95.2%	59.4%
- equivalent annual increase	4.01%	2.78%
Cumulative Increase (FY05-15):	85.0%	52.0%
- equivalent annual increase	5.75%	3.88%

Table 1 above, highlights several key points about WSSC rate increases since FY99 and since FY05.

- Rates increased 95.2 percent from FY99 through FY15 (prior to the change in the Account Maintenance Fee in FY16 and the phase-in of the Infrastructure Investment Fee in FY16 and FY17).
- The equivalent annual rate increase (to achieve the same 95.2 percent increase over that time period) is 4.01 percent.
- Expenditures increased 59.4 percent during that same period (equivalent to a 2.78 percent increase per year).³
- The change in the consumer price index (CPI) from 1999 to 2015 was 49.1 percent.
- A similar analysis from FY05 to FY15 is also shown in the table. This comparison does not include the earlier five straight years of no rate increase, so the equivalent annual rate increase is higher.

³ 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's primary source of funding is from volumetric water and sewer fees. Water production has been flat over the past 20 years, despite increases in the population served, due to declining per capita water usage. Water conservation has a negative impact on WSSC's rate revenue. This impact was exacerbated by WSSC'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.

Expenditure increase percentages are also higher during this same period, but still well below the rate increases.

Rate Comparisons

The Proposed Operating Budget includes two updated charts from the WSSC Briefing slides (see ©25-26) 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 is in the lower half for residential bill comparisons and near the bottom for the bill comparison as a percentage of median income.

WSSC and Fairfax County

WSSC provided a more detailed look at area water and sewer rates in response to the Montgomery County Taxpayers League concern that WSSC has water rates double that of Fairfax Water. This concern was raised again by the Taxpayers League at last year's Council Operating Budget public hearing. An excerpt summarizing WSSC's response to this point last year is provided below:

- *A comparison of water rates to Fairfax is problematic because the Fairfax water rates have only one tier and include a seasonal charge. The current WSSC rate structure has sixteen tiers and no seasonal rates. Therefore, a comparison of bill impact rather than just rates is more relevant.*
- *As the attached bill comparison chart indicates, for average residential use of 55 gallons per day per person for the average size household, the WSSC bill is actually the lowest in the region compared to Baltimore, DC Water, Arlington, and Fairfax.*
- *I have also attached a chart prepared by DC Water and is included in its Comprehensive Annual Financial Report to compare the average residential bill with other regional utilities. In this analysis, WSSC's average bill is well below the regional average including Baltimore and DC Water though slightly above Fairfax Water.*
- *Fairfax Water, being established in 1957, has relatively new infrastructure compared to WSSC which was established 100 years ago in 1918.*
- *By comparison, portions of WSSC's buried water mains are over 80 years old and nearly 40% of our water & sewer main (11,000 miles) are over 50 years old. The WSSC water main network is over 40% larger than Fairfax's (5,794 miles vs. 3,995 miles) which imposes significant, additional maintenance and infrastructure obligations on WSSC.*
- *Fairfax Water is not responsible for wastewater treatment as WSSC is. While sewer rates are set separately, having this responsibility drives a large portion of WSSC's overhead costs including human resources, benefits, legal and procurement obligations.*

2016 Benchmarking Study

In July 2016, the T&E Committee received a briefing from the consultants who performed WSSC's Utility Benchmarking and Organizational Efficiency Review. This study had been supported by both Councils as part of the FY16 budget.

WSSC had not had a comprehensive benchmarking study since the late 1990s. That previous effort (which included benchmarking and then substantial multi-year follow up by WSSC work teams) ultimately led to a reduction in WSSC staffing from 2,120 in FY96 to 1,458 in FY06 (a reduction of 662 positions, or over 30 percent of the workforce).

From FY06 through FY17, WSSC steadily increased its workforce up to 1,776 positions. However, the FY18 through FY20 budgets kept position totals unchanged and the FY21 Recommended Budget also assumes no increase in positions.

Much of WSSC's ramp-up in staffing and rates has been a result of its increased infrastructure recapitalization work in recent years to address aging water/sewer pipe infrastructure. WSSC has also faced increased environmental regulation costs over time (such as its Sanitary Sewer Overflow (SSO) Consent Decree).

Given the increases in staffing, costs, and rates over the past decade, both counties agreed that a benchmarking study would be helpful to provide a more current assessment of WSSC compared to other similar utilities on a number of measures, and where WSSC's major operations may be improved.

Some of the conclusions of the benchmarking study included:

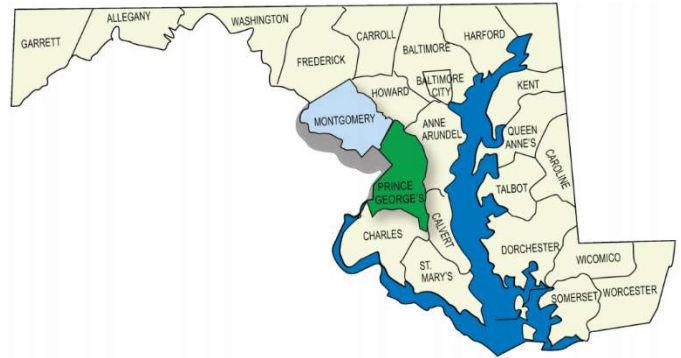
- WSSC's current staffing appears to be at or below the median compared with its peers.
- For current average single-family residential bills across large national and regional water/sewer utilities, WSSC's bills are at or below the average in terms of total and affordability (as a percentage of household income). However, because of WSSC's current inclining block rate structure (with customers charged for all water used at increasing amounts based on average daily consumption), the affordability impact is much greater for higher water users.
- The study also looked at best practices for WSSC operations. Of these, WSSC exceeded the industry median in 6 of 10 attributes. Opportunities for improvement were found in the areas of customer satisfaction, operational optimization, and infrastructure stability.
- In terms of financial performance, the results were mixed. WSSC is the only utility reviewed with an across-the-board AAA bond rating. WSSC also has the lowest percentage of revenue coming from its top 10 customers. However, WSSC is above the median in debt per capita and has an above average "capital intensity" (ratio of net asset value to revenues).
- The best practices review found three areas – customer service, Fleet, and CIP-asset management – that were recommended for initial focus for improvements. Procurement and utility services also showed potential for significant improvement.

In response to the benchmarking study, each affected WSSC department developed action plans to implement recommendations in the study. WSSC Staff will be available at the Council meeting to provide further information on this work.

OVERVIEW

GENERAL INFORMATION

WSSC Water provides water and sewer services to approximately 1.8 million residents of Maryland's Montgomery and Prince George's Counties, which border Washington, D.C. Established by the Maryland General Assembly in 1918 as a regional (bi-county) agency under Article 29 and later re-codified into Division II of the Public Utilities Article of the Annotated Code of Maryland. The agency ranks among the largest water and sewer utilities in the country encompassing a service area of nearly 1,000 square miles.



To fulfill its primary mission of providing safe and reliable water and returning clean water to the environment, WSSC Water operates and maintains an extensive array of highly automated facilities. The agency's two water filtration plants (WFPs), drawing raw water from the Potomac and Patuxent rivers, are projected to produce an average of 164 million gallons of water per day in FY 2021 and deliver that water to homes and businesses in Montgomery and Prince George's Counties, serving over 475,000 customer accounts through a system of over 5,900 miles of water mains. To ensure a reliable water supply for all seasons and conditions, WSSC Water operates three reservoirs with a total capacity exceeding 14 billion gallons.

How long is 11,600 miles of water and sewer pipeline



and the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains) operated by the District of Columbia Water and Sewer Authority (DC Water). In FY 2021, it is projected that an average of 197.2 million gallons of wastewater per day from Montgomery and Prince George's Counties will move to these facilities through approximately 5,700 miles of sewer lines maintained by WSSC Water. The six WRRFs owned by the agency have a combined capacity of 95 million gallons per day (MGD). Blue Plains is a regional facility that serves the District of Columbia and several northern Virginia jurisdictions, as well as WSSC Water. Under the Inter-Municipal Agreement that governs the agency's arrangement with Blue Plains, WSSC Water is allocated 169 MGD of Blue Plains' 370 MGD capacity. The agency, in turn, pays a proportionate share of Blue Plains' operating and capital expenses. All but one of these facilities (the Hyattstown plant) go beyond conventional wastewater treatment to provide "tertiary treatment" - advanced treatment processes which ensure that the quality of the treated wastewater is better than the quality of the natural water to which it is returned.

The agency also reviews preliminary subdivision plats as to suitability of water and sewer design; reviews street grades where there are agency facilities; formulates regulations, issues permits, and inspects all plumbing and gas fitting installations; and conducts examinations for master and journeyman plumbers and gasfitters, and issues licenses to those qualified to perform plumbing and gas-fitting work.

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GOVERNANCE

Commissioners

A six-member commission governs WSSC Water - three members from each County. The Commissioners are appointed to four-year terms by their respective County Executives and confirmed by their County Councils. The agency's powers and responsibilities are set forth in Division II of the Public Utilities Article of the Annotated Code of Maryland and in any subsequent legislative amendments. The Maryland General Assembly conferred these powers upon WSSC Water to enable it to fulfill its principal functions:

- To provide for the construction, operation, and maintenance of water supply and sanitary sewerage systems in Montgomery and Prince George's Counties
- To provide for the construction of water and sewer house connection lines from the agency's mains to abutting property lines
- To approve the locations of, and issue permits for, utilities installed in public ways
- To establish water consumption rates, sewer usage rates, connection charges, front foot benefit charges, and permit fees and, if required, to cause appropriate ad valorem taxes to be levied



PRINCE GEORGE'S COUNTY



Chris Lawson
Chair



Sandra L. Thompson
Commissioner



Keith E. Bell
Commissioner



MONTGOMERY COUNTY



T. Eloise Foster
Vice Chair

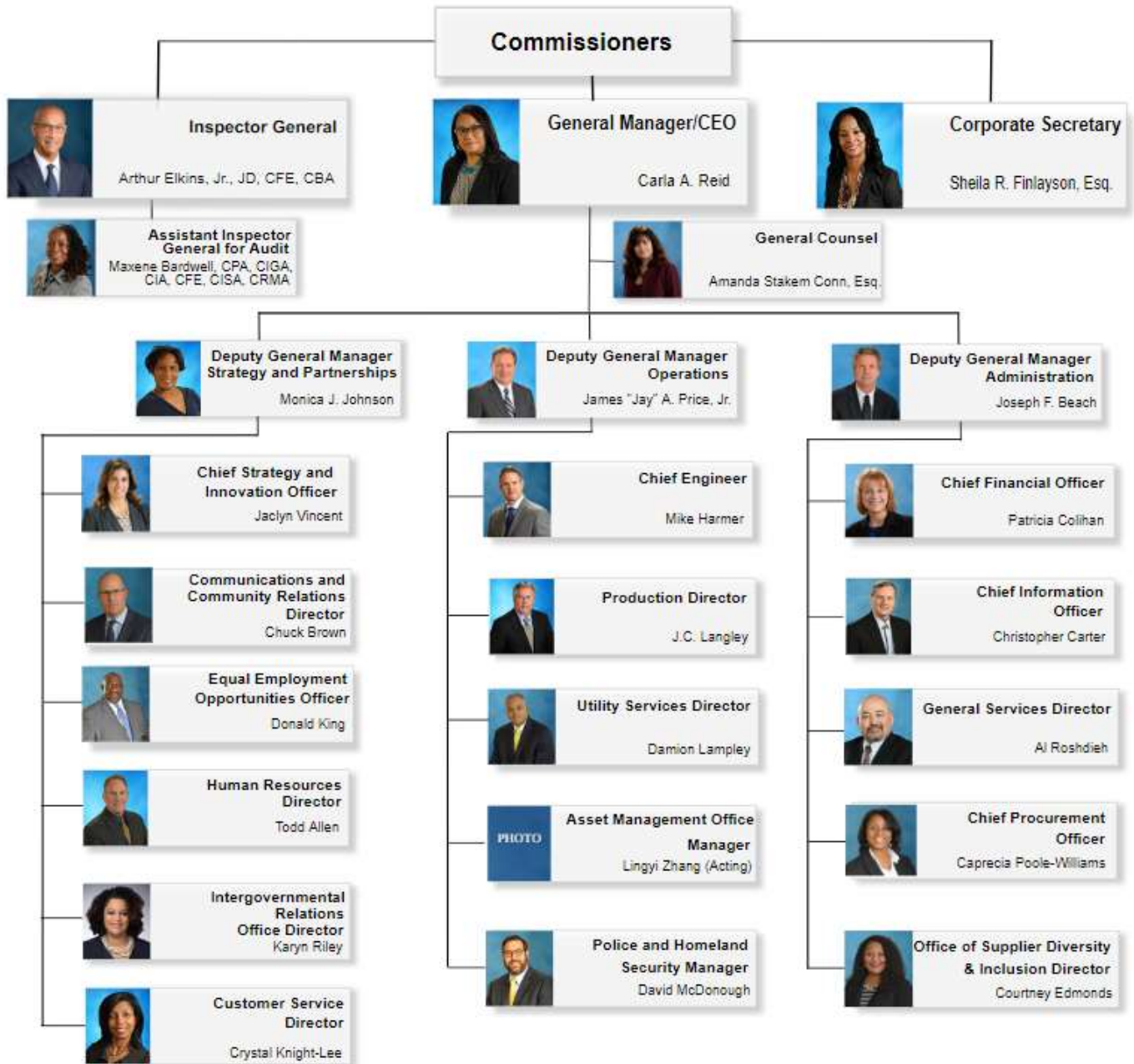


Fausto R. Bayonet
Commissioner



Howard A. Denis
Commissioner

OUR LEADERSHIP AND ORGANIZATION





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

March 1, 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:

We are hereby transmitting WSSC Water's Proposed Fiscal Year 2021 (FY 2021) Capital and Operating Budget document. This document is released and distributed on this date for review by interested customers, citizens, and elected officials.

This proposed budget reflects our continued mission to our customers to provide safe and reliable water, life's most precious resource, and return clean water to the environment, all in an ethical, sustainable, and financially responsible manner. The programs, goals, and objectives included in this budget seek to achieve the WSSC Water's mission through the following strategic priorities:

- Enhance Customer Experience
- Optimize Infrastructure
- Spend Customer Dollars Wisely
- Protect our Resources
- Transform Employee Engagement

FY 2021 PROPOSED CAPITAL AND OPERATING BUDGETS

The proposed budget for Fiscal Year 2021 for all operating and capital funds totals \$1.463 billion or \$7.0 million (0.5%) more than the Approved FY 2020 Budget. The proposed operating budget of \$856.2 million represents an increase of \$38.8 million (4.7%) over the FY 2020 Approved Operating Budget of \$817.4 million. The primary cost drivers are the holistic rehabilitation of the Piscataway basin to help address excess flows at the Piscataway Water Resource Recovery

Facility (WRRF) and help prevent permit violations; increased operating costs for this WRRF, and debt service on infrastructure renewal. Other cost drivers include bio-solids hauling and additional funding to stabilize business operations using the new Customer-to-Meter (C2M) billing system stabilization. When controlling for the non-discretionary increases in debt service and Piscataway related costs, the FY 2021 Operating Budget is only 2.5% over the FY 2020 Approved Budget.

The proposed capital budget of \$606.7 million represents a decrease of \$31.8 million (-5.0%) from the FY 2020 Approved Capital Budget of \$638.5 million. This decrease is due to construction progress on the Trunk Sewer Reconstruction Consent Decree work and some significant projects winding down such as the Brink Zone Water Storage Improvements and the Broad Creek Waste Water Pumping Station Augmentation projects.

The proposed budget calls for a combined 7.0% average increase in water and sewer consumption revenue. This proposed increase meets the Spending Affordability Guidelines (SAG) as both Prince George's and Montgomery counties recommended up to 7.0%. Even with this change, WSSC Water rates continue to be favorable when compared to many similar sized water and sewer utilities. The average WSSC Water customer's residential bill is 1% (Section 2) of the median household income. The rate increase will add approximately \$13.26 (6.1% bill increase) per quarter to the bill of a customer using 165 gallons per day, the average per person consumption of 55 gallons per day for a 3-person household.

It is important to point out that WSSC Water's budget is capital intensive and driven by changes in the construction market, commodity prices and tariffs. It is not driven by the more commonplace consumer price index (CPI). Other investments drive our budget, including: compliance with the Sanitary Sewer Overflow (SSO) and the Potomac River Consent Decrees; environmental regulation directives; maintaining the security of our water infrastructure and for our employees working in the field; and Information Technology improvements to streamline our business processes. Many of these costs are legally mandated and not easily deferred or reduced.

CUSTOMER AFFORDABILITY

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, there are still many residents who struggle to meet their monthly expenses. In response to this need, the Customer Assistance Program (CAP) was created in FY 2016 to help economically disadvantaged customers by providing financial assistance with water and sewer bills. There are currently 12,655 customers enrolled in CAP who will save \$1.2 million in fixed fees in FY 2021. This budget includes funding for enhancements to customer service including programs that will provide conservation kits and plumbing inspections for qualifying customers.

In addition, in accordance with House Bill 408 enacted in the FY 2018 legislative session, the proposed budget includes \$100,000 to fund the second year of the new Connection Pipe Emergency Replacement Loan Program which provides affordable financing of up to \$5,000 per eligible customer.

SPENDING AFFORDABILITY GUIDELINE LIMITATIONS

In order to reconcile our Departments' initial FY 2021 budget requests with the Counties' Spending Affordability Guidelines, a funding gap of \$25.8 million dollars was closed. Actions included limiting growth for certain programs and the very difficult decision not to reinstate important programs and functions that were removed in previous fiscal years. For the fourth consecutive year, this budget includes no new positions. Although this budget provides funding for critical improvements required in the Piscataway basin, the stabilization of C2M business operations as well as much needed maintenance at some WSSC Water facilities, we must continue to defer implementing some important improvements that would support and advance our strategic priorities including:

- Implementing a system-wide flushing program of our water distribution pipe network in order to reduce discolored water complaints and improve water quality;
- Testing all 43,000 fire hydrants in our service area on a ten-year cycle; a best practice recommended by the American Water Works Association; and
- Accelerating large water valve inspections from a four-year to a three-year cycle.

COST SAVING MEASURES

This budget reflects WSSC Water's continuing commitment to maintaining affordability through the active pursuit and implementation of cost savings measures. In addition to the reductions in the operating and capital budgets noted above, the agency has several ongoing strategies to identify more cost-effective ways of providing clean water to our customers including the following:

- Our efforts in the Supply Management project, which have been supported by the Commission and both Counties since FY 2013, have produced significant cost reductions in excess of \$47.0 million in the operating and capital budgets since the inception of this program and cost avoidance savings of nearly \$45.0 million during the same period. If not for these intensive efforts in contract negotiation and cost management, additional rate increases, or service reductions would have been necessary. During FY 2019, our efforts resulted in \$8.8 million in cost reductions.
- By continually monitoring and revising our Group Insurance plan design we have identified \$4.3 million in savings since FY 2017;
- There has been no net increase in the number of WSSC Water positions since FY 2017, and we have currently frozen the hiring of 30 to produce ongoing personnel cost savings;
- Changes to our Workers Compensation have resulted in the following:
 - 62% reduction in lost workday cases
 - 25% reduction in lost work days
 - 50% reduction in claims totals (\$425,000)
- Our Innovation program has identified promising methods for identifying and remediating water system leakages as well as new approaches to wastewater treatment that may significantly reduce processing costs while improving our environmental stewardship efforts; and

- Changes made in monitoring and supervision of overtime costs have reduced these expenses by \$3.0 million since FY 2017.

OPTIMIZE INFRASTRUCTURE

New technologies and tools are emerging to help WSSC Water better assess the condition of our existing water/sewer mains so we can improve our ability to target pipes in need of replacement. Because we are better able to identify pipes in poor condition, WSSC Water decreased the Water Reconstruction Program (rehabilitation of smaller water mains <16 inches in diameter) over the next few years from 45 miles in FY 2019 to 25 miles in FY 2020 and FY 2021. This strategic reduction frees up the resources required for WSSC Water to develop a more efficient and effective Water Reconstruction Program, enabling us to develop our enhanced pipe condition assessment program over the next several years. In addition, new water main rehabilitation technologies to help control costs while also minimizing disruption for our customers are being evaluated.

For large diameter water mains, the Pre-stressed Concrete Cylinder Pipe (PCCP) Program provides for the ongoing acoustic fiber optic (AFO) monitoring of over 100 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 begin the replacement of pipe with one-half mile projected for FY 2021, eventually building the program up to two miles per year. Replacement of ferrous pipes is projected to increase from four miles to six miles per year. 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 MODERNIZATION

In addition to our ongoing investments in WSSC Water's physical infrastructure, the FY 2021 budget invests in our organizational infrastructure. Strategic contributions from Fund Balance will be used to modernize our IT infrastructure and streamline our business processes and help lay the foundation for Advanced Metering Infrastructure project.

SPENDING AFFORDABILITY

WSSC Water, in cooperation with the Montgomery County and Prince George's County governments, continues to participate in the spending affordability process. 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, 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 the WSSC Water's FY 2021 budget. As indicated in the following table, the proposed FY 2021 budget meets the spending affordability limits for New Water and Sewer Debt, Debt Service and Average Water/Sewer Rate Increase.

WSSC FY 2021 PROPOSED BUDGET VS. SPENDING AFFORDABILITY LIMITS
(\$ in Millions)

	FY 2021 Proposed Budget	Prince George's County Limit	Montgomery County Limit
New Water and Sewer Debt	\$409.9	\$409.9	\$409.9
Total Water and Sewer Debt Service	\$313.9	\$313.9	\$313.9
Total Water/Sewer Operating Expenses	\$842.5*	\$837.7	\$837.7
Water/Sewer Rate Revenue Increase	7.0%	7.0%	7.0%

*Covered by offsetting non rate related funding sources

The proposed budget provides for:

- Implementing the first year of the FYs 2021-2026 Capital Improvement Program (CIP);
- Paying WSSC Water's share of operating (\$58 million in FY 2021) and capital costs (\$60 million in FY 2021; \$443 million FYs 2021-2026) for the District of Columbia Water and Sewer Authority's (DC Water) Blue Plains Wastewater Treatment Plant;
- Initiating Advanced Metering Infrastructure (AMI) so customers can better track their water usage, which can significantly reduce their bills and save them money
- Paying debt service of \$325.6 million - of which \$313.9 million is in the Water and Sewer Operating Funds;
- Rehabilitating holistically the Piscataway basin to reduce infiltration and inflow;
- Funding additional operating costs at the Piscataway WRRF due to increased flows;
- Funding maintenance and repairs at critical facilities;
- Replacing 25 miles of water mains and 26 miles of sewer mains and lateral lines;
- Funding \$67.9 million for large diameter pipe rehabilitation. This includes \$32.9 million for PCCP inspection, repair, and acoustic fiber optic monitoring of the pipes' condition; \$31.9 million for large diameter repairs and cathodic protection; \$3.1 million for large valve inspections, replacement, and repairs;
- Complying with the Sanitary Sewer Overflow and the Potomac Plant Consent Orders;
- Operating and maintaining a system of 3 reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 6 WRRFs, 5,900 miles of water main, and 5,700 miles of sewer main 24 hours a day, 7 days a week; and
- Proposing competitive salary enhancement considering the Counties' compensation proposals and collective bargaining agreements.

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, some new fees and adjustments to current fees are recommended (Section 2).

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 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 recommend the same this year.

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, 2020.

Sincerely,



Chris Lawson
Commission, Chair

cc:

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

COMPARATIVE EXPENDITURES BY FUND

(\$ in Thousands)	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Approved	FY 2021 Proposed	FY 2021 Over / (Under) FY 2020	% Change
Operating Funds							
Water Operating	\$ 300,599	\$ 320,088	\$ 339,200	\$ 352,472	\$ 368,437	\$ 15,965	4.5%
Sewer Operating	374,234	385,527	419,633	450,148	474,086	23,938	5.3%
General Bond Debt Service	15,557	19,108	18,847	14,773	13,660	(1,113)	-7.5%
Total Operating	690,390	724,723	777,680	817,393	856,183	38,790	4.7%
Capital Funds							
Water Supply	\$ 263,569	\$ 261,602	\$ 210,783	\$ 287,256	257,227	\$ (30,029)	-10.5%
Sewage Disposal	280,632	190,058	152,891	334,377	308,386	(25,992)	-7.8%
General Construction	12,784	23,555	23,121	16,893	41,116	24,224	143.4%
Total Capital	556,985	475,215	386,795	638,526	606,729	(31,797)	-5.0%
Grand Total	\$ 1,247,375	\$ 1,199,938	\$ 1,164,475	\$ 1,455,919	\$ 1,462,912	\$ 6,993	0.5%

COMPARATIVE EXPENDITURES BY MAJOR EXPENSE CATEGORY

(\$ in Thousands)	FY 2019 Actual			FY 2020 Approved			FY 2021 Proposed		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Expense Categories									
Salaries & Wages	\$ 27,293	\$ 125,851	\$ 153,144	\$ 27,154	\$ 130,134	\$ 157,288	\$ 29,080	\$ 133,866	\$ 162,946
Heat, Light & Power	-	19,683	19,683	-	19,444	19,444	-	20,431	20,431
Regional Sewage	-	54,809	54,809	-	59,000	59,000	-	58,000	58,000
Contract Work	202,735	14,263	216,998	383,332	15,167	398,499	353,066	22,446	375,512
Consulting Engineers	51,872	19,388	71,260	58,073	17,761	75,834	77,182	19,326	96,508
Debt Service	-	292,656	292,656	-	319,883	319,883	-	325,593	325,593
All Other	104,895	251,030	355,925	169,967	256,004	425,971	147,401	276,521	423,922
Grand Total	\$ 386,795	\$ 777,680	\$ 1,164,475	\$ 638,526	\$ 817,393	\$ 1,455,919	\$ 606,729	\$ 856,183	\$ 1,462,912

PROPOSED RATES, FEES AND CHARGES

COMBINED WATER/SEWER OPERATING FUNDS – FY 2021 PROPOSED RATE IMPACT

7.0% Average Water and Sewer Rate Increase

Funding Sources	FY 2021 Proposed
	(\$ in Thousands)
Revenues at Current Rates	
Consumption Charges	\$ 650,197
Account Maintenance Fee	32,360
Infrastructure Investment Fee	39,410
Miscellaneous Revenues	48,270
Subtotal	770,237
Use of Fund Balance	8,000
Reconstruction Debt Service Offset	9,500
System Development Charge Debt Service Offset	5,772
Premium Transfer	1,500
Underwriters Discount Transfer	2,000
Total Funding Sources	797,009
Requirements	
Expenditures	
Operating, Maintenance & Support Services Expenses	497,642
Debt Service	313,865
Debt Reduction (PAYGO)	31,016
Total Expenditures	842,523
Shortfall to be Covered by Rate Increase	\$ (45,514)
Proposed Average Water and Sewer Rate Increase	7.0%

The FY 2021 Proposed Budget calls for a combined 7.0% average increase in water and sewer consumption revenue. This proposed increase meets the 7.0% Spending Affordability Guidelines (SAG) limit recommended by both Prince George’s and Montgomery Counties. Even with this change, WSSC Water rates remain favorable when compared to many other comparable water and sewer utilities and the average residential bill is 1.0% of the median household income as shown on page 2-5.

WATER AND SEWER RATE SCHEDULES

Rate Schedule Proposed for Implementation July 1, 2020

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2021 July 1, 2020 Proposed		Total
	Water Rates	Sewer Rates	Combined
	Per 1,000 Gallons		
0 - 80.9999	\$ 5.41	\$ 7.31	\$ 12.72
81 - 165.9999	6.10	8.13	14.23
166 - 275.9999	7.04	10.18	17.22
276 & Greater	8.25	13.44	21.69

Proposed Flat Rate Sewer Charge - \$135.00 per quarter

Current Rate Schedule

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2020 July 1, 2019 Approved		Total
	Water Rates	Sewer Rates	Combined
	Per 1,000 Gallons		
0 - 80.9999	\$ 5.09	\$ 6.80	\$ 11.89
81 - 165.9999	5.74	7.56	13.30
166 - 275.9999	6.62	9.47	16.09
276 & Greater	7.76	12.50	20.26

Current Flat Rate Sewer Charge - \$125.00 per quarter

QUARTERLY CUSTOMER BILLS AT VARIOUS CONSUMPTION LEVELS

Meter Size	Average Daily Consumption (Gallons Per Quarter)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
3/4" Residential Meter	100 (9,125 gal/qtr)	\$ 119.53	\$ 122.72	\$ 127.01	\$ 138.94	\$ 146.69
3/4" Residential Meter	165 (15,056 gal/qtr)	200.09	206.12	213.95	217.83	231.09
3/4" Residential Meter	500 (45,625 gal/qtr)	789.94	816.40	851.99	794.66	848.58
2" Meter	1,000 (91,250 gal/qtr)	1,821.65	1,878.23	1,952.14	1,903.02	2,022.18
3" Meter	5,000 (456,250 gal/qtr)	8,881.75	9,169.19	9,552.44	9,736.92	10,378.03
6" Meter	10,000 (912,500 gal/qtr)	18,491.90	19,085.00	19,878.88	19,748.55	21,042.10

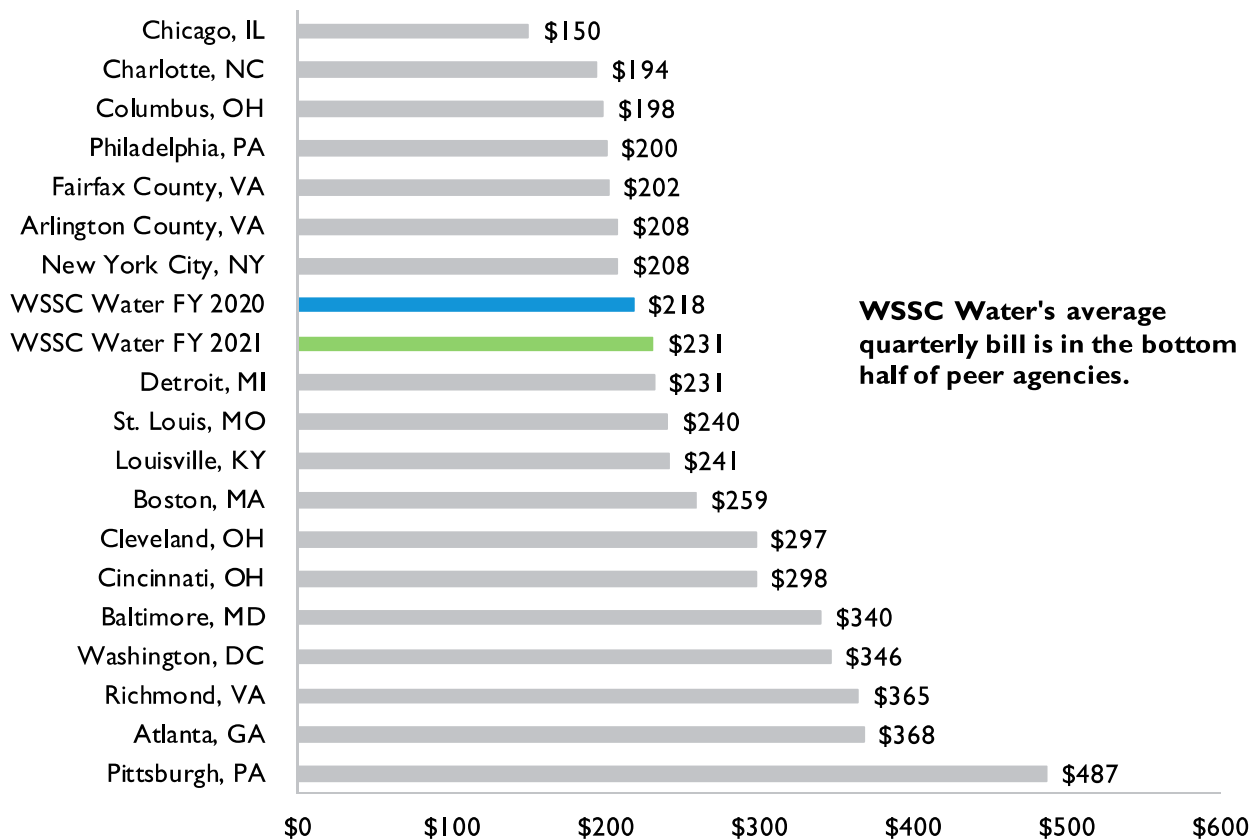
Quarterly customer bills include the Account Maintenance Fee and Infrastructure Investment Fee shown on pages 2-7 and 2-8.

WATER/SEWER BILL COMPARISON

Quarterly Bill Comparison

Presented below is a comparison of WSSC Water’s average quarterly residential bill for water and sewer services at 165 gallons per day to the equivalent bill from 18 other cities and communities, both locally and nationally. The consumption level of 165 gallons per day is used for comparison because it represents the average household in WSSC Water’s service area, a 3-person household using 55 gallons of water per person per day. The rates used in this comparison were in effect November 2019. The chart includes WSSC Water bills at FY 2020 approved and FY 2021 proposed rates. As shown in the chart, the quarterly bills in the other communities range from a low of \$150 in Chicago, Illinois to a high of \$487 in Pittsburgh, Pennsylvania. WSSC Water ranks in the bottom half of the peer agencies, with quarterly bills of \$218 in FY 2020 and \$231 in FY 2021. Therefore, WSSC Water’s rates and fees are competitive both locally and nationally.

Residential Quarterly Water/Sewer Bill Comparison (165 Gallons per Day)

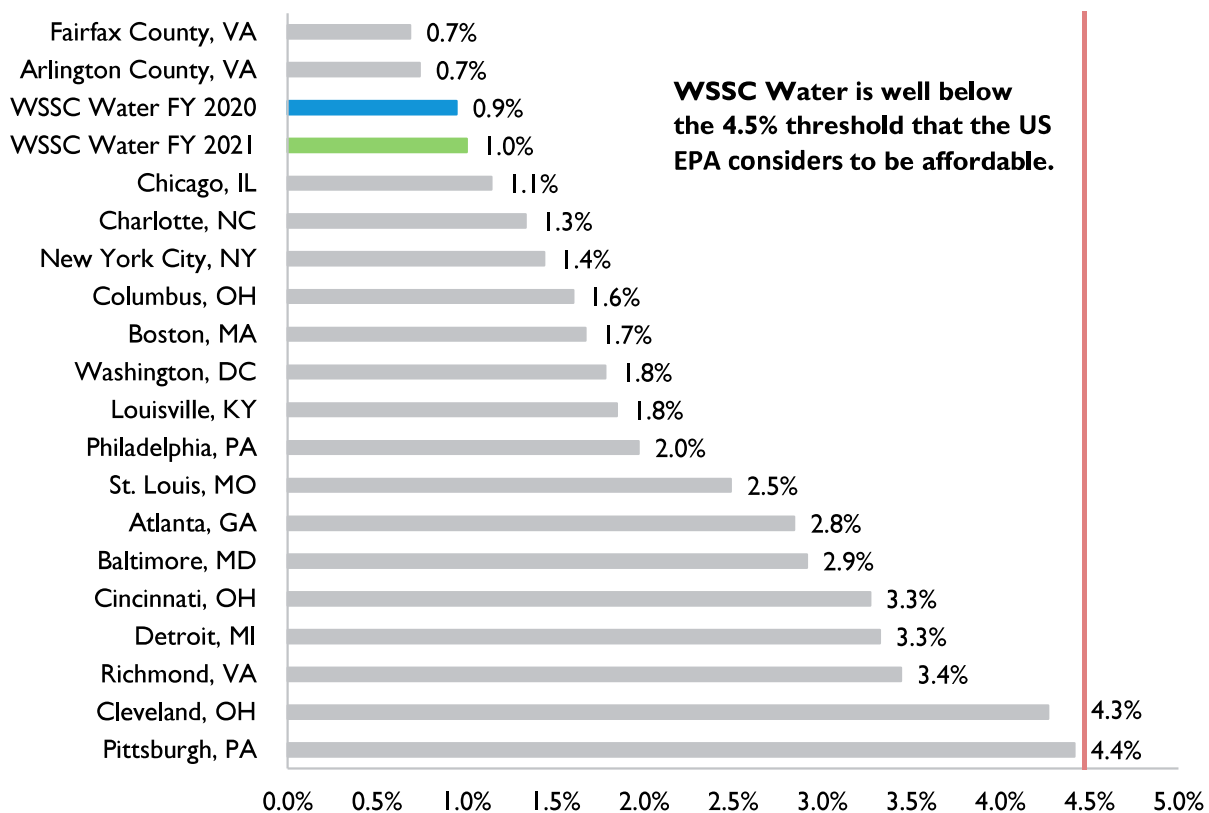


WATER/SEWER BILL COMPARISON (CONTINUED)

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 165 gallons of water per day. The average annual bill from WSSC Water in FY 2021 is only 1.0% of the median household income of its customers, a slight increase from the 0.9% in FY 2020. This places WSSC Water at the bottom end of the peer agencies, with only two agencies (Fairfax and Arlington counties in Virginia) having lower percentages. Additionally, WSSC Water is well below the 4.5% threshold that the US Environmental Protection Agency (EPA) considers to be affordable for customers.

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



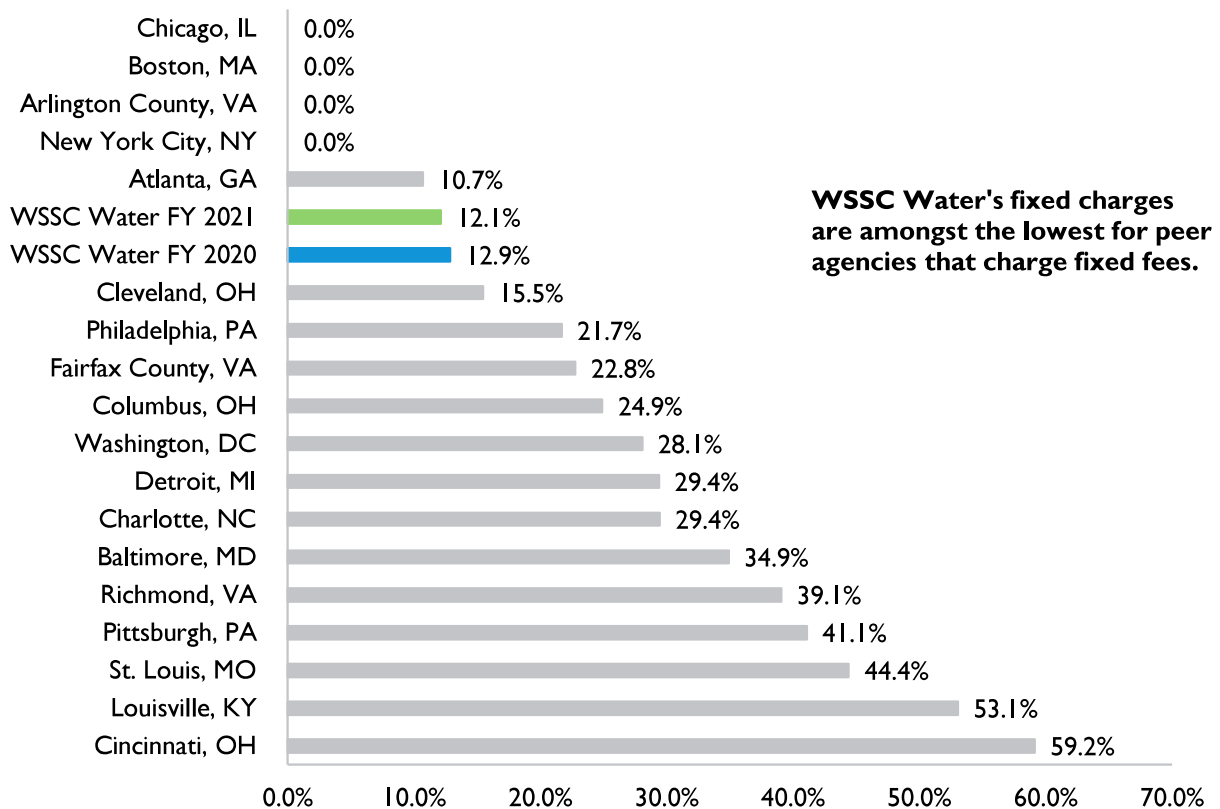
Median household income (in 2017 dollars) 2013-2017. Figures gathered from www.census.gov, 2013-2017 American Community Survey 5-Year Estimates.

WATER/SEWER BILL COMPARISON (CONTINUED)

Percentage of Bill from Fixed Charges Comparison

A comparison of the percentage of the average residential bill, at 165 gallons per day, that is due to fixed charges is shown below for WSSC Water and the 18 other cities and communities reviewed. Four of the peer agencies (Chicago, Illinois; Boston, Massachusetts; Arlington County, Virginia; 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 has the second lowest percentage of its bill that is derived from those fees. In FY 2020, 12.9% of the average residential bill from WSSC Water was attributable to fixed fees. In FY 2021, that percentage has dropped to 12.1%, as the water and sewer rates have increased but fixed fees have remained the same.

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



ACCOUNT MAINTENANCE FEES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

<u>Meter Size</u>	FY 2020 Current <u>Quarterly Charges</u>	FY 2021 Proposed <u>Quarterly Charge</u>
<u>Small Meters</u>		
5/8" to 1"	\$ 16.00	\$ 16.00
<u>Large Meters</u>		
1-1/2"	16.00	16.00
2"	27.00	27.00
3"	66.00	66.00
4"	142.00	142.00
6"	154.00	154.00
8"	200.00	200.00
10"	246.00	246.00
<u>Detector Check</u>		
<u>Meters</u>		
2"	33.00	33.00
4"	177.00	177.00
6"	255.00	255.00
8"	461.00	461.00
10"	633.00	633.00
<u>Fire Service</u>		
<u>Meters</u>		
4"	182.00	182.00
6"	293.00	293.00
8"	452.00	452.00
10"	682.00	682.00
12"	989.00	989.00

This is a quarterly fee which is prorated based on the length of the billing cycle.

INFRASTRUCTURE INVESTMENT FEES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

<u>Meter Size</u>	FY 2020 Current <u>Quarterly Charges</u>	FY 2021 Proposed <u>Quarterly Charges</u>
<u>Small Meters</u>		
5/8"	\$ 11.00	\$ 11.00
3/4"	12.00	12.00
1"	14.00	14.00
<u>Large Meters</u>		
1-1/2"	90.00	90.00
2"	185.00	185.00
3"	585.00	585.00
4"	813.00	813.00
6"	1,265.00	1,265.00
8"	2,845.00	2,845.00
10"	4,425.00	4,425.00
<u>Fire Service</u>		
<u>Meters</u>		
4"	499.00	499.00
6"	616.00	616.00
8"	2,524.00	2,524.00
10"	2,714.00	2,714.00
12"	5,214.00	5,214.00

This is a quarterly fee which is prorated based on the length of the billing cycle.

SYSTEM DEVELOPMENT CHARGE – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

	FY 2020 Current Charges	FY 2021 Proposed Charges	Current Maximum Allowable	Proposed Maximum Allowable
Apartment				
Water	\$ 896	\$ 896	\$ 1,330	\$ 1,346
Sewer	1,140	1,140	1,694	1,714
1-2 toilets/residential				
Water	1,344	1,344	1,998	2,022
Sewer	1,710	1,710	2,538	2,568
3-4 toilets/residential				
Water	2,240	2,240	3,328	3,368
Sewer	2,850	2,850	4,234	4,285
5 toilets/residential				
Water	3,135	3,135	4,658	4,714
Sewer	3,991	3,991	5,929	6,000
6+ toilets/residential (per fixture unit)				
Water	88	88	132	134
Sewer	115	115	173	175
Non-residential (per fixture unit)				
Water	88	88	132	134
Sewer	115	115	173	175

No increase is proposed for the System Development Charge for FY 2021 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 1.2% 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 2018 to November 2019.

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

The agency 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, 2020.

Inspections, Licenses, and Permits

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
I Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup			
<u>Plumbing and Gasfitting Inspections</u>			
New Single Family Detached Dwellings	\$ 919	\$ 1,011	Yes
New Attached Dwellings (townhouse/multiplex excluding apartments)	919	1,011	Yes
<u>All Other Residential:</u>			
Water/Well Hookup	120	132	Yes
Meter Yoke Inspection (meter only installation)	120	132	Yes
Water Hookup Converting from Well (includes 2 inspections)	240	264	Yes
Sewer/Septic Hookup	120	132	Yes
First Plumbing Fixture	120	132	Yes
Each Additional Fixture	46	53	Yes
SDC Credit Fixture Inspection (per fixture)	44	48	Yes
Minimum Permit Fee	220	242	Yes
Permit Reprocessing Fee	66	73	Yes
Long Form Permit Refund Fee (1B write-up form)	220	242	Yes
Long Form Permit Re-Issue Fee	220	242	Yes
<u>All Non-Residential:</u>			
<u>Plan Review (without Permit Application)</u>			
25 Fixtures or Less	499	534	Yes
26-200 Fixtures	1,772	2,038	Yes
Over 200 Fixtures	3,531	4,061	Yes
<u>2nd or 3rd Review (with or without Permit Application)</u>			
25 Fixtures or Less	173	187	Yes
26-200 Fixtures	397	457	Yes
Over 200 Fixtures	846	973	Yes
Water/Well Hookup	214	235	Yes
Meter Yoke Inspection (meter only installation)	214	235	Yes
Sewer/Septic Hookup	214	235	Yes
FOG Interceptor	214	235	Yes
First Plumbing Fixture	214	235	Yes
Each Additional Fixture	55	59	Yes
SDC Credit Fixture Inspection (per fixture)	44	48	Yes
Minimum Permit Fee	306	337	Yes
Permit Reprocessing Fee	65	73	Yes
Long Form Permit Refund Fee (1B write-up form)	320	352	Yes
Long Form Permit Re-Issue Fee	320	352	Yes

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Inspections, Licenses, and Permits (Continued)

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
2 License Fees for the Regulated Trades			
<u>Reciprocal Master Plumber, Gasfitter:</u>			
Initial Registration per type (for 2 years)	\$ 112	\$ 123	Yes
Registration Renewal all types (for 2 years)	96	106	Yes
Late Registration Renewal	57	63	Yes
<u>Examined Master Plumber, Gasfitter:</u>			
Initial Registration per type (for 4 years)	118	130	Yes
Registration Renewal all types (for 4 years)	118	130	Yes
Late Registration Renewal	57	63	Yes
Cross-connection Technician Registration	29	32	Yes
Sewer and Drain Registration and Renewal (for 2 years)	46	53	Yes
Sewer and Drain Late Renewal Fee	22	24	Yes
<u>Journeyman License Registration:</u>			
Initial Registration (for 2 years)	34	37	Yes
Registration Renewal (for 2 years)	34	37	Yes
Late Registration Renewal	23	25	Yes
License Transfer Fee	31	31	-
License Replacement Fee	17	18	Yes
Apprentice License Registration Renewal	12	13	Yes
3 Short Form Permit Fee (up to 3 fixtures) – Non-Refundable	103	113	Yes
4 Long Form Permit Transfer Fee (with Inspection)	176	194	Yes
5 Tapper License Fees			
Permit Fee	363	363	-
Duplicate	36	36	-
6 Watershed Use Permit Fees			
<u>Boat Removal and Impoundment Fees</u>			
Boat/Craft Removal and Removal Fee	103	103	-
Monthly Storage Fee for Removed Boats	82	82	-
<u>Watershed Use Permit Fees</u>			
Watershed Use Permit (January 1 - December 31)	72	72	-
Single Day Watershed Use Permit	6	6	-
Open Season Boat Mooring (March 15 – November 30)	82	82	-
Winter Boat Mooring (December 1 – March 14)	55	57	Yes
Rental for the Azalea Garden (4 hours)	77	77	-
Rental for the Bio-Brick Pavilion (4 hours)	77	77	-
Boarding Stable Entrance Permit	258	258	-
Adjacent Landowner Entrance Permit	82	82	-
<u>Picnic Permit</u>			
Picnic Permit - groups of 1-5 persons	6	6	-
Picnic Permit - groups of 6-10 persons	12	12	-
Picnic Permit - groups of 11-15 persons	19	18	Yes
7 Site Utility Inspection Fees (Non-Minor)			
Base Fee	1,133	1,133	-
Pipeline (per foot)	6	6	-

Proposed Rates, Fees and Charges

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Discharge and Water Protection

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
8 Septic Hauler Discharge Permit Fees			
<u>Category I Residential & Septic Waste & Grease</u>			
1 - 49 gallons (per vehicle)	\$ 255	\$ 257	Yes
50 - 799 gallons (per vehicle)	5,071	5,578	Yes
800 - 2,999 gallons (per vehicle)	14,464	15,910	Yes
3,000 - gallons and up (per vehicle)	34,307	34,754	Yes
January through June	50% of fee	50% of fee	-
Transfer and/or Replacement Permit Sticker	118	130	Yes
Industrial/Special Waste Disposal Fee (per 1,000 gallons)	355	366	Yes
Zero Discharge Permit Fee	118	130	Yes
Temporary Discharge Permit Fee	118 + Sewer Rate/1,000 gallons	130 + Sewer Rate/1,000 gallons	Yes
Sewer Rate - Hauled Waste	43/1,000 gallons of truck capacity	47/1,000 gallons of truck capacity	Yes
9 Industrial Discharge Control Program Fees By Category			
<u>Industrial users subject to Categorical Pretreatment Standards</u>			
Less than 5,000 gpd (double visit)	5,085	5,594	Yes
Greater than 5,000 gpd (double visit)	7,792	8,571	Yes
Non-discharging Categorical Industries (zero discharge)	1,370	1,507	Yes
<u>Significant Industrial User</u>			
Less than 25,000 gpd (single visit - priority pollutant sampling)	5,085	5,594	Yes
Greater than 25,000 gpd (double visit - priority pollutant sampling)	7,792	8,571	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)	6,046	6,651	Yes
Significant Industrial User – Renewal (for 4 years)	2,963	3,259	Yes
Initial Zero-Discharge CIU Permit (for 4 years)	2,296	2,526	Yes
Reissued Zero-Discharge CIU Permit (for 4 years)	1,531	1,684	Yes
Temporary Discharge Permit (non – SIU)	6,046	6,651	Yes
11 Discharge Fees - Food Service Establishment (FSE)			
Full Permit FSE	537	537	-
BMP Permit FSE	152	152	-
12 Cross Connection Fees			
Test Report Fee (per report)	38	42	Yes
Base Fee for High Hazard Commercial Water Customer (per month)	16	18	Yes
Base Fee for All Other Commercial Water Customer (per month)	8	9	Yes

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Meter Related Services and Fees

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
13 Small Meter Replacement (at Customer Request)	\$ 211	\$ 215	Yes
14 Meter Replacement Fees (Damaged or Stolen Meter)			
5/8" w/ touch pad (inside w/remote)	150	152	Yes
5/8" w/ pit pad (outside w/o remote)	150	150	-
5/8 Meter - pad encoder	125	127	Yes
5/8" x 3/4" w/ touch pad (inside w/ remote)	126	129	Yes
3/4" w/ touch pad (inside w/ remote)	160	160	-
3/4" w/ pit pad (outside w/o remote)	151	157	Yes
1" w/ touch pad (inside w/ remote)	202	202	-
1" w/ pit pad (outside w/o remote)	196	199	Yes
1" Kamstrup Meter, UT	315	319	Yes
1 1/2" Badger Flanged Meter	561	567	Yes
1 1/2" Flanged Meter	750	750	-
1 1/2" Nipple Meter	725	739	Yes
2" Flanged Meter	1,100	1,100	-
2" 15 1/4 Flanged Meter	1,185	1,207	Yes
3" Compound Meter	3,190	3,190	-
4" Compound Meter	3,960	3,960	-
6" Compound Meter	5,830	5,830	-
Turbine, Horizontal 3" Neptune w/ pit pad	1,456	1,475	Yes
Turbine, Horizontal 4" Neptune w/ pit pad	1,952	1,975	Yes
2" Hersey MVR Turbine	1,210	1,210	-
3" Hersey MVR Turbine	2,296	2,296	-
4" Hersey MVR Turbine	3,216	3,216	-
6" Hersey MVR Turbine	4,970	4,970	-
2" Detector Check	4,562	4,615	Yes
4" Detector Check	3,195	3,275	Yes
6" Detector Check	3,761	3,850	Yes
8" Detector Check	4,876	4,986	Yes
10" Detector Check	6,224	6,350	Yes
12" Detector Check	21,946	22,211	Yes
4" Fire Service Meter	8,239	8,239	-
6" Fire Service Meter	9,874	10,037	Yes
8" Fire Service Meter	12,315	12,502	Yes
10" Fire Service Meter	14,225	14,389	Yes
12" Fire Service Meter	16,250	20,403	Yes
3" Octave UT L=24	3,050	3,095	Yes
4" Octave UT L=29/ L=33	4,034	4,095	Yes
6" Octave UT L=45	5,944	6,026	Yes
8" Octave UT L=53	9,528	9,677	Yes
10" Octave UT L=68	12,901	13,080	Yes
15 Meter Testing Fees			
5/8" to 1"	261	261	-
1-1/2"	424	424	-
2" and up	473	473	-

Proposed Rates, Fees and Charges

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Meter Related Services and Fees (Continued)

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
16 Sub-Meter Installation Fees			
One-time Sub-Meter Charge - Small	\$ 261	\$ 261	-
One-time Sub-Meter Charge - Large	528	528	-
One-time Inspection Fee	57	66	Yes
Minimum Permit Inspection Fee	200	220	Yes
17 Water Turn-Off, Turn-On Fees			
Small Meter Turn-Off	80	80	-
Small Meter Turn-On	97	100	Yes
Large Meter Turn-Off	203	203	-
Large Meter Turn-On	241	241	-
18 Call Back Fee (small meters, plumbers)	93	93	-
19 Call Back Fee (large meters, plumbers)	262	301	Yes
20 Missed Appointment Fees			
First Missed Appointment or Turn-On	97	97	-
Each Additional Missed Appointment	110	110	-
21 Meter Reinstallation Correction Fee	388	388	-
22 Sewer Meter Maintenance Fee (per year)	12,003	13,803	Yes
Quarterly Calibrations (per quarter)	3,001	3,451	Yes
23 Property Inspection Fee	115	119	Yes
24 Warehouse Restocking Fee	39	47	Yes

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Fire Hydrant Services and Fees

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
25 Temporary Fire Hydrant Connection Fees			
<u>3/4" Meter - Deposit</u>			
2 Weeks or Less w/approved payment record	No fee	No fee	-
Over 2 Weeks/Less than 2 weeks w/unapproved payment record	\$ 379	\$ 379	-
<u>3" Meter - Deposit</u>			
2 Weeks or Less w/approved payment record	No fee	No fee	-
Over 2 Weeks/Less than 2 weeks w/unapproved payment record	2,420	2,420	-
<u>Service Charge</u>			
2 Weeks or Less (3/4" meter)	62	68	Yes
2 Weeks or Less (3" Meter)	130	130	-
Over 2 Weeks (3/4" and 3" Meters)	175	175	-
Water Consumption Charge - 3/4" Meter	Approved rate for 1,000 gal ADC; \$33 min.	Approved rate for 1,000 gal ADC; \$36 min.	Yes
Water Consumption Charge - 3" Meter	Approved rate for 1,000 gal ADC; \$214 min.	Approved rate for 1,000 gal ADC; \$229 min.	Yes
Late Fee for Return of Meter (per day)	10	10	-
Fee on Unpaid Temporary Fire Hydrant Meter Billings	1.5%/month	1.5%/month	-
Loss/Destruction of Meter	Replacement cost	Replacement cost	-
Loss/Destruction of Wrench	40	40	-
26 Truck Inspection Fee w. Attached Fire Hydrant Meter (2 Years)	52	52	-
27 Fire Hydrant Inspection Fee (per hydrant)	137	158	Yes
Controlled Access Surcharge Fee	26	30	Yes
28 Fire Hydrant Flow Test Fees			
No Current Test	693	693	-
Current Test	83	83	-

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Development Services

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
29 Feasibility Review Fees (WSSC Water Built)			
Feasibility Submission Fee (Non-refundable)	\$ 1,780	\$ 1,956	Yes
Feasibility Review & Report Fee Deposit <i>(can be deferred as deficit when extension is completed)</i>	11,862	13,048	Yes
30 Construction Services Fee	9.3% of WSSC Water unit cost estimate or 12.0% of contractor's cost estimate	9.3% of WSSC Water unit cost estimate or 12.0% of contractor's cost estimate	-
31 Design Review			
Development is more than 10 Residential Units or Commercial	6,500	6,500	-
Development is 10 Residential Units or Less	3,250	3,250	-
32 Extra Review Fees			
<u>Per SEP Plan Review:</u>			
Minor Additional Reviews of Unsigned or Signed Plans (per review)	1,202	1,322	Yes
Major/Splitting Additional Reviews of Unsigned or Signed Plans (per review)	2,453	2,698	Yes
<u>Per Site Utility/Minor Utility Additional Signed or Unsigned Plan Review:</u>			
Site Utility (per review)	1,458	1,604	Yes
Minor Site Utility (per review)	379	417	Yes
<u>Per Hydraulic Planning Analysis/Systems Planning Forecast Application:</u>			
Additional Review of Required Data (per application)	822	904	Yes
33 Hydraulic Planning Analysis and System Planning Forecast			
Modeling and Re-Modeling Fee - Up to 3 parts	1,840	2,116	Yes
Modeling and Re-Modeling Fee - per part over 3	765	765	-
Pressure Sewer System Review Fee - per system	367	404	Yes
34 In-House Design Deposit	Deposit	Deposit	-
35 Partial Release for Service Fee	1,398	1,468	Yes
36 Off-Property Service Connection Reimbursement	Prevailing service connection fee	Prevailing service connection fee	-
37 Service Connection Application and Inspection Fee (per permit)	2,434 water and/or sewer connection	2,434 water and/or sewer connection	-
38 Government Referred Plan Review Fees			
Major Development – Over 10 Units	1,583	1,693	Yes
Minor Development – 10 or Less Units	791	791	-
Re-Review Fee for Major Development	791	791	-
Re-Review Fee for Minor Development	396	396	-
39 Pre-Screen Fee All Plan Types	365	394	Yes
40 Site Utility (On-Site) Review Fees			
Base Fee	3,522	3,631	Yes
Additional Fee per 100 feet	332	352	Yes
Minor (Waived) Site Utility (On-Site) Fee	1,106	1,217	Yes
41 Name/Transfer of Ownership Change Fee	250	275	Yes
42 Variance Review Fee	1,238	1,362	Yes

Proposed Rates, Fees and Charges

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Pipeline, Engineering, and Environmental Services

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
43 Shut Down/Charge Water Main Fee	\$ 1,177	\$ 1,177	-
Shut Down/Complex Water Main Fee	2,144	2,144	-
44 Fees for Review and Inspection of Site Work Potentially Impacting WSSC Water Pipelines			
Simple Review	399	399	-
Complex Review / Non-DR Developer Review	2,615	3,138	Yes
Inspection for minor adjustment / Non-DR Developer (per inspection)	266	266	-
45 Relocation Fees			
Relocation Design Review Fee	6,500	DELETE	Yes
Inspection Fee for MOU Project (minimum charge up to 4 hours)	600	600	-
46 Connection Abandonment Fees			
County Roads (Except Arterial Roads) - Water	1,474	1,474	-
County Roads (Except Arterial Roads) - Sewer	1,873	1,873	-
State Roads and County Arterial Roads - Water	1,778	1,778	-
State Roads and County Arterial Roads - Sewer	2,200	2,200	-
47 Chlorination Confirmation Test Fee (per first test)	247	247	-
Re-Test or Additional Tests (per hour)	157	173	Yes
48 Re-Test or Additional Tests Chlorination and Pressure Test (per test)	157	173	Yes
Inspector Overtime (per hour)	206	206	-
49 Review Fee for Additional Reviews of Contract Documents and As-Builts (per hour)	206	206	-
50 Residential Outside Meter Housing Upgrade/Pipe Alteration	6,786	6,805	Yes
51 Utility Erosion and Sediment Control Permit Fees			
Minor Projects (less than 125 linear ft OR less than 42 in. deep and 20 in. width)	0.23	0.26	Yes
Major Projects (per linear foot)	0.34	0.39	Yes
Minimum for Major Projects	124	124	-
52 Right-of Way Release or Subordination Review Fee (per document)	1,236	1,335	Yes
53 Right-of-Way Acquisition and Condemnation for SEP Projects	Reimbursement	Reimbursement	-
54 Environmental Site Review Fee			
With Database Search Submitted by Applicant	331	381	Yes
55 Feasibility Report and Committee Review Fee for On-Site Takeover Projects	1,120	1,288	Yes

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Publications and Administrative

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
56 Fee for Sale of Copies of Plans, Plats, and 200' Reference Maps			
Xerographic bond paper copy (per sheet)	\$ 6	\$ 6	-
57 Fee for Sale of WSSC Water Plumbing and Fuel Gas Code (Plumbing Code)			
Sale of Plumbing Regulation (per book)	42	46	Yes
58 Fees for Sale of 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	60	66	Yes
Construction General Conditions & Standard Specifications	53	61	Yes
SEP Construction General Conditions & Standard Specifications	53	61	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	-
59 Charge for Photocopies of WSSC Water Documents			
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.)			
60 Fee for WSSC Water Pipeline Design Manual	90	90	-
61 Sale of WSSD Laws			
Bound Volume	83	83	-
Supplements	42	45	Yes
62 Facilities Design Guideline Fee	40	DELETE	Yes
63 Fee for Transcribed Tape of a Hearing or Meeting	Prevailing fee charged by vendor	Prevailing fee charged by vendor	-

MISCELLANEOUS FEES AND CHARGES – PROPOSED FOR IMPLEMENTATION JULY 1, 2020

Other Fees and Charges

Item	Current Charge	FY 2021 Proposed Charge	Charge Change
64 Patuxent Watershed Civil Citation Fee (State Mandated)			
First Offense	\$ 150	\$ 150	-
Each Additional Offense Within Calendar Year	300	300	-
65 Civil Citation Fees - Sediment Control, Theft of Service, and Plumbing Civil Citations (State Mandated)			
First Offense	250	250	-
Second Offense	500	500	-
Third Offense	750	750	-
Each Violation in Excess of Three	1,000	1,000	-
66 Lobbyist Registration Fee (Code of Ethics)	100	110	Yes
67 Dishonored Check Fee & Electronic Payment Fee	46	46	-
<i>(Applies to all dishonored checks and dishonored electronic payments)</i>			
68 Credit Card Surcharge	2% of amount charged	2% of amount charged	-
<i>(Applies to customer payment of any fee/charge by credit card (MasterCard and Visa) other than water and sewer billing.)</i>			
69 Protest Filing Fee	770	847	Yes
70 Preparation of Hold Harmless Agreement Fee	1,228	1,351	Yes
71 Connection Redemption Fee	44	44	-

SECTION 3
SPENDING AFFORDABILITY AND LONG-RANGE
FINANCIAL PLAN

SPENDING AFFORDABILITY AND LONG-RANGE FINANCIAL PLAN

INTRODUCTION

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 agency has submitted an annual budget, which generally conforms to the Spending Affordability Guidelines (SAG) established by both county governments every year since 1994.

A long-range financial 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 road map and reflects financial strategic intent, as well as imposing discipline by highlighting cumulative effects of decisions. Addressing issues earlier, not only protects WSSC Water's long-term financial condition, but ensures that necessary actions and/or changes are properly communicated to our customers, County Councils, and other stakeholders.

MAJOR ASSUMPTIONS AND WORKLOAD INDICES

Below is a summary of budget outcomes related to results from FY 2021 Spending Affordability.

- Fiscal Policy Guidelines - Fund Balance - It was assumed for the purpose of preparing the FY 2021 Proposed Budget that, at the end of FY 2020, accumulated net revenues for the water and sewer operating funds would total \$129.4 million. For FY 2021, approximately \$81.6 million will be held in accumulated net revenues in adherence to WSSC Water's reserve policy (see Fiscal Guidelines page 5-1). Fund balance of \$8.0 million will be used to finance IT modernization efforts.
- Revenues - The estimated FY 2021 revenues from water consumption and sewer use charges are \$298.7 million and \$397.0 million, respectively. Water production is assumed to be 164.0 MGD and water purchases are projected to remain the same.
- Capital Budget and Capital Improvements Program (CIP) - 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 2021 Capital Budget is \$606.7 million.
- Debt Service - The debt service estimates for FY 2021 assume that \$189.7 million in Water bonds and \$220.2 million in Sewer bonds will be issued in FY 2021, in addition to repayment of existing debt. The water and sewer issues will be 30-year bonds with an estimated 5.0% net interest rate.

MAJOR ASSUMPTIONS AND WORKLOAD INDICES (CONTINUED)

- Reconstruction Debt Service Offset (REDO) - For FY 2021, \$9.5 million will be transferred from the General Bond Debt Service Fund to the Water and Sewer Operating Funds. The transfer is made to help defray the debt service on funds borrowed to finance water and sewer systems reconstruction activities.
- Workforce and Compensation - Funding for employee salary enhancements in a manner coordinated with the Counties is included in the budget.

ASSUMPTIONS, WORKLOAD INDICES, AND DEMAND PROJECTIONS

The following table presents data used during the Spending Affordability to develop the FY 2021 Proposed Budget.

Workload Data	Actual					Projected	
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Water and Sewer Combined Rate Increase (%)	5.5	1.0	3.0	3.5	4.5	5.0	7.0
Population to be Served (000s)	1,765	1,774	1,785	1,777	1,801	1,810	1,819
Customer Accounts (000s):	445	448	452	456	460	472	476
Residential (%)	94.4	94.4	94.4	94.4	94.4	94.4	94.4
Commercial and Industrial (%)	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Government (%)	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Water Program:							
Water Supplied (Average MGD)	162.9	164.2	163.1	163.9	161.7	164.0	164.0
Water Mains Maintained (miles)	5,552	5,586	5,647	5,768	5,816	5,877	5,939
Water House Connections Maintained (000s)	453	457	461	465	469	472	475
Sewer Program:							
Sewage Treated (Average MGD)	190.8	184.8	179.0	172.8	218.7	191.6	197.2
Sewer Mains Maintained (miles)	5,424	5,451	5,549	5,578	5,604	5,645	5,687
Sewer House Connections Maintained (000s)	428	432	435	438	441	444	446
House connections added:							
Water	3,671	4,389	3,498	2,931	3,480	2,800	2,900
Sewer	2,834	3,310	2,997	2,500	3,152	2,600	2,600
New Water & Sewer Bond & Notes Debt Issues (\$ in millions)	340	535	455	459	390	386	410
Average Annual Interest Rate for New Bond Issuance (%)	4.05	3.26	4.27	3.97	4.16	3.75	5.00

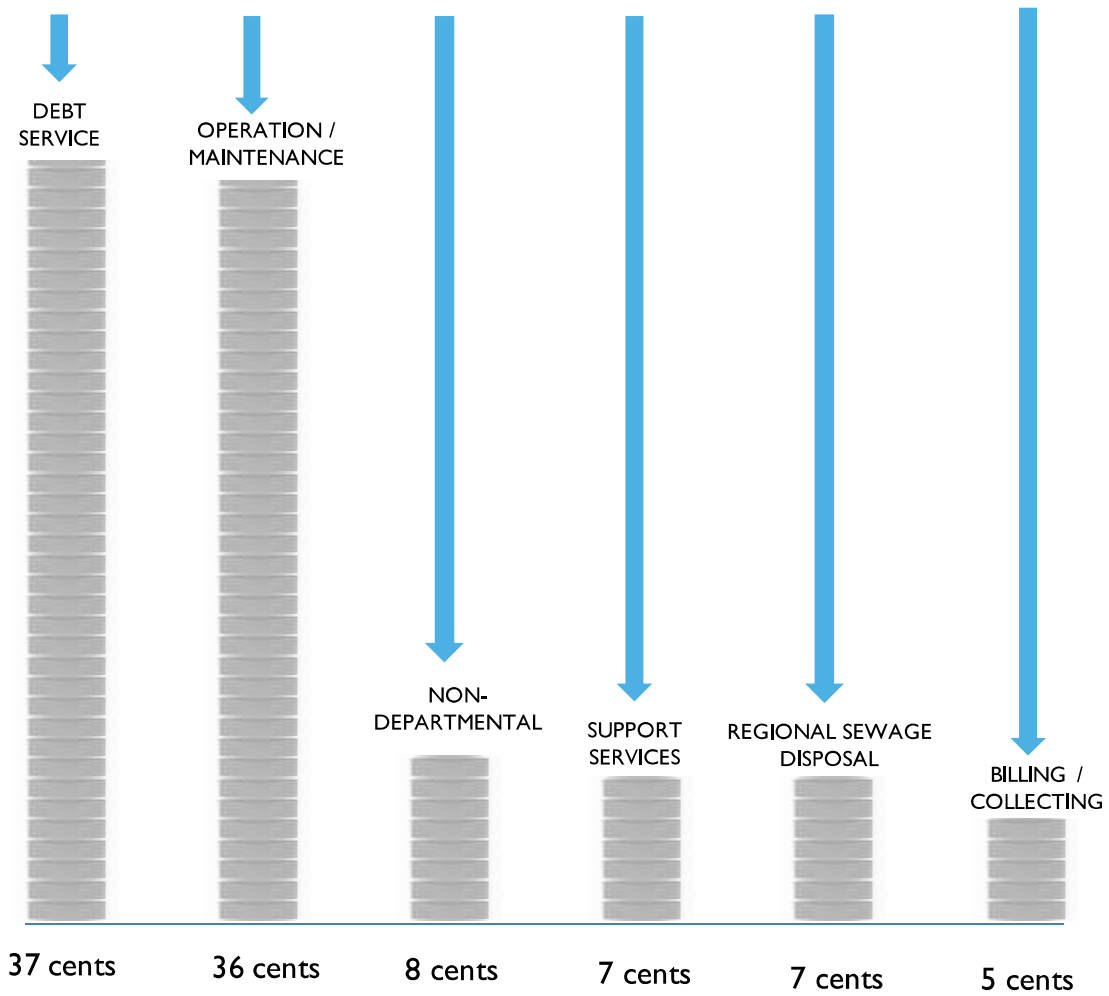
LONG-RANGE FINANCIAL PLAN FOR WATER AND SEWER OPERATING FUNDS

(\$ In Thousands)	FY 2020 Approved	FY 2021 Proposed	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected
New Water and Sewer Debt Issues	384,910	409,922	503,092	495,728	403,775	354,972	379,483
Water and Sewer Combined Rate Increase (Avg)	5.0%	7.0%	8.0%	7.0%	7.0%	6.5%	6.5%
OPERATING REVENUES							
Water and Sewer User Charges	\$ 658,899	\$ 695,711	\$ 752,668	\$ 806,749	\$ 864,729	\$ 922,553	\$ 984,252
Other Sources/Fees:							
Account Maintenance Fees	32,296	32,360	32,426	32,491	32,556	32,621	32,686
Rockville Sewer Use	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Plumbing and Inspection Fees	12,900	14,470	14,904	15,351	15,812	16,286	16,774
Infrastructure Investment Fee	39,331	39,410	39,488	39,567	39,647	39,726	39,805
Miscellaneous	19,800	20,800	21,008	21,218	21,430	21,645	21,861
Interest Income	5,500	10,000	10,000	10,000	10,000	10,000	10,000
Total Operating Revenues	771,726	815,751	873,494	928,376	987,173	1,045,830	1,108,379
OTHER CREDITS AND TRANSFERS							
Use of Fund Balance	11,341	8,000	7,000	6,000	5,000	-	-
Reconstruction Debt Service Offset (REDO)	11,600	9,500	7,400	6,000	-	-	-
SDC Debt Service Offset	4,658	5,772	4,984	4,983	4,982	4,984	4,984
Premium Transfer	2,900	1,500	-	-	-	-	-
Underwriters Discount Transfer	-	2,000	2,000	2,000	2,000	2,000	2,000
Miscellaneous Offset	395	-	-	-	-	-	-
Total Funds Available	\$ 802,620	\$ 842,523	\$ 894,878	\$ 947,359	\$ 999,155	\$ 1,052,814	\$ 1,115,363
OPERATING EXPENSES							
Salaries and Wages	129,676	133,197	139,191	145,454	152,000	158,840	165,988
Heat, Light, and Power	19,436	20,423	21,240	22,089	22,973	23,892	24,847
Regional Sewage Disposal	59,000	58,000	59,160	60,343	61,550	62,781	64,037
All Other	257,185	286,022	291,742	297,577	294,545	291,452	297,281
Total Operating Expenses	465,297	497,642	511,333	525,464	531,068	536,964	552,153
DEBT SERVICE							
Bonds and Notes Principal and Interest	306,307	313,865	336,142	365,610	389,665	415,176	437,884
OTHER TRANSFERS AND ADJUSTMENTS							
Additional and Reinstated	-	-	-	-	-	-	15,926
PAYGO	31,016	31,016	31,016	31,016	56,000	88,000	95,000
Total Expenditures	\$ 802,620	\$ 842,523	\$ 878,491	\$ 922,091	\$ 976,733	\$ 1,040,140	\$ 1,100,963
Net Revenue (Loss)	-	-	16,387	25,269	22,423	12,674	14,400
BEGINNING FUND BALANCE - JULY 1	\$ 140,729	\$ 129,388	\$ 121,388	\$ 130,775	\$ 150,044	\$ 167,467	\$ 180,141
Net Increase (Decrease) in Fund Balance	-	-	16,387	25,269	22,423	12,674	14,400
Use of Fund Balance/Other Adjustments	(11,341)	(8,000)	(7,000)	(6,000)	(5,000)	-	-
ENDING FUND BALANCE - JUNE 30	\$ 129,388	\$ 121,388	\$ 130,775	\$ 150,044	\$ 167,467	\$ 180,141	\$ 194,541
Debt Service Coverage (1.10 is target)	1.00	1.01	1.08	1.10	1.17	1.23	1.27
Debt Service as a % of Total Expenditures (Below 40% is target)	38.2%	37.3%	38.3%	39.7%	39.9%	39.9%	39.8%
Operating Reserve Required 10% Level (\$)	\$77,173	\$81,575	\$87,349	\$92,838	\$98,717	\$104,583	\$110,838
Days Operating Reserve-on-Hand (60-90 days is target)	59.7	53.0	54.7	59.7	62.9	63.5	64.8
Total Workyears (All Funds)	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0

Assumptions:

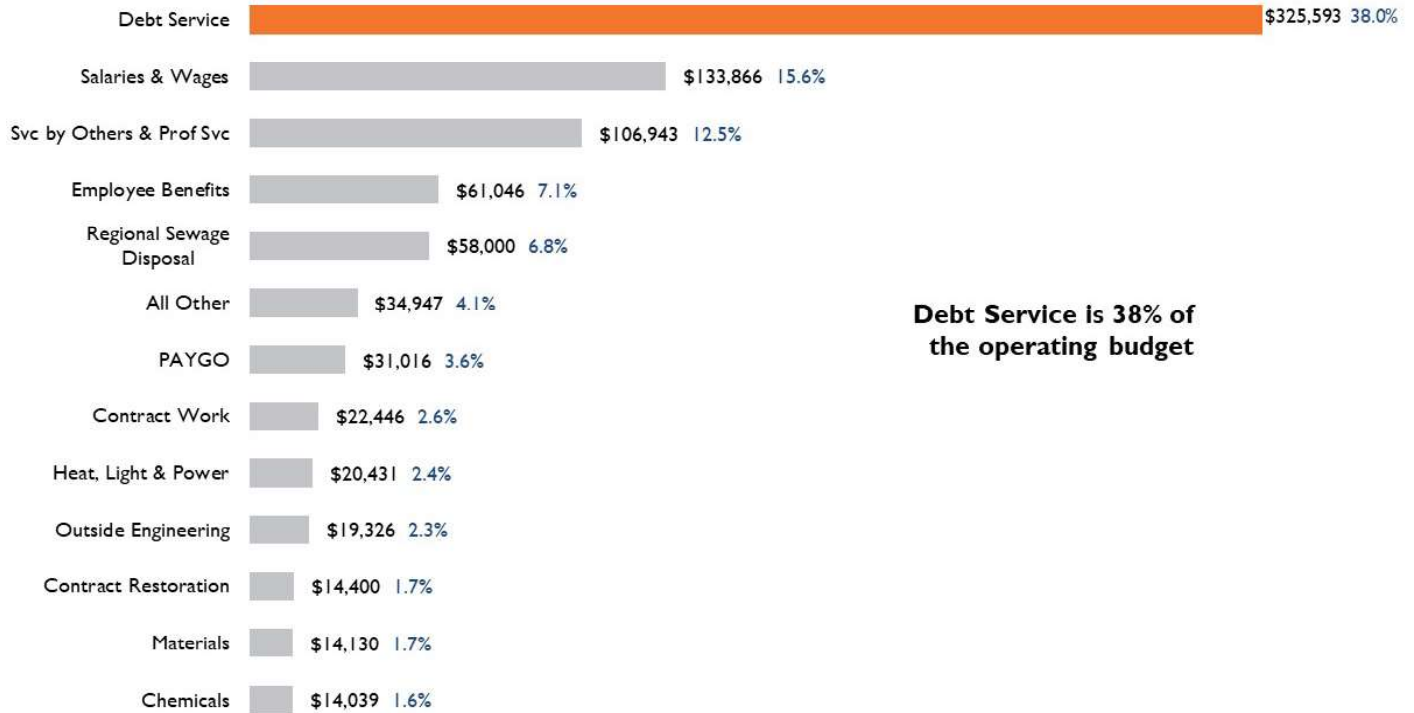
- The FY 2022-2026 projections reflect WSSC Water's multi-year forecast and assumptions. The projected expenditures, revenues, and fund balances for these years may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed in the FY 2021 Proposed Budget. Data excludes General Construction Debt Service and General Construction Bonds.
- Debt service for bonds and notes includes Maryland Water Quality Bonds and interfund debt service transfers. General Construction debt service is excluded.
- Adjustment for Rate Increase assumes rate increases in effect for 12 months.
- Debt Service Coverage is Operating Revenues less Operating Expenses (excluding Debt Service and PAYGO) divided by the debt service on bonds and notes.
- Operating Reserve represents 10.0% of Operating Revenue.

FY 2021 PROPOSED BUDGET – HOW EACH DOLLAR OF A WATER & SEWER BILL IS SPENT



FY 2021 PROPOSED BUDGET – BY MAJOR EXPENSE CATEGORIES

Total Operating Budget = \$856,183 (\$ in thousands)



Includes Water Operating, Sewer Operating, and General Bond Debt Service

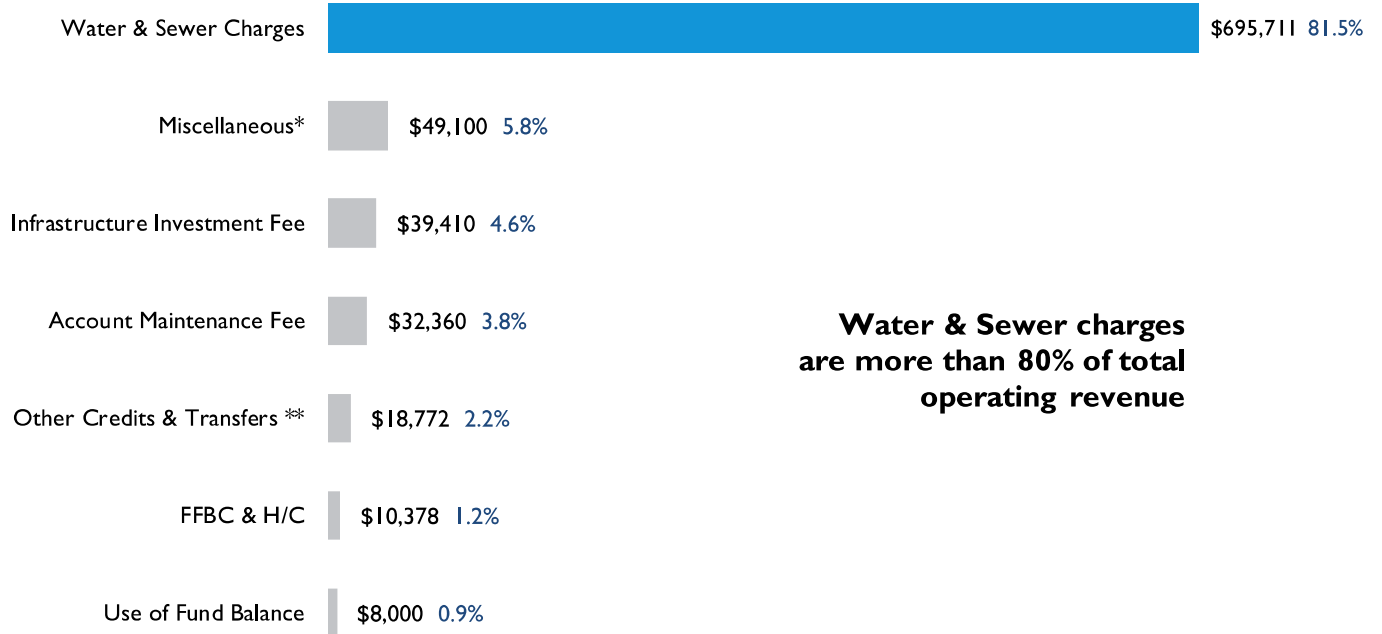
Total Capital Budget = \$606,729 (\$ in thousands)



*Includes Land, Professional Services, Water Meters, and Non-Departmental Accounts.
Includes Water Supply, Sewage Disposal, and General Construction Bond

FY 2021 PROPOSED BUDGET – BY SOURCES

Total Operating Revenue = \$853,731 (\$ in Thousands)



Water & Sewer charges are more than 80% of total operating revenue

* Plumbing and inspection fees; Rockville sewer use, interest income, and other miscellaneous fees

** Includes Reconstruction Debt Service Offset (REDO), SDC Debt Service Offset, Underwriter’s Discount Transfer, and Premium Transfer

Total Capital Funding Sources = \$606,729 (\$ in Thousands)

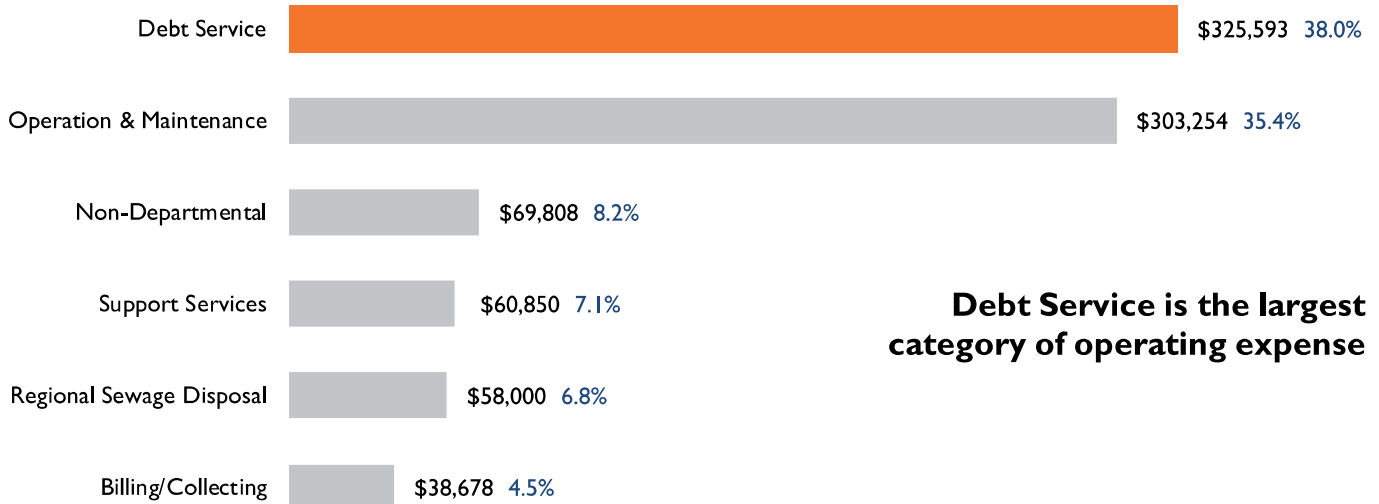


Bonds & Cash are more than 90% of total capital funding sources

*Includes funding under Maryland's Bay Restoration Fund Enhanced Nutrient Removal

FY 2021 PROPOSED BUDGET – BY FUND USES

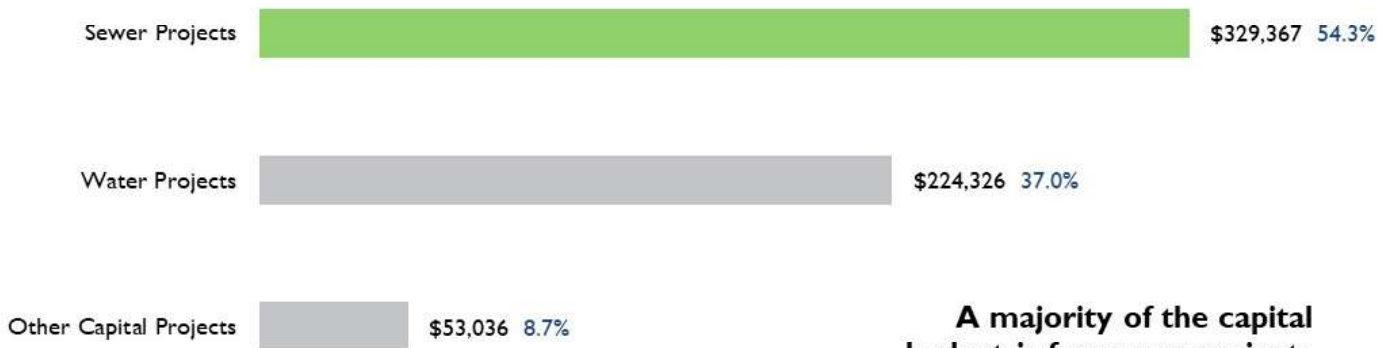
Total Operating Uses = \$856,183 (\$ in Thousands)



Debt Service is the largest category of operating expense

Includes Water Operating, Sewer Operating, and General Bond Debt Service

Total Capital Uses = \$606,729 (\$ in Thousands)



A majority of the capital budget is for sewer projects

Includes Water Supply, Sewage Disposal, and General Construction Bond

FY 2020 - FY 2021 SUMMARY OF OPERATING REVENUE & EXPENSE BY BUDGET, MAJOR SOURCE CATEGORY AND FUND TYPE

(\$ in Thousands)	Water Operating		Sewer Operating		General Bond Debt Service		Totals		
	FY 2020 Approved	FY 2021 Proposed	FY 2020 Approved	FY 2021 Proposed	FY 2020 Approved	FY 2021 Proposed	FY 2020 Total	FY 2021 Total	% Chg
OPERATING REVENUES									
Water Consumption Charges	\$ 280,997	\$ 298,759	\$ -	\$ -	\$ -	\$ -	\$ 280,997	\$ 298,759	6.3%
Sewer Use Charges	-	-	377,902	396,952	-	-	377,902	396,952	5.0%
Front Foot Benefit & House Connections	-	-	-	-	12,507	10,378	12,507	10,378	-17.0%
Account Maintenance Fees	16,471	16,503	15,825	15,857	-	-	32,296	32,360	0.2%
Infrastructure Investment Fee	20,059	20,099	19,272	19,311	-	-	39,331	39,410	0.2%
Plumbing and Inspection Fees	7,470	8,380	5,430	6,090	-	-	12,900	14,470	12.2%
Rockville Sewer Use	-	-	3,000	3,000	-	-	3,000	3,000	0.0%
Miscellaneous	10,600	10,500	9,200	10,300	260	230	20,060	21,030	4.8%
Interest Income	2,000	1,000	3,500	9,000	500	600	6,000	10,600	76.7%
Subtotal Operating Revenues	337,597	355,241	434,129	460,510	13,267	11,208	784,993	826,959	5.3%
OTHER CREDITS AND TRANSFERS									
Use of Fund Balance	5,784	4,080	5,557	3,920	-	-	11,341	8,000	-29.5%
Other	-	-	-	-	11,600	9,500	11,600	9,500	-18.1%
Reconstruction Debt Service Offset	4,000	4,845	7,600	4,655	(11,600)	(9,500)	-	-	-
SDC Debt Service Offset	3,540	2,731	1,118	3,041	-	-	4,658	5,772	23.9%
Premium Transfer	1,337	692	1,563	808	-	-	2,900	1,500	-48.3%
Underwriter's Discount Transfer	-	848	-	1,152	-	-	-	2,000	100.0%
Miscellaneous Offset	214	-	181	-	-	-	395	-	-100.0%
Subtotal Other Credits and Transfers	14,875	13,196	16,019	13,576	-	-	30,894	26,772	-13.3%
Total Funds Available	352,472	368,437	450,148	474,086	13,267	11,208	815,887	853,731	4.6%
OPERATING EXPENSES									
Salaries & Wages	63,707	72,921	65,968	60,276	459	668	130,134	133,865	2.9%
Heat, Light, and Power	10,808	11,671	8,628	8,752	8	8	19,444	20,431	5.1%
Regional Sewage Disposal	-	-	59,000	58,000	-	-	59,000	58,000	-1.7%
All Other	131,218	140,872	125,967	145,150	730	1,256	257,915	287,278	11.4%
Subtotal Operating Expenses	205,734	225,464	259,563	272,178	1,197	1,932	466,494	499,574	7.1%
DEBT SERVICE									
Bonds and Notes Principal	84,505	72,416	111,564	104,606	10,182	8,796	206,251	185,818	-9.9%
Bonds and Notes Interest	48,711	60,588	61,527	76,255	3,394	2,932	113,632	139,775	23.0%
Subtotal Debt Service	133,216	133,004	173,091	180,861	13,576	11,728	319,883	325,593	1.8%
Total Operating Expenses & Debt Service	338,950	358,468	432,654	453,039	14,773	13,660	786,377	825,167	4.9%
OTHER TRANSFERS									
PAYGO	13,522	9,969	17,494	21,047	-	-	31,016	31,016	0.0%
Total Expenditures	352,472	368,437	450,148	474,086	14,773	13,660	817,393	856,183	4.7%
Net Revenue (Loss)	-	-	-	-	(1,506)	(2,452)	(1,506)	(2,452)	62.8%
Fund Balance - July 1	\$ 16,320	\$ 10,536	\$ 124,409	\$ 118,852	\$ 34,229	\$ 21,123			
Net Increase (Decrease) in Fund Balance	-	-	-	-	(1,506)	(2,452)			
Use of Fund Balance	(5,784)	(4,080)	(5,557)	(3,920)	(11,600)	(9,500)			
Fund Balance - June 30	\$ 10,536	\$ 6,456	\$ 118,852	\$ 114,932	\$ 21,123	\$ 9,171			

FY 2020 - FY 2021 CAPITAL FUNDING & COSTS BY BUDGET, MAJOR SOURCE CATEGORY AND FUND TYPE

(\$ in Thousands)	Water Supply Bond		Sewer Disposal Bond		General Construction Bond		Totals		
	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	%
	Approved	Proposed	Approved	Proposed	Approved	Proposed	Total	Total	Chg
FUNDS PROVIDED									
Bonds and Notes Issues/Cash on Hand	\$ 254,490	\$ 236,345	\$ 278,305	\$ 255,555	\$ 16,012	\$ 41,106	\$ 548,807	\$ 533,006	-2.9%
PAYGO	13,522	9,969	17,494	21,047	-	-	31,016	31,016	0.0%
Anticipated Contributions:									
Federal & State Grants	-	1,500	22,291	21,500	-	-	22,291	23,000	3.2%
System Development Charge	16,418	8,057	5,298	1,473	-	-	21,716	9,530	-56.1%
Others	2,826	1,356	10,990	8,811	880	10	14,696	10,177	-30.7%
Total Funds Provided	287,256	257,227	334,378	308,386	16,892	41,116	638,526	606,729	-5.0%
CONSTRUCTION COSTS									
Salaries & Wages	15,065	16,774	8,828	8,914	3,261	3,392	27,154	29,080	7.1%
Contract Work	163,664	143,327	219,668	206,567	-	3,172	383,332	353,066	-7.9%
Consulting Engineers	30,810	33,641	24,759	20,778	2,504	22,763	58,073	77,182	32.9%
All Other	77,717	63,485	81,123	72,127	11,127	11,789	169,967	147,401	-13.3%
Total Construction Costs	\$ 287,256	\$ 257,227	\$334,378	308,386	\$ 16,892	\$ 41,116	\$ 638,526	\$ 606,729	-5.0%

SUMMARY OF CHANGE IN FUND BALANCE

Fund (\$ in Thousands)	Fiscal Year	Fund Balance - July 1st	Operating Revenues	Operating Expenses ¹	Other Credits and Transfers	Use of Fund Balance	Fund Balance - June 30th	Fund Balance Increase/ (Decrease)	% Change
Water Operating	FY 2020	\$ 16,320	\$ 337,597	\$ (352,472)	\$ 14,875	\$ (5,784)	\$ 10,536	\$ (5,784)	-35.4%
	FY 2021	10,536	355,933	(368,437)	13,196	(4,080)	7,148	(3,388)	-32.2%
Sewer Operating	FY 2020	124,409	434,129	(450,148)	16,019	(5,557)	118,852	(5,557)	-4.5%
	FY 2021	118,852	461,318	(474,086)	13,576	(3,920)	115,740	(3,112)	-2.6%
General Bond Debt Service	FY 2020	34,229	13,267	(14,773)	-	(11,600)	21,123	(13,106)	-38.3%
	FY 2021	21,123	11,208	(13,660)	-	(9,500)	9,171	(11,952)	-56.6%

¹Includes debt service.

EXPLANATION OF FY 2021 SIGNIFICANT CHANGES TO FUND BALANCE

Water and Sewer Operating Funds

The FY 2021 Proposed Budget ending fund balances are lower than the projected FY 2020 ending balance for the combined Water and Sewer Operating Funds. The decrease is primarily due to planned use of fund balance to modernize WSSC Water's IT infrastructure, streamline business processes, and help lay the foundation for the Advanced Metering Infrastructure project.

General Bond Debt Service Fund

The FY 2021 Proposed Budget ending fund balance is 56.6% lower than the projected FY 2020 ending balance for the General Bond Debt Service Fund. Revenues for this fund are derived from FFBC and H/C. Developers now build these types of mains and lines and is expected to continue in the future which will decrease this fund. The revenues that are currently collected are from prior assessments that are paid over a multi-year period. Surplus funds that have accumulated in the General Bond Debt Service Fund are transferred to the Water and Sewer Operating Funds to benefit all ratepayers.

ISCAL GUIDELINES

INTRODUCTION

Fiscal guidelines correspond to the practices of WSSC Water with respect to revenues, expenditures and debt management. Fiscal planning, generally done within the context of the Operating Budget and the Capital Budget/Capital Improvements Program (CIP), reflects and helps shape fiscal guidelines.

The budget process not only reflects those fiscal guidelines currently in force but is itself a major vehicle for determining and implementing such guidelines. The fiscal guideline statements presented on the following pages are not static. They evolve as the economy and fiscal environment change and as WSSC Water's service population and requirements for services change.

FISCAL CONTROL

Structurally Balanced Budget

WSSC Water prepares a structurally balanced budget. Budgeted expenditures equal projected revenues from water and sewer services inclusive of recurring net transfers and any mandatory contributions to reserves for that fiscal year. Recurring revenues should fund recurring expenses with minimal reliance on non-recurring (one-time) revenues or resources.

Fund Balance Operating Reserves

WSSC Water maintains a combined unrestricted reserve from the water and sewer operating funds equal to at least 10% of the total water and sewer operating revenues to offset unanticipated variations in water and sewer services revenues that may occur in future years. Use of reserves are as directed by WSSC Water management.

Pay-As-You-Go (PAYGO)

In FY 2014, WSSC Water began to issue debt for 30 years as opposed to the prior practice of 20 years. This change included the introduction of PAYGO. WSSC Water allocates at least \$31.0 million in PAYGO each fiscal year to reduce the amount of planned debt issued for capital projects.

Fiscal Plan

WSSC Water develops and publishes a fiscal plan, and provides updated six-year projections of the operating and capital budgets - revenues and expenditures - to ensure that the agency has the best possible knowledge of the impacts of contemplated actions and emerging conditions.

Budgetary Control

Budgetary control over WSSC Water is exercised following a joint review by Montgomery County and Prince George's County Governments through the annual review and approval of Operating and Capital Budgets. WSSC Water's Budget Division administers and monitors operating and capital expenditures during the fiscal year.

FISCAL CONTROL (CONTINUED)

Financial Management

The methodology utilized for budgetary purposes is the “debt service” method of accounting. All internal financial statements are recorded utilizing this method. Annual audited financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Comparisons between the debt service method and GAAP method require adjustments since there are differences in reporting.

Audits

WSSC Water will ensure the conduct of timely, effective and periodic audit coverage of all financial records and actions of WSSC Water, its officials and employees in compliance with local, state and federal regulations and laws.

EXPENDITURES AND ALLOCATION OF COSTS

Content of Budgets

WSSC Water will include in the Operating Budget all programs and facilities which are not included in the CIP. There are three major impacts of the CIP on the Operating Budget: debt service; PAYGO (revenues applied to the CIP for debt avoidance or for projects which are not debt-eligible); and presumed costs of operating new or expanded facilities. Details on the CIP can be found at <https://www.wsscwater.com/fin>.

Expenditure Growth

The Prince George's County Council adopted Resolution No. CR-12-1994 and the Montgomery County Council adopted Resolution No. 12-1558 requiring WSSC Water, to the extent possible, to conform with the County Councils' established spending affordability limits in preparing the capital and operating budgets.

Spending affordability guidelines are adopted each year and include limits on the amount of water and sewer volumetric rate increase, operating budget expenditures, new debt issues and debt service that may be approved for expenditure for the first year of the CIP. WSSC Water's General Manager advises the County Councils on spending affordability limits and makes budget recommendations with realistic prospects for the served populations' ability to pay, both in the upcoming fiscal year and in the ensuing years.

WSSC Water, where required by the two County Councils' final action on the programs, must revise the same and then, prior to the commencement of the first fiscal year, approve the operating and capital budget, as well as the six-year CIP.

Expenditure Reduction

WSSC Water will seek expenditure reductions whenever possible through efficiencies, reorganization of services and through the reduction, elimination, or reengineering of programs, guidelines and practices which are no longer cost effective.

EXPENDITURES AND ALLOCATION OF COSTS (CONTINUED)

Private Provision of Services

WSSC Water will encourage, through matching grants, subsidies, and other funding assistance, the participation of private organizations in the provision of desirable services when objectives can be more effectively met through private activity and expertise and where permitted by law.

Cost Avoidance and Cost Savings

WSSC Water will consider investment in equipment, land or facilities, and other expenditure actions to reduce or avoid costs in the future.

Procurement

WSSC Water will make direct or indirect purchases through a competitive process, except when an alternative method of procurement is specifically authorized by law, is in WSSC Water's best interest and is the most cost-effective means of procuring goods and services. The Strategy and Innovation Office helps manage procurement costs by using a fact-based and data-driven process focused on cost savings, process improvements, supplier innovation and category management. Cross-functional teams led by strategic sourcing specialists work collaboratively to understand WSSC Water's internal needs via spend analytics, process gap-analysis and defining stakeholder requirements. The benefits to the agency include: encourages cross-functional teams; provides visibility into spending habits; focuses on total cost of ownership; and optimizes category management.

SHORT-TERM FISCAL AND SERVICE GUIDELINES

Short-term guidelines are specific to the budget year. They address key issues and concerns that frame the task of preparing a balanced budget that achieves WSSC Water's priorities within the context of current and expected environmental, social and governance expectations.

The budget reflects a continued mission to provide safe and reliable water, life's most precious resource, and return clean water to the environment, all in an ethical, sustainable and financially responsible manner. The programs, goals and objectives included in the proposed budget seek to achieve the agency's mission through alignment with its strategic priorities.

Budget planning continues to be shaped by the challenges 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 remains low when compared to other household utilities and expenses, there are still residents who struggle to meet their monthly expenses. WSSC Water offers financial assistance with water and sewer bills under two programs: the Customer Assistance Program (CAP) and the Water Fund.

The Water Fund provides one-time or emergency assistance to customers in financial need and is funded entirely by contributions from customers, employees and other sources. The Water Fund is administered by a third party.

SHORT-TERM FISCAL AND SERVICE GUIDELINES (CONTINUED)

Additional factors and events that shaped the budget environment include:

- Flat or declining water consumption revenues
- Compliance with Consent Decrees
- Holistic rehabilitation to address infiltration and inflow in the Piscataway Basin
- Addressing aging infrastructure
- Uncertainty regarding potential changes in environmental regulations

As part of the FY 2021 Spending Affordability Guideline process, WSSC Water staff originally recommended a water and sewer rate increase of 8.0%. Montgomery and Prince George's Counties supported a 7.0% rate increase. In order to reconcile FY 2021 operating budget submissions, departments would not receive funding for new positions, initiatives, nor enhancements to existing programs. In addition, certain department budgets were recommended for targeted reductions. The agency emphasized that WSSC Water would work to maintain service at current levels, though it may be necessary to pull back on certain preventative and non-essential services during FY 2021 in order to remain within approved budget limitations.

To cope with these fiscal challenges while ensuring that WSSC Water's priorities are met, the agency reaffirmed its efforts to control and reduce costs, as well as identify opportunities for cost savings. Initiatives instituted include:

- Careful management of labor costs including overtime
- Use of the Supply Management process to identify savings in operating and capital procurements
- Expansion of innovation programs to improve efficiency and reduce costs

The cumulative effects of the many efficiencies and reductions WSSC Water implemented helped manage slowing revenue growth and tightening budgets.

These short-term fiscal guidelines and actions have been critical in shaping WSSC Water's FY 2021 Proposed Budget. Together with the long-term guidelines elsewhere in this section, the short-term guidelines described here have allowed WSSC Water to construct a balanced, fiscally responsible budget consistent with current economic and fiscal realities while achieving the agency's priorities.

CURRENT CIP FISCAL GUIDELINES

Guideline on Eligibility for Inclusion in the CIP

Capital expenditures included for projects in the CIP should:

- Comply with Maryland State law that defines major projects for inclusion in the CIP as water mains at least 16 inches in diameter, sewer mains at least 15 inches in diameter, water or sewage pumping stations, force mains, storage facilities and other major facilities
- Preserve and improve services by employing an annual Systems Reconstruction Program to reconstruct aging capital infrastructure
- Include Information Only projects which are capital projects that are not required to be in the program under Section 23-301 of the Public Utilities Article, of the Annotated Code of Maryland, but may be included for any number of reasons such as: fiscal planning purposes; the reader's improved understanding of the full scope of a specific set of projects; or responding to requests from county governments
- Ensure compliance with all legal requirements of both Counties' ten-year water and sewerage plans and is in direct support of the two counties' approved land use plans and guidelines for orderly growth and development
- Generally, have a defined beginning and end and a reasonably long useful life
- Successfully meet WSSC Water's responsibilities and the public's demand for clean water
- Enable decision makers to evaluate the project based on complete and accurate information

Water and sewer capital projects requested by private applicants in support of new development, identified as Development Services Process (DSP) projects, may only proceed if built at the applicant's expense. The use of rate-payer supported debt for these projects is not allowed.

Guideline on Funding CIP with Debt

Much of the CIP should be funded with debt. Capital projects usually have a long useful life and will serve future rate payers, as well as current rate payers. It would be inequitable and an unreasonable fiscal burden to make current rate payers pay for projects out of current rate revenues. Bond issues, retired over approximately 30 years, are both necessary and equitable.

Projects deemed to be debt eligible should:

- Have a reasonably long useful life
- Be ineligible for other potential revenue sources within an appropriate time frame, such as WSSC Water's System Development Charge, governmental aid, or private contributions
- Ensure that tax-exempt debt is issued only for those improvements that meet the IRS requirements for the use of tax-exempt bond proceeds
- Involve a long-term capital asset in accordance with accounting principles

Guideline on WSSC Water Debt Limits

Projects in the CIP are primarily financed with funds from the Water Supply and Sewage Disposal Bond Funds. The Water Supply and Sewage Disposal Bonds are repaid to bond holders over a 30-year period by annual principal and interest payments (debt service). The annual debt service on outstanding bonds is paid from WSSC Water's operating funds.

CURRENT CIP FISCAL GUIDELINES (CONTINUED)

Paying principal and interest on debt is the first claim on WSSC Water's revenues. By virtue of prudent financial management and the long-term strength of the regional economy, WSSC Water has maintained the highest quality rating of its general obligation bonds, AAA/Aaa/AAA. This top rating by Wall Street rating agencies assures WSSC Water of a ready market for its bonds and the lowest available interest rates on that debt.

Debt limitation strategies such as PAYGO financing, use of accumulated net revenue (fund balance) and reduction or deferral of planned capital expenditures should always be balanced against affordability considerations and the demands for the resources necessary to serve existing customers and meet environmental mandates.

Debt Capacity

The aggregate principal amount of bonds and notes issued by the agency must not exceed the legislated allowable level of the total assessable tax base for all property assessed for County tax purposes within the Washington Suburban Sanitary District (WSSD), in conformance with state law governing WSSC Water. Bonds and notes issued by the agency are limited to an amount outstanding at any time that may not exceed the sum of 3.8% of the total assessable base of all real property and 7.0% of the total assessable personal and operating real property for county taxation purposes within the WSSD.

To maintain the highest credit rating, WSSC Water utilizes financial metrics as a means to monitor debt service levels:

- Water and Sewer Debt Service as a Percentage of Water and Sewer Expenditures - This ratio reflects the WSSC Water's budgetary flexibility to adapt spending levels and respond to economic condition changes. Required annual debt service expenditures should be kept at no greater than 40% of the WSSC Water's water and sewer expenditures. This measure excludes expenditures in the General Construction Bond Debt Service fund
- Water and Sewer Debt Service Coverage Ratio - The amount of net operating revenue available after operating expenses have been paid to meet the annual interest and principal payments on debt service. WSSC Water's target debt service coverage ratio is 1.10. This measure excludes the General Construction Bond Debt Service fund

The results of these metrics are calculated each year in conjunction with spending affordability, the capital budget process and as needed for fiscal planning purposes.

Guideline on Terms for General Obligation Bond Issues

WSSC Water's debt typically takes the form of general obligation bonds and notes, with the pledge of the levy of an unlimited ad valorem tax upon the assessable property of the WSSD for repayment. However, all of the debt service is paid from its water consumption charges, sewer usage charges, Ready-to-Serve-Charges, front foot benefit charges, assessments and other available funds. WSSC Water has always paid General Obligation debt from its own revenues and has never relied on an ad valorem tax levy to pay its debt service.

CURRENT CIP FISCAL GUIDELINES (CONTINUED)

Bonds are normally issued in a 30-year series with equal payments over the life of the bond issue, which means payments of interest on the outstanding bonds are higher at the beginning and lower at the end. When bond market conditions warrant, or when a specific project would have a shorter useful life, different repayment terms may be used.

Guideline on Other Forms of Debt

The use of variable rate debt allows the agency to take advantage of short-term interest rates, which are typically lower, as well as to provide interim financing for the water and sewer projects comprising a portion of the agency's capital program. The agency has established a General Obligation Multi-Modal Bond Anticipation Note Program whereby the notes may bear interest in a weekly mode.

In deciding to utilize this note program, the agency shall consider market conditions, funding needs, the level of variable rate debt outstanding and other relevant issues when determining in which mode the notes will be initially issued and reserves the right to convert to a different mode if market conditions change.

The agency participates in the state revolving loan fund offered by the Maryland Water Quality Financing Administration. This loan fund was established by the Maryland General Assembly for the purpose of providing below market interest rates for qualifying projects. When advantageous to the agency, debt financing via this program will be pursued.

Guideline on Use of Federal and State Grants and Other Contributions

Grants and other contributions are used to fund capital projects whenever available on terms that are to WSSC Water's long-term fiscal advantage. Such revenues are used for debt avoidance and not for debt service.

Guideline on Operating Budget Impact

In the development of capital projects, the agency evaluates and displays the funding source and the impact of the operating budget on the project description form. In evaluating the cost of construction or acquiring assets funded with debt, the agency budgets to ensure that funding is available for debt service and the subsequent annual operation and maintenance costs of the asset.

Guideline on New Development and Growth

WSSC Water funds capital facilities needed to accommodate growth with developer contributions and through the System Development Charge (SDC). This charge is reviewed annually by the County Councils. SDC funds are used to pay for new treatment, transmission and collection (storage) facilities.

The Maryland General Assembly, in 1993, first approved legislation authorizing the Montgomery and Prince George's County Councils to establish, and WSSC Water to impose, a System Development Charge. This is a charge on new development to pay for that part of WSSC Water's CIP needed to accommodate growth in WSSC Water's customer base.

During periods where SDC revenue may be inadequate to fully fund growth projects on a PAYGO basis, WSSC Water bonds are issued with the related debt service expense repaid from future SDC revenues.

WSSC WATER MANAGEMENT

Productivity

WSSC Water will seek continuous improvement in the productivity of programs in terms of quantity of services relative to resources expended, through all possible strategies.

Risk Management

WSSC Water will control its exposure to financial loss through a combination of commercial and self-insurance; self-insure against all but highest cost risks; and aggressively control its future exposure through a comprehensive risk management program.

Resource Management

WSSC Water will seek continued improvement in its budgetary and financial management capacity in order to reach the best possible decisions on resource allocation and the most effective use of rate-payer resources.

Employee Compensation

WSSC Water will act to contain the growth of compensation costs using various strategies including organizational efficiencies, management efficiencies within its operations and service delivery and productivity improvements within its workforce.

Retirement Plan

WSSC Water will assure the security of benefits for employees, retirees and beneficiaries, as well as the solvency of the Employees' Retirement Plan (Plan) of WSSC Water by providing responsibility for investment management of the Plan's assets through the Board of Trustees (Board). The Board is composed of two Commissioners, four employees who are participants of the Plan, two representatives of the public, two retirees who are participants in the Plan and the Executive Director of the Plan. The administration of the Plan is managed by the Executive Director.

Retiree Other Post-Employment Benefits Trust

The Retiree Other Post-Employment Benefits Trust (Trust), a single employer contributory fund, was established to address the cost of life insurance and medical benefits for future retirees and beneficiaries. Through an IRC Section 115 Grantor Trust, annual contributions by WSSC Water are set aside and invested. The goal of the Trust is to set aside sufficient assets to meet the future costs of retiree benefits as they are earned by current employees.

The agency appoints Trustees responsible for the investment management of the assets for the exclusive benefit of the Plan participants. Current Trustees are three employees in key positions that are appointed by the agency. The administration of the Trust has been delegated to the Executive Director of the WSSC Water Employees' Retirement Plan.

GUIDELINES FOR REVENUES AND PROGRAM FUNDING

Diversification of Revenues

WSSC Water will work in cooperation with the elected leadership in both Counties to implement a combination of a volumetric rate structure with dedicated fixed charges to provide a reliable and stable source of water and sewer revenues to fund operations and maintenance and responsible system reinvestment. Permit and inspection fees and other special service charges will be set in a manner to recover the related costs incurred so the general rate payer is not subsidizing private activity.

Revenue Projections

WSSC Water will estimate revenues in a realistic and conservative manner in order to minimize the risk of a funding shortfall.

One-Time Revenues

WSSC Water will, whenever possible, give highest priority for the use of one-time revenues from any source to the funding of capital assets or other nonrecurring expenditures so as not to incur ongoing expenditure obligations for which revenues may not be adequate in future years.

Ready-to-Serve Charges/Fixed Fees

WSSC Water's water and sewer rates produce only the revenues needed to support services and operations. Our rate structure is comprised of both variable rates and fixed fees and reflects the costs to provide services to different customers based on their usage characteristics. The Annotated Code of Maryland authorizes a fixed, Ready-to-Serve Charge that represents the fixed costs of delivery of service to customers, regardless of the volume of service used. The Ready-to-Serve Charge is comprised of two components: the Account Maintenance Fee and the Infrastructure Investment Fee.

Account Maintenance Fee

The Account Maintenance Fee (AMF) is a fixed fee that recovers the cost of service associated with maintaining and servicing customer accounts. These expenses include the cost of purchasing, maintaining, reading and replacing meters; processing meter readings; generating and mailing customer bills; and providing customer services.

The AMF ensures that revenue will be received to cover the cost of providing customer services and meter maintenance. The fee increases with meter size because it is more costly to purchase and maintain larger meters.

Infrastructure Investment Fee

The Infrastructure Investment Fee (IIF) is a fixed fee that funds a portion of the debt service associated with the agency's water and sewer pipe reconstruction programs from the approved CIP.

GUIDELINES FOR REVENUES AND PROGRAM FUNDING (CONTINUED)

Intergovernmental Revenues

WSSC Water will seek a fair share of available State and Federal financial support unless conditions attached to that assistance are contrary to WSSC Water's interest. WSSC Water may choose not to solicit grants or loans that will require an undeclared fiscal commitment beyond the term of the grant.

Miscellaneous Fees and Charges

WSSC Water will initiate certain fees and charges rather than fund them through general ratepayer revenues. Such fees and charges are instituted for inspection services, permits and licenses, and other services. WSSC Water annually analyzes expenditures for services to ensure that related fees and charges defray the cost of providing these services.

Cash Management and Investments

The objective of WSSC Water's cash management and investment program is to achieve maximum financial return on available funds while assuring a high level of safety. Cash will be pooled and invested on a daily basis reflecting the investment objective priorities of capital preservation, liquidity and yield.

Reserves

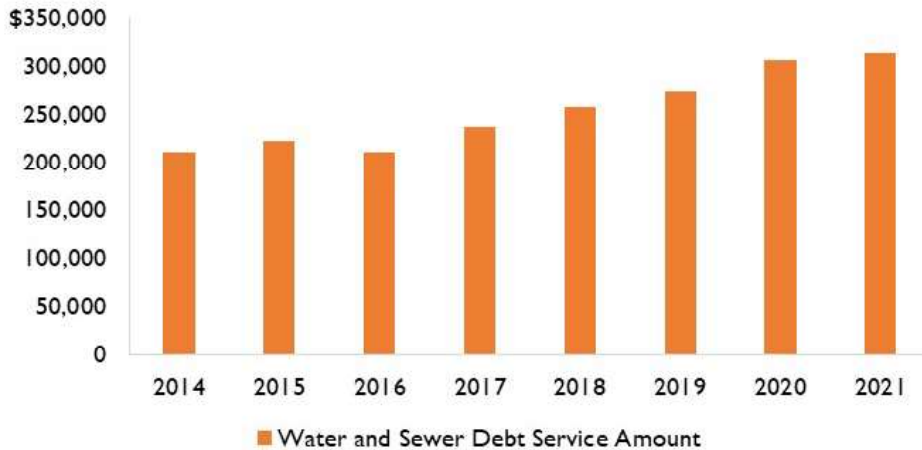
WSSC Water will maintain an unrestricted fund balance (operating reserve) of at-least 10% of water and sewer fund operating revenues. In addition, WSSC Water will budget for 60-90 days of available operating reserves on-hand.

Because WSSC Water relies on volumetric pricing structures, revenues may not match utility expenditures within a given year. Virtually all industry associations recommend the establishment of a minimum reserve in order to ensure a level of resilience in response to the risks associated with volatility in revenues, economic downturn or unforeseen, extraordinary events.

WSSC Water's reserve fund guideline establishes which reserves will be used as follows:

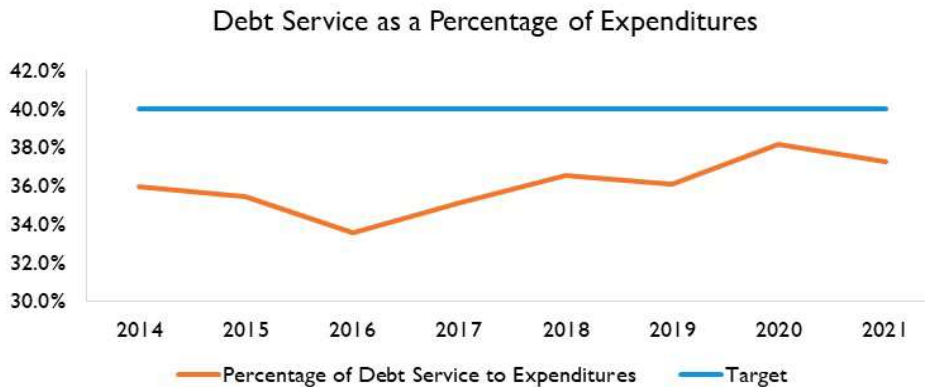
- Planning for contingencies
- Lowering borrowing costs by maintaining the highest credit rating possible
- Earning investment income (particularly in times of rising interest rates)
- Providing liquidity for operations in the event of a revenue shortfall

WATER AND SEWER DEBT SERVICE



Debt service continues to increase.

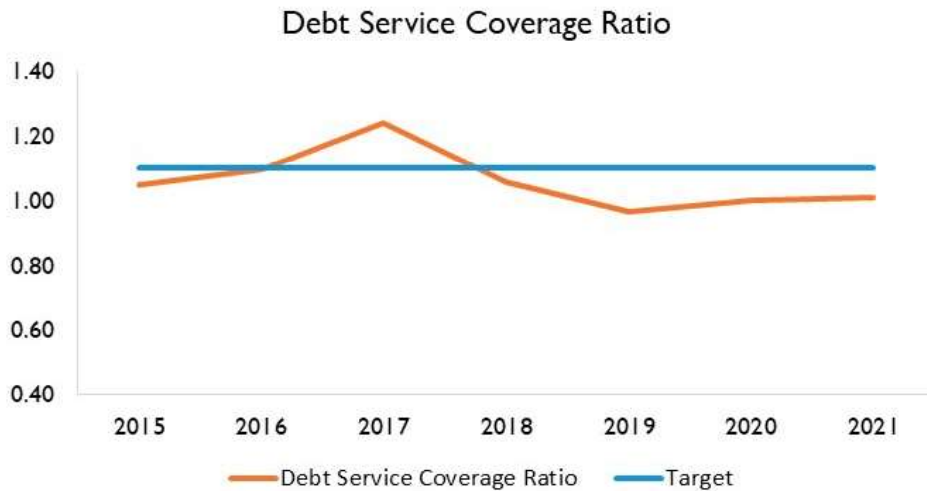
The largest expenditure in the FY 2021 proposed water and sewer operating budget is debt service. A major factor contributing to the increase is the ongoing water and sewer rehabilitation programs aimed at addressing WSSC Water’s aging infrastructure. These programs make up 41% of the FY 2021 Proposed CIP budget and highlights can be found in the FY 2021 to FY 2026 Proposed CIP at <https://www.wsscwater.com/fin>.



Debt service remains below the targeted 40% of operating expenditures.

As part of the long-term financial plan WSSC Water has a target benchmark of keeping water and sewer debt service below 40% of total water and sewer expenditures. The above chart shows the agency continues to be fiscally responsible in meeting this target. For FY 2021, the proposed debt service percentage is 37% of operating costs.

WATER AND SEWER DEBT SERVICE (CONTINUED)



**Projected FY 2021
debt service
coverage ratio is
1.01.**

The Debt Service Coverage Ratio (DSCR) is an important benchmark used in the measurement of the cash flow available to pay current debt obligations. WSSC Water’s target DSCR is 1.10. Although the projected ratio for FY 2021 is at 1.01, the ratio is currently projected to be on target at 1.10 in FY 2023. The FY 2021 ratio reflects flat water consumption, increased debt service costs and increased Piscataway Basin infrastructure rehabilitation costs.

Below is the formula for calculating DSCR where Net Operating Income equals Operating Revenue minus Operating Expenses, excluding Debt Service and PAYGO.

$$\text{DSCR} = \frac{\text{Net Operating Income}}{\text{Total Debt Service}}$$

REVENUE TRENDS

Operating Budget

Water & Sewer - Combined Operating Funds

(\$ In Thousands)	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Approved	FY 2021 Proposed
OPERATING REVENUES							
Water Consumption Charges	\$ 242,867	\$ 235,805	\$ 270,134	\$ 271,735	\$ 273,753	\$ 280,997	\$ 298,759
Sewer Use Charges	319,488	307,264	329,332	325,879	341,496	377,902	396,952
Account Maintenance Fee	22,753	29,247	32,508	32,473	32,116	32,296	32,360
Infrastructure Investment Fee	-	16,700	37,561	39,847	39,278	39,331	39,410
Plumbing and Inspection Fees	9,129	10,430	11,178	12,141	13,594	12,900	14,470
Rockville Sewer Use	3,186	3,142	2,907	3,223	3,106	3,000	3,000
Miscellaneous	17,169	18,417	18,823	19,117	20,913	19,800	20,800
Interest Income	532	696	1,540	5,478	9,306	5,500	10,000
Total Operating Revenues	615,124	621,701	703,983	709,893	733,562	771,726	815,751
Other Credits and Transfers:							
Use of Fund Balance	30,193	20,721	24,450	227	11,580	11,341	8,000
Reconstruction Debt Service Offset	10,000	8,500	9,800	7,700	12,500	11,600	9,500
SDC Debt Service Offset	1,167	728	2,609	2,396	5,551	4,658	5,772
Premium Transfer	-	-	-	-	-	2,900	1,500
Underwriters Discount Transfer	-	-	-	-	-	-	2,000
Miscellaneous Offset	-	-	-	-	-	395	-
Total Funds Available	\$ 656,484	\$ 651,650	\$ 740,842	\$ 720,216	\$ 763,193	\$ 802,620	\$ 842,523

General Bond Debt Service Fund

(\$ In Thousands)	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Approved	FY 2021 Proposed
OPERATING REVENUES							
Front Foot Benefit & House Connection	\$ 29,971	\$ 24,925	\$ 22,039	\$ 19,191	\$ 15,809	\$ 12,507	\$ 10,378
Interest Income	62	87	383	865	1,127	500	600
Miscellaneous	384	312	294	285	268	260	230
Total Operating Revenues	30,417	25,324	22,716	20,341	17,204	13,267	11,208
Other Credits and Transfers:							
Reconstruction Debt Service Offset	10,000	8,500	9,800	7,700	12,500	11,600	9,500
Use of Fund Balance	(10,000)	(8,500)	(9,800)	(7,700)	(12,500)	(11,600)	(9,500)
Total Funds Available	\$ 30,417	\$ 25,324	\$ 22,716	\$ 20,341	\$ 17,204	\$ 13,267	\$ 11,208

WATER QUALITY AND REGULATIONS

INTRODUCTION

Water and sewer utilities are heavily impacted by both current and emerging regulations. The agency is committed to protecting the natural environment of Prince George’s and Montgomery Counties as it carries out its mandate to provide sanitary sewer and drinking water services. This commitment focuses on those unique natural and manmade features (waterways, woodlands and wetlands, as well as parklands, historical sites and residential areas) that have been indicated by federal, state and local environmental protection laws and regulations. Specific impact information is included in the evaluation of alternatives by the agency’s Asset Management Program, if the environment features will be affected by the proposed construction of a project.

A further extension of these protections has been funded by the approximately \$149.6 million included in the FY 2021 Proposed Budget which is attributable to meeting environmental regulations. These projects are mandated by the US Environmental Protection Agency (EPA) under the Clean Water Act through the State of Maryland Department of the Environment in response to pollution controls in the form of more stringent state discharge permit requirements and to meet the agency’s commitment to the environment. These capital projects are listed in the following table:

EXPENDITURE SUMMARY OF WATER QUALITY CAPITAL PROJECTS

(\$ In Thousands)

Project	Project Name	Phase	Proposed FY 2021
S-1.01	Sewer Reconstruction Program	Ongoing	\$ 55,495
S-22.10	Blue Plains WWTP: ENR	Construction 96%	294
S-22.11	Blue Plains WWTP: Pipelines & Appurtenances	Ongoing	13,622
S-43.02	Broad Creek WWPS Augmentation	Construction 90%	166
S-131.10	Fort Washington Forest No. 1 WWPS Augmentation	Construction 25%	22
S-170.09	Trunk Sewer Reconstruction Program	Ongoing	69,491
W-73.33	Potomac WFP Consent Decree Program	Design 0%	10,500
W-139.02	Duckett & Brighton Dam Upgrades	Construction 57%	22
Total Water Quality Projects			\$ 149,612

At WSSC Water, our top priority is to continuously provide the customers with water that meets strict federal Safe Drinking Water Act standards. WSSC Water provides updated information about water quality and other aspects of the service delivery system on our website <https://www.wsscwater.com/waterquality>.

Water Filtration and Treatment - Turbidity

One of the WSSC Water’s primary goals is to provide a safe and reliable supply of drinking water that meets or exceeds the requirements of the Safe Drinking Water Act and other federal and state regulations. WSSC Water has never exceeded a maximum contaminant level (MCL) or failed to meet a treatment technique (TT) requirement established by the EPA in accordance with the Safe Drinking Water Act.

Our Water Quality



100-Year History:
No drinking water quality violations

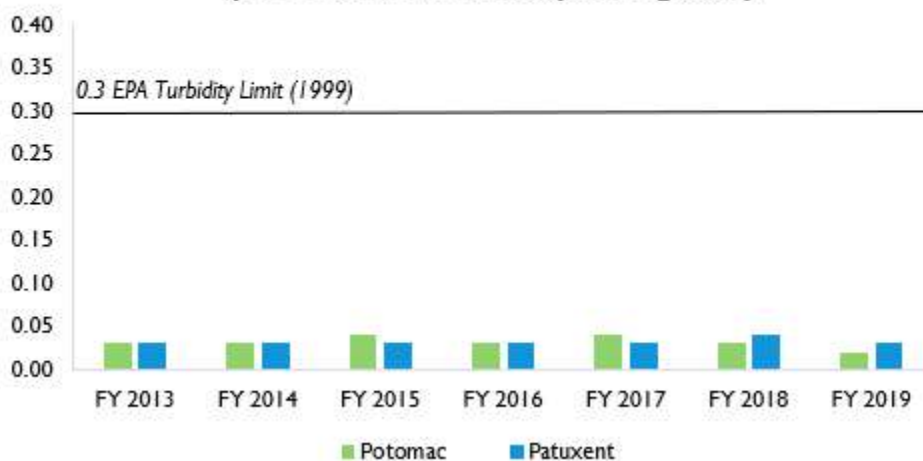
WSSC’s drinking water has **always met or surpassed strict** federal and state standards

WSSC conducts more than **100 tests daily** to constantly monitor water quality and safety



In addition to traditional approaches to ensuring drinking water quality, WSSC Water continues to place particular emphasis on addressing low-level contaminants such as disinfection byproducts, and maintaining low levels of turbidity (suspended sediment) to ensure public health protection. The agency continues to work closely with local and national professional and research organizations, as well as with state and county agencies and the EPA, to ensure that our treatment methods are cost-efficient and consistent with current research findings.

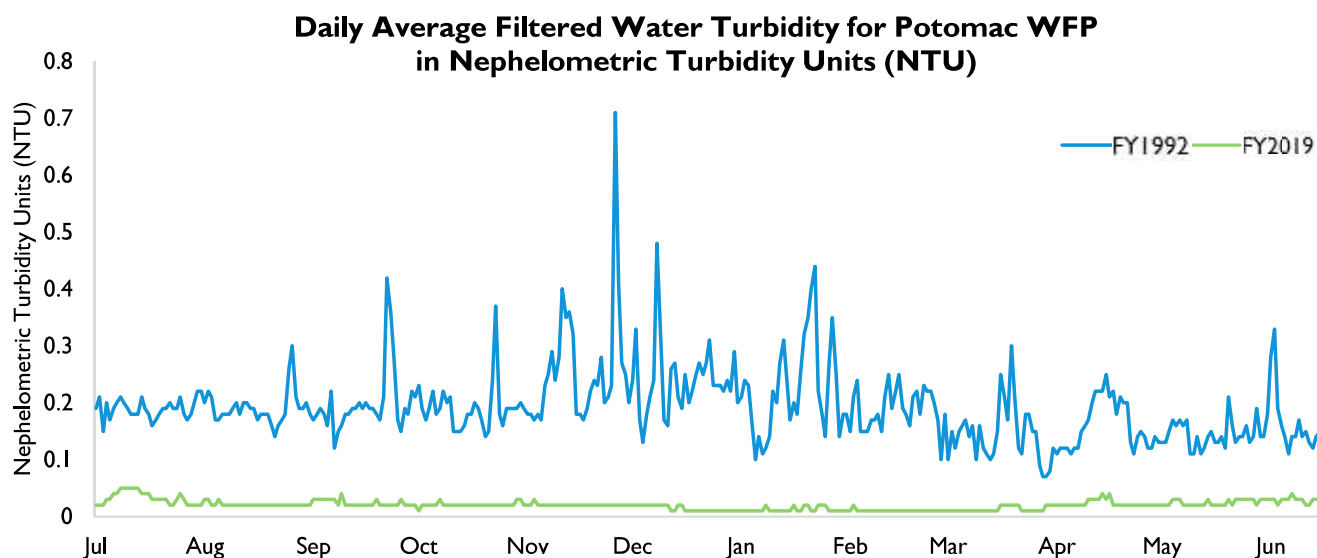
Average Filtered Water Turbidity for Potomac and Patuxent Water Filtration Plants in Nephelometric Turbidity Units (NTU) (0.1 NTU Continuous Operating Goal)



PERFORMANCE OF KEY SERVICES (CONTINUED)

WSSC Water's continued participation in the Partnership for Safe Water Program is indicative of our commitment. A primary goal of this program is to maintain filtered water turbidity well below EPA established limits to effectively guard against *Cryptosporidium*. Although WSSC Water was already meeting the then newly-established maximum average monthly turbidity requirement of 0.5 NTU, a substantial effort was made in FY 1992 to further improve water quality to prevent emerging problems associated with *Cryptosporidium*. The graph on the prior page shows the average turbidity for the Potomac and Patuxent Water Filtration Plants for FY 2013 through FY 2019. The EPA reduced the turbidity limit to 0.3 NTU in 1999, still well above the levels being achieved by WSSC Water. A maximum water turbidity of 0.1 NTU level has been and will continue to be a key objective for WSSC Water's Production Department.

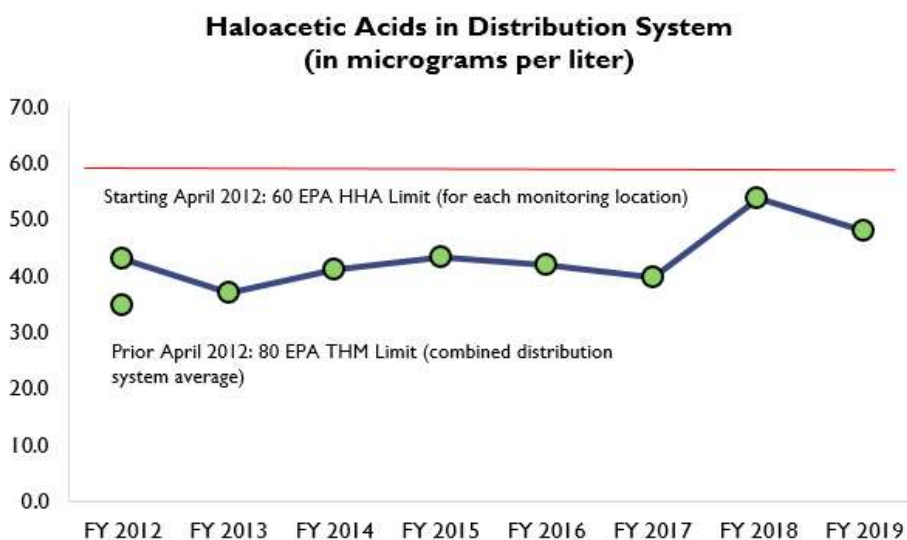
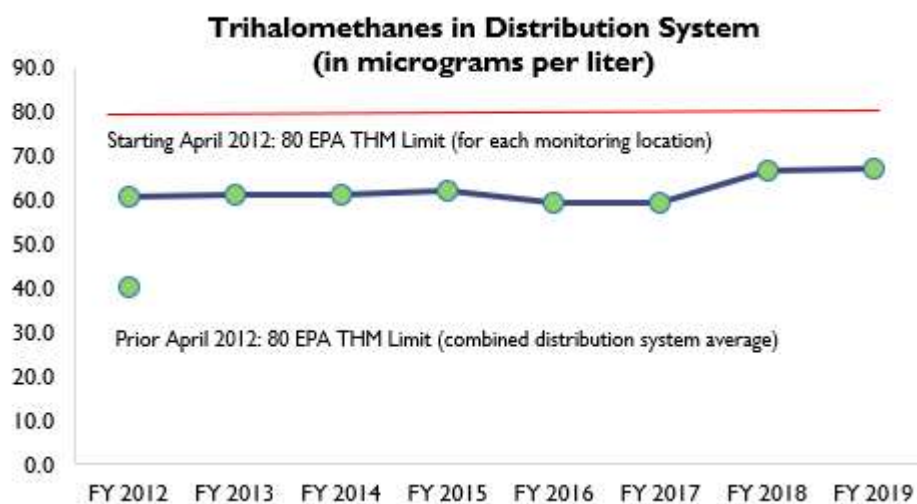
Not only has average turbidity been reduced, but also, as shown in the graph below for the Potomac Water Filtration Plant, the magnitudes of the daily peaks associated with variable raw water quality have been substantially reduced from FY 1992 peak levels. This latter measure is of particular importance in ensuring the reliability of the *Cryptosporidium* barrier. Finally, the ultraviolet disinfection systems incorporated in our treatment trains at both Potomac and Patuxent further increase the reliability of this barrier.



PERFORMANCE OF KEY SERVICES (CONTINUED)

Water Filtration and Treatment – Trihalomethanes and Haloacetic

WSSC Water has also been aggressively pursuing enhanced coagulation (optimization of coagulant doses and pH levels to improve total organic carbon removal) to enhance disinfection byproduct precursor removal, thereby lessening the formation of potential carcinogens in the finished water. Effective January 2001, the EPA reduced the standard for trihalomethanes (THMs) from 100 to 80 micrograms or lower of total THMs (TTHM) per liter in finished water. At the same time, the EPA also established a maximum contaminant level for haloacetic acids (HAAs) of 60 micrograms of five HAAs (HAA5) per liter in finished water. As shown in the figures below, WSSC Water is meeting the THM and HAA standards with the help of its enhanced coagulation initiatives. The Stage 2 Disinfection Byproducts (DBP) rule took effect near the end of FY 2012, and builds upon earlier rules to improve drinking water quality. The rule strengthens public health protection from disinfection byproducts by requiring drinking water systems to meet maximum contaminant levels at each compliance monitoring location (as a locational annual average) instead of as a system-wide average as in previous rules. The annual average is shown below as the highest quarterly running annual average for a given fiscal year.



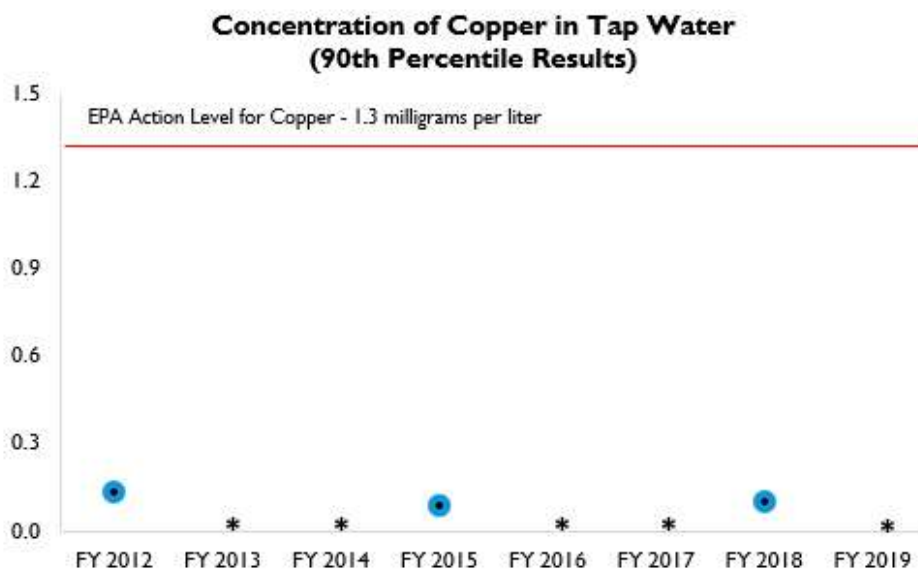
PERFORMANCE OF KEY SERVICES (CONTINUED)

Water Filtration and Treatment – Tap Water Lead and Copper

The agency also continues its corrosion control program (using fine pH adjustment and the addition of orthophosphate) to minimize potential lead and copper corrosion in customer plumbing. The state has confirmed that WSSC Water’s treatment is optimized for corrosion control against lead and copper. As a result of treatment optimization, the state has allowed WSSC Water to be on a reduced monitoring schedule (both frequency of monitoring and number of samples) for much of the past two decades, with occasional periods of increased monitoring associated with treatment changes such as the implementation of orthophosphate addition. Results from the required triennial monitoring continue to indicate the 90th percentile lead and copper levels are well below the tap water action levels. The most recent round of monitoring was performed in FY 2019.



*No sampling required in these years.

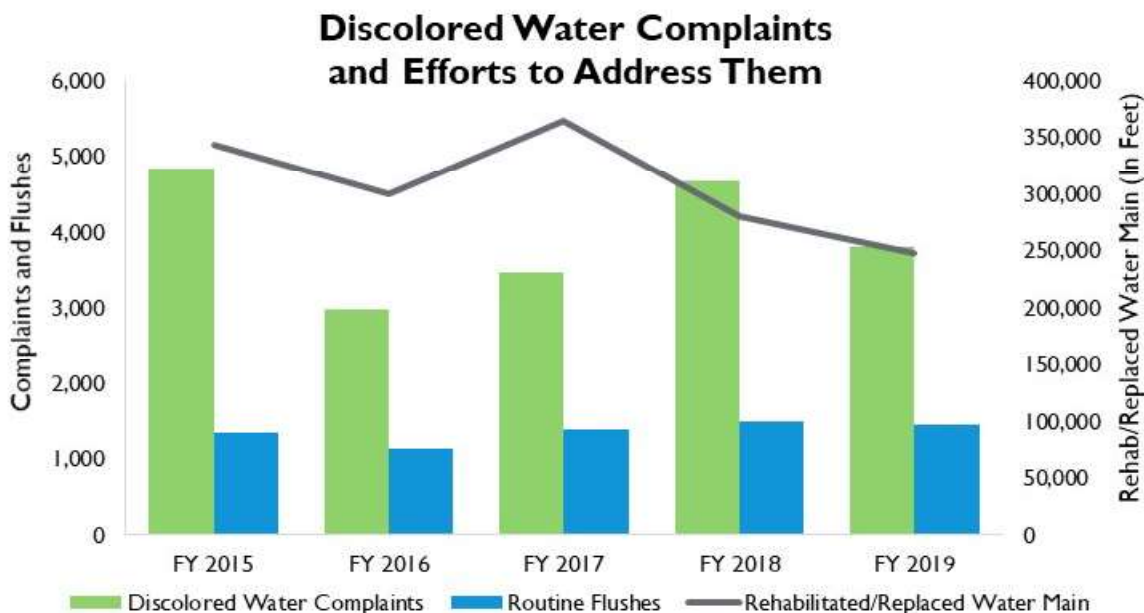


*No sampling required in these years.

PERFORMANCE OF KEY SERVICES (CONTINUED)

Discolored Water

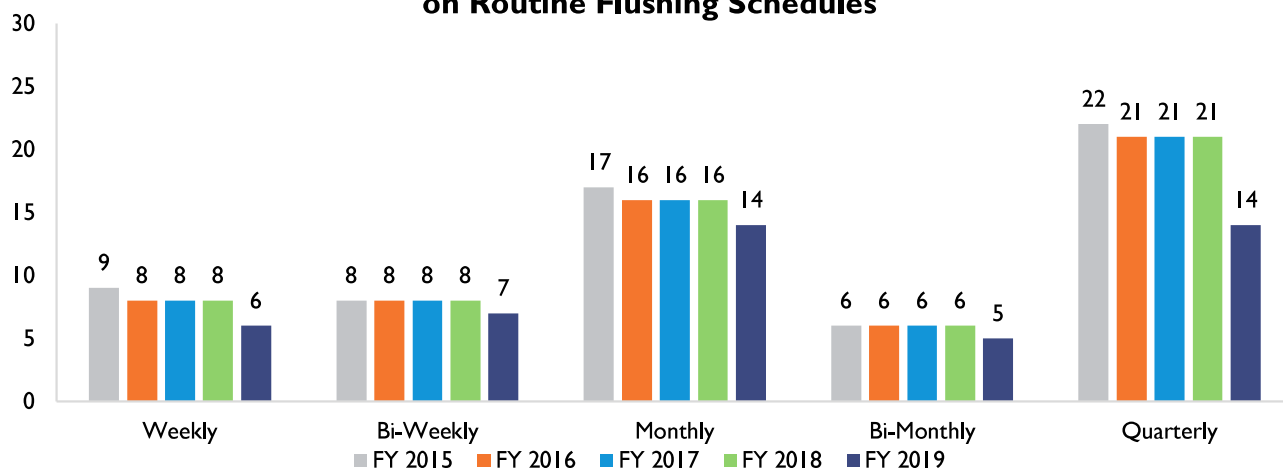
Unlined cast iron pipe eventually leads to discolored water in the distribution system as the water chemically reacts with the pipe to form iron oxides (rust) and accumulates deposits of iron and manganese that can become dislodged. This is a serious inconvenience for the affected customers, limiting and disrupting their normal water use. To combat this problem, an aggressive program was begun in FY 1996 to periodically flush water mains in the affected areas to keep the water clear. At the same time, WSSC Water augmented its ongoing program to resolve such problems by mechanically cleaning and relining the old mains with a new cement mortar lining.



Beginning in FY 2001, the emphasis was shifted from cleaning and lining water mains to the more permanent solution of water main replacement, which is more involved and more time consuming than cleaning and lining. In FY 2018, the number of discolored water complaints increased substantially. An investigation of this issue has revealed significant increases in sodium and manganese coming from the Potomac River. The sodium concentration, up to 7 times higher than usual, was in the river due to the use of salt on roads and driveways in the winter months. The salt leached manganese from the soil and the increased manganese in the ground water reached the river and the intake at the Potomac WFP. The presence of high levels of manganese caused discoloration. The presence of sodium aggravated the corrosion of WSSC Water's aging water mains and contributed to increased discolored water complaints. The agency is now treating water for manganese reduction, which reduced discolored water complaints in FY 2019.

The focus on rehabilitation and replacement efforts has been increased in recent years. In order to maintain the high level of water quality our customers expect, it is important to continue to focus on water main replacement. This will reduce the amount of flushing that is required. WSSC Water replaced 47.04 miles of distribution mains, and 4.96 miles of transmission mains during FY 2019.

Discolored Water Problem Areas on Routine Flushing Schedules



The graph above shows the number of chronic problem areas requiring regular flushing on a weekly, bi-weekly, monthly, bi-monthly, and quarterly basis since FY 2015. The number of areas with chronic discolored water problems has remained relatively constant over the years. Areas with weekly and quarterly flushings have decreased in number over the past few years. In FY 2019, 46 designated areas received regularly scheduled flushings, a decrease from FY 2018’s 59 recurring flushings. FY 2019 flushing reductions are attributable to both the impact of the water main replacement program and reduced water main breaks, resulting in reduced customer complaints.

Sewer Line Blockages

The goal of the Line Blockage Analysis (LBA) program is to prevent a customer who experiences a sewer backup due to a problem in the WSSC Water’s main sewer line from suffering a second backup. When a customer has a sewer backup, a maintenance crew responds to clear the stoppage and assist in cleaning the basement. Response is generally within 2 hours, 24 hours a day, 7 days a week. The customer is contacted the following business day to see if additional assistance is needed and is advised that an LBA investigation has been initiated. The sewer main is immediately recleaned to preclude another backup during the investigation process, and a television camera is pulled through the line within 30 days to determine structural condition. All pertinent data is then reviewed and analyzed to determine what action is necessary to prevent a recurrence of the backup. After a decision is made, the customer is notified by letter of any planned action, and the appropriate preventive maintenance or rehabilitation action is scheduled and subsequently implemented.

The overall program objective is to prevent a second backup in 95% of the cases processed. For FY 2019, the agency was successful in preventing a second backup in 100% of these cases. The Proactive Maintenance Program (PMP), along with technological advances such as the jet cam, has enabled the agency to pursue its objective more diligently.

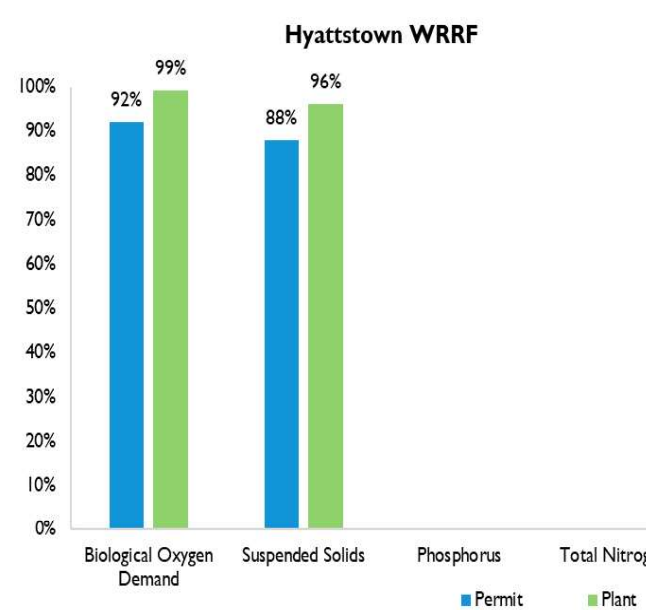
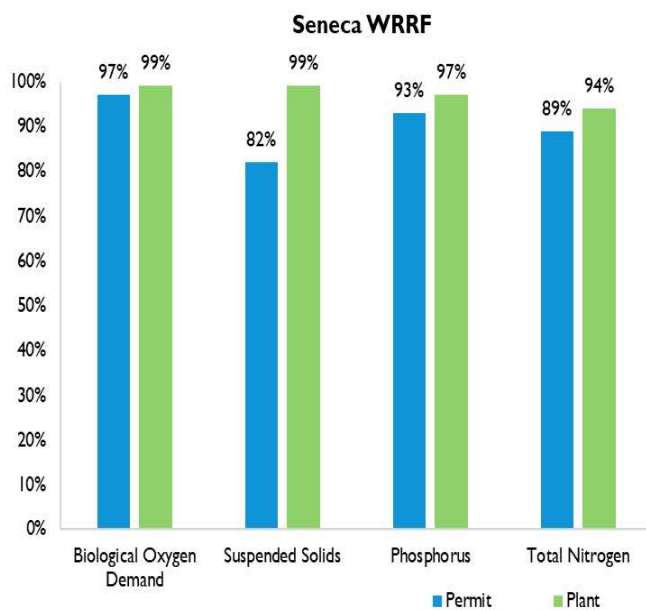
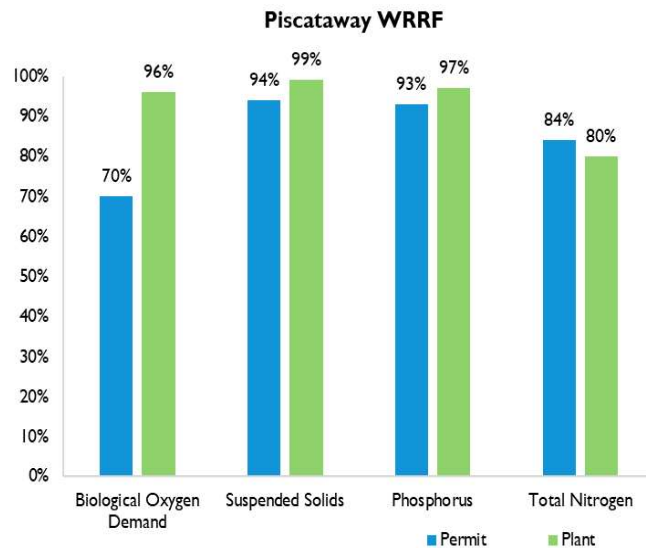
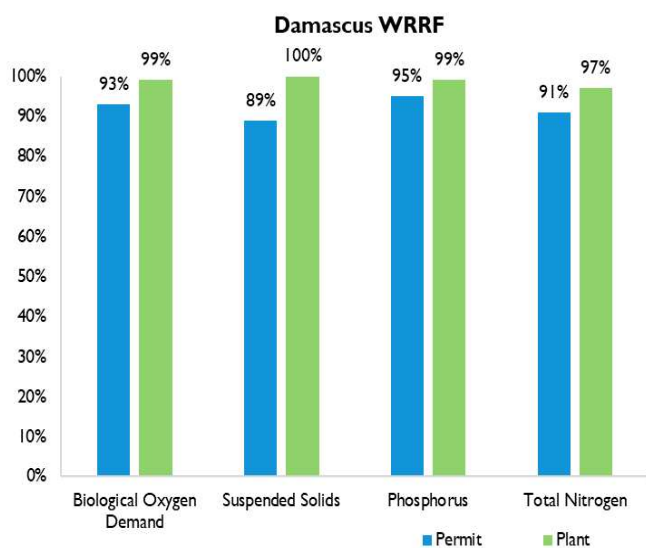
Sewer House Connection Renewal

The sewer house connection renewal program replaces sewer house connections when structural problems have caused customer backup. Damaged or deteriorated sewer house connections are replaced as necessary to ensure that customers do not suffer repeated sewer backups into their homes. The program objective is to prevent a second backup after WSSC Water has confirmed there is a problem with the service.

PERFORMANCE OF KEY SERVICES (CONTINUED)

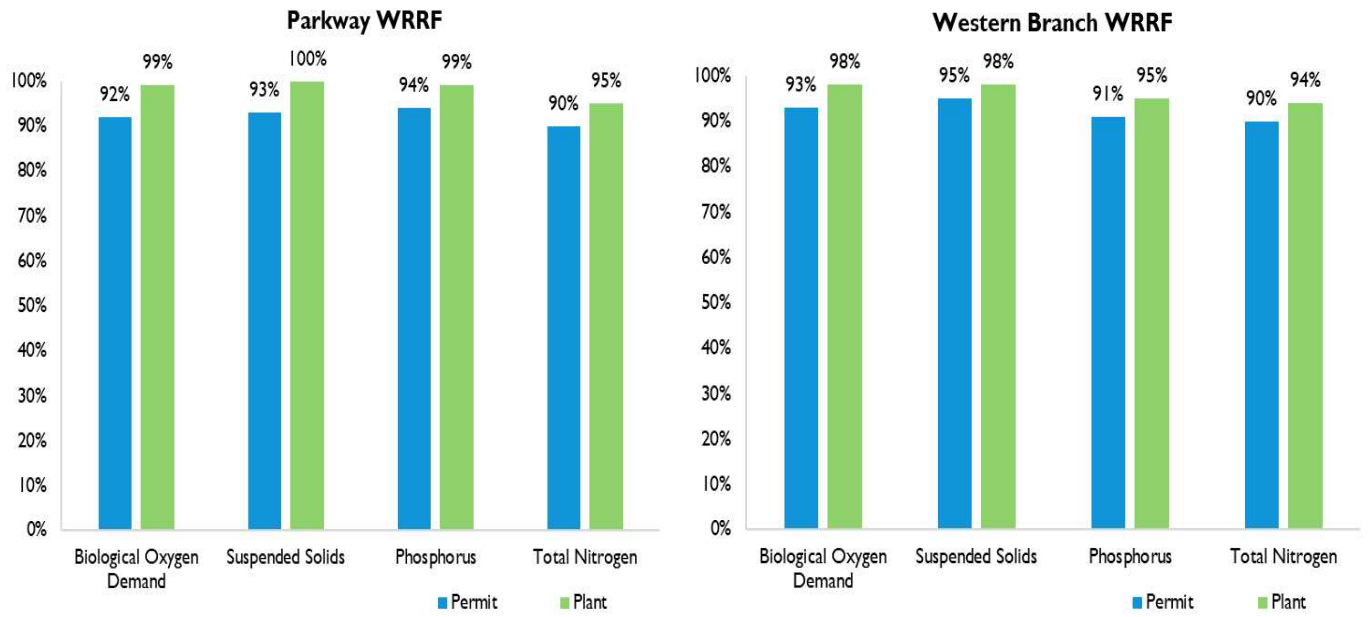
FY 2019 Percentage Removal of Substances Regulated by Discharge Permits

The following graphs present actual FY 2019 plant performance for WSSC Water’s Water Resource Recovery Facilities (WRRF), in terms of the percentage of specific substances removed compared to state/federal discharge permit requirements. The substances regulated differ from plant to plant, depending (in part) on the river or stream into which the treated water is discharged. For FY 2021, the Production Department will continue to pursue its goal of meeting or surpassing the permit requirements for each plant.



PERFORMANCE OF KEY SERVICES (CONTINUED)

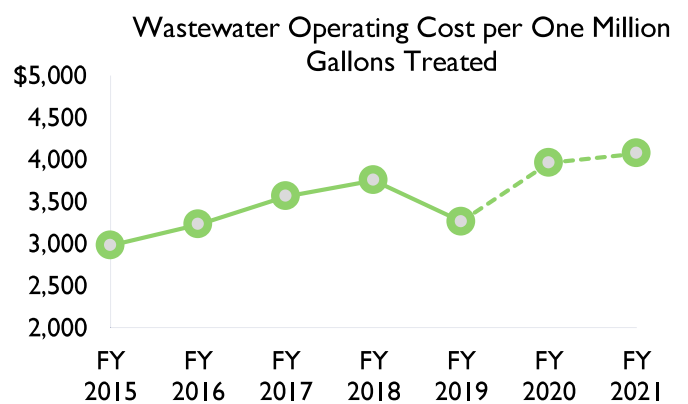
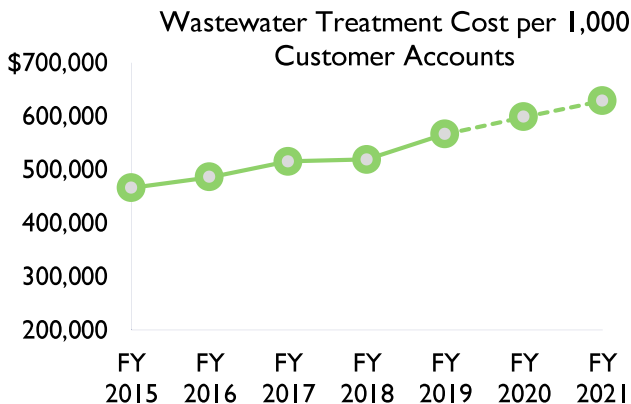
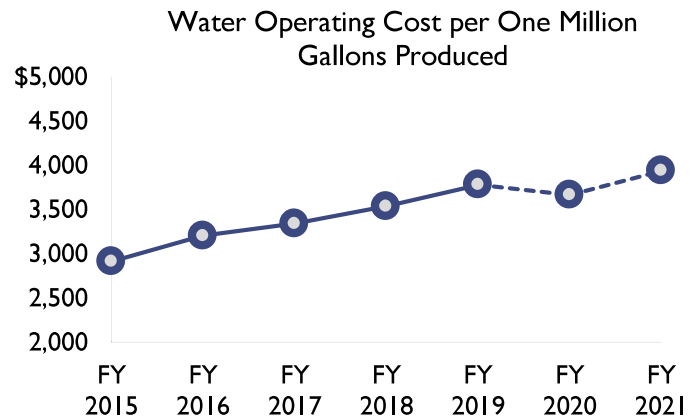
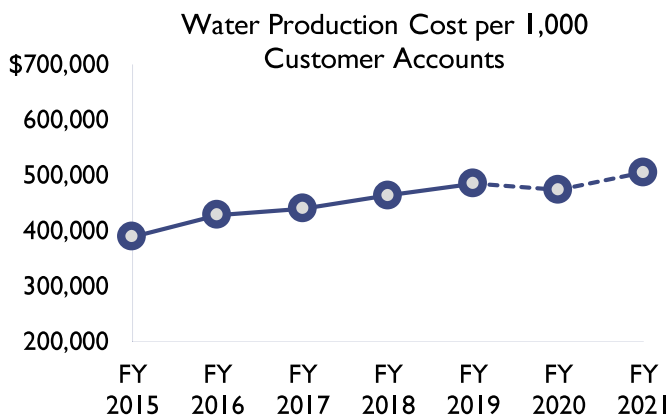
FY 2019 Percentage Removal of Substances Regulated by Discharge Permits (Continued)



PERFORMANCE OF KEY SERVICES (CONTINUED)

Water & Wastewater Operations

The agency’s top priority is to continuously provide a safe and reliable supply of drinking water that meets all strict federal Safe Drinking Water Act standards. At the same time the agency works closely with local and national professional and research organizations, as well as with state and county agencies and the EPA, to ensure that our treatment methods are cost-efficient. In spite of inflation and the increased maintenance cost of our infrastructure systems, the agency continues to focus on being fiscally responsible with the water and wastewater operating costs. In the graph below showing the Wastewater Operating Cost per One Million Gallons of Sewage Treated, the FY 2019 result appears significantly lower than in prior years. The result appears lower due to the all-time-record-setting rainfall and associated Infiltration & Inflows into the sanitary sewer system over the period, which raised the volume treated while also lowering the point on the graph. Although the graph is correct, the actual treatment costs for FY 2019 were consistent with prior years.

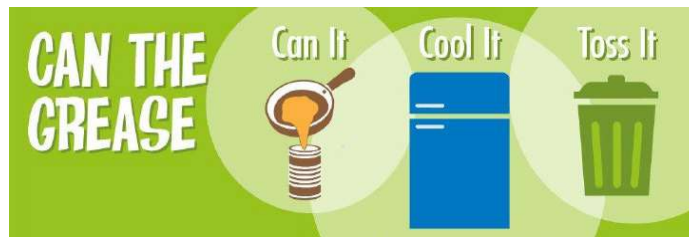


WATER QUALITY CAMPAIGNS

Fats, Oils, & Grease

Sanitary sewers are designed and constructed with enough diameter to carry the normal waste discharges from a residence or business. When cooking by-products, fats, oils and/or grease (FOG), are discharged to the sewer, the FOG can cool and accumulate on the interior of the sewer pipes. Over time, this accumulation of FOGs restricts the flow and causes blockages in the sewer which can result in overflowing manholes or basement backups. Sanitary Sewer Overflows (SSOs) can discharge to storm drains and creeks, which will ultimately flow to the Chesapeake Bay. Get more information at <https://www.wsscwater.com/canthe grease>.

In addition to permitting and inspection efforts, WSSC Water has partnered with agencies such as the Restaurant Association of Maryland to help the food service industry understand the safest and best ways to dispose of FOG, and to train them in how to use Best Management Practices (BMPs) when dealing with FOG.



Keep The Wipes Out of The Pipes

Unfortunately, many wipes that are labeled “flushable” may go down the toilet, but they do not break apart in the system. The true test to determine if something is flushable: does it dissolve like toilet paper or organic waste? If the answer is no, then it is not flushable.

Literally tons of wipes, still intact, clog pumps at wastewater pumping stations across the nation or end up at wastewater treatment plants and then have to be hauled away. WSSC Water has spent over \$1 million to install grinders at a number of our wastewater pumping stations to deal with the growing problem of wipes in the pipe. WSSC Water reminds customers to use the trash can for trash.

Pharmaceuticals and Other Hazardous Wastes

WSSC Water adopted the U.S. Food and Drug Administration recommendations to not dispose of unused or expired pharmaceutical drugs into the sanitary sewer. Any pharmaceutical flushed down the toilet or discharged to the sanitary sewer could potentially make its way into the drinking water source. Wastewater treatment plants do not treat for many pharmaceuticals. Properly disposing of these items may help prevent future contamination to the environment.

WSSC Water advises disposing pharmaceutical drugs in the trash, at a pharmacy or a police station. Additional information on disposal can be found on WSSC Water’s website under Water Quality or by visiting <https://www.fda.gov> and search for “disposal by flushing”.

As for other hazardous wastes such as household cleaners, pesticides, paints, motor oil and prescription drugs never pour them down the drain, in the toilet, on the ground or in storm drains. The best place to take these hazardous substances is to a recycling center. You can contact your County’s solid waste or waste management services for additional information.

COMPARATIVE EXPENDITURES BY ORGANIZATIONAL UNIT – ALL OPERATING AND CAPITAL FUNDS

Organization	FY 2020 Approved		FY 2021 Proposed		Change
	Work Years	Budget	Work Years	Budget	
Governance & General Manager's Office					
Commissioners'/Corporate Secretary's Office*	2	\$ 381,879	2	\$ 397,280	\$ 15,401
Office of the Inspector General*	10	1,572,084	10	1,605,564	33,480
General Manager's Office	8	1,448,190	8	1,491,433	43,243
General Counsel's Office	28	10,517,040	28	10,658,343	141,303
Strategy & Partnerships Branch					
Intergovernmental Relations Office	4	753,746	4	783,107	29,361
Strategy & Innovation Office	18	2,755,779	19	3,254,244	498,465
Communications & Community Relations Office	19	3,071,397	19	3,135,611	64,214
Human Resources Office	36	7,921,259	36	8,101,249	179,990
Equal Employment Opportunities Office	1	226,400	1	242,584	16,184
Customer Service Department	86	11,584,913	86	13,677,103	2,092,190
Operations Branch					
Asset Management Office	5	2,385,924	5	1,752,588	(633,336)
Police & Homeland Security Office	40	6,050,620	40	6,063,378	12,758
Engineering & Construction Department	378	588,760,824	377	573,062,416	(15,698,408)
Production Department	330	139,093,978	330	145,060,403	5,966,425
Utility Services Department	512	138,619,476	512	139,591,679	972,203
Administration Branch					
Office of Supplier Diversity & Inclusion	9	1,461,900	9	1,555,739	93,839
Procurement Office	27	2,758,044	27	2,785,036	26,992
General Services Department	96	40,446,733	96	42,753,616	2,306,883
Finance Department	64	7,720,450	64	8,420,934	700,484
Information Technology Department	103	56,050,279	103	56,943,147	892,868
Other					
Non-Departmental - Human Resources	-	31,139,492	-	31,511,051	371,559
Non-Departmental - Finance					
Debt Service	-	319,882,700	-	325,593,000	5,710,300
PAYGO	-	31,016,000	-	31,016,000	-
Other (Social Security, Retirement, etc.)	-	51,056,378	-	54,206,352	3,149,974
Retirement Trust Charge Back	-	(756,355)	-	(750,043)	6,312
Total	1,776	\$ 1,455,919,130	1,776	\$ 1,462,911,814	\$ 6,992,684

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



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 (telephone: 301.206.8000) or from their website at <https://www.wsscwater.com/budget>.

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts public hearings in both counties. WSSC 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 the 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, 5,900 miles of water mains, and 5,700 miles of sewer mains, 24 hours a day, 7 days a week.
- Treating or delivering 164 Million Gallons per Day (MGD) of water to over 475,000 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards.
- Replacing 25 miles of water main and 26 miles of sewer main and lateral lines.
- Restore normal service within 24 hours from when the agency is notified of an emergency, and to limit time a customer is without water service to less than 6 hours.

Spending Control Limits

The spending control limits process requires that the two counties set annual ceilings on WSSC Water's water and sewer rate increase and on debt (bonded indebtedness as well as debt service) and then adopt corresponding limits on the size of the capital and operating budgets. The two councils must not approve capital and operating budgets in excess of the approved spending control limits unless a majority of each council votes to approve them. If the two councils cannot agree on expenditures above the spending control limits, they must approve budgets within these limits. The following table shows the FY21 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 FY21 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 slightly higher than the approved ceiling. These additional operating costs will be recouped with non-rate revenue from an accounting adjustment into the operating fund, debt service off-sets, and increases in fixed fees.

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County Executive Recommendations

Operating Budget

The County Executive recommends that WSSC Water's proposed FY21 budget be approved with a water and sewer rate increase of 7.0 percent in FY21 consistent with the Commission's resource needs outlined in their proposed budget. Capital Budget.

Capital Budget

The County Executive recommended the WSSC Water FY21-26 Capital Improvements Program (CIP) budget be approved as submitted by the Commission.

FY21 fiscal projections for all funds and budgets are shown below.

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PROGRAM CONTACTS

Contact Letitia Carolina-Powell of the WSSC Water at 301.206.8379 or Rafael Pumarejo Murphy of the Office of Management and Budget at 240.777.2775 for more information regarding this agency's operating budget.

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

FISCAL PROJECTIONS	FY20 ESTIMATED	FY21 PROPOSED	FY21 CE REC	FY22 PROJECTION	FY23 PROJECTION	FY24 PROJECTION	FY25 PROJECTION	FY26 PROJECTION
SPENDING AFFORDABILITY RESULTS								
New Water and Sewer Debt (\$millions)	\$384.9	\$409.9	\$409.9	\$503.1	\$495.7	\$403.8	\$355.0	\$379.5
Total Water and Sewer Operating Expenses (\$millions)	\$802.6	\$842.5	\$842.5	\$878.5	\$922.1	\$976.7	\$1,040.1	\$1,101.0
Debt Service (\$millions)	\$306.3	\$313.9	\$313.9	\$336.1	\$365.6	\$389.7	\$415.2	\$437.9
Average Water and Sewer Rate Increase	5.0%	7.0%	7.0%	8.0%	7.0%	7.0%	6.5%	6.5%
BEGINNING FUND BALANCE (\$000)	140,729	129,388	129,388	121,388	130,774	150,044	167,467	180,141
REVENUES (\$000)								
Water and Sewer Rate Revenue	658,899	695,711	695,711	752,668	806,749	864,729	922,553	984,252
Interest Income	5,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Account Maintenance Fee	32,296	32,360	32,360	32,426	32,491	32,556	32,621	32,686
Infrastructure Investment Fee	39,331	39,410	39,410	39,488	39,567	39,647	39,726	39,805
Miscellaneous	35,700	38,270	38,270	38,912	39,569	40,242	40,931	41,635
Total Revenues	774,726	815,751	815,751	873,494	928,376	987,174	1,045,831	1,108,378
SDC Debt Service Offset	4,658	5,772	5,772	4,984	4,983	4,982	4,984	4,984
Reconstruction Debt Service Offset (REDO)	11,600	9,500	9,500	7,400	6,000			
Use of Fund Balance	11,341	8,000	8,000	7,000	6,000	5,000		
Premium Transfer	2,900	1,500	1,500					
Underwriters Discount Transfer		2,000	2,000	2,000	2,000	2,000	2,000	2,000
Miscellaneous Offset	395							
TOTAL FUNDS AVAILABLE	802,620	842,523	842,523	894,878	947,359	999,156	1,052,815	1,115,362
EXPENDITURES (\$000)								
Salaries and Wages	129,675	133,197	133,197	139,191	145,454	152,000	158,840	165,988
Heat, Light, and Power	19,436	20,423	20,423	21,240	22,089	22,973	23,892	24,847
Regional Sewage Disposal	59,000	58,000	58,000	59,160	60,343	61,550	62,781	64,037
Debt Service	306,307	313,865	313,865	336,142	365,610	389,665	415,176	437,884
PAYGO	31,016	31,016	31,016	31,016	31,016	56,000	88,000	95,000
All Other	257,185	286,022	286,022	291,742	297,577	294,545	291,452	297,281
Reserve Contribution								
Unspecified Expenditure Reductions								15,926
TOTAL USE OF RESOURCES	802,620	842,523	842,523	878,491	922,089	976,733	1,040,141	1,100,963
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	0	16,387	25,270	22,423	12,674	14,399
YEAR END FUND BALANCE w/o additional reserve contribution	129,388	121,388	121,388	130,775	150,044	167,467	180,141	194,540
Additional Reserve Contribution								
TOTAL YEAR END FUND BALANCE	129,388	121,388	121,388	130,775	150,044	167,467	180,141	194,540
Debt Service as a Percentage of Water and Sewer Operating Budget	38.2%	37.3%	37.3%	38.3%	39.7%	39.9%	39.9%	39.8%
Total End of Fiscal Year Operating Reserve	73,525	73,525	73,525	73,525	73,525	73,525	73,525	73,525
Total Operating Reserve as a Percentage of Water and Sewer Rate Revenue	11.2%	10.6%	10.6%	9.8%	9.1%	8.5%	8.0%	7.5%
Total Workyears (all funds)	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776

Assumptions:

- The County Executive's operating budget recommendation is for FY21 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
- The FY22-26 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 FY21 water and sewer operating budget for WSSC Water.
- The FY21 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY20 budget jointly approved by Montgomery and Prince George's counties. The FY21 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC Water's proposed FY21 budget. The FY21 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC Water budget for FY21. The FY22-26 spending affordability figures correspond to the values of the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year and are provided by WSSC.
- The total FY20 estimated workyears shown correspond to the actual workyears as of December, 2019.
- Estimates of revenue in FY22-26 assume the rate increases projected by WSSC Water in the Average Water and Sewer Rate Increase line.
- In the projection for FY22-26 additional unspecified expenditure reductions are included to close WSSC Water's projected revenue shortfall in these years.
- Totals in this chart and WSSC Water's FY21 Proposed Long-Range Fiscal Plan for Water and Sewer Operating Funds may not match due to rounding.

Source: WSSC Water FY21 Proposed Budget Long-Range Financial Plan for Water and Sewer Operating Funds

