



Committee: T&E
Staff: Keith Levchenko, Senior Legislative Analyst
Purpose: To receive testimony – no vote expected
Keywords: #WSSCWater and Spending Control Limits

AGENDA ITEM #9
 September 29, 2020
Public Hearing

SUBJECT

Public Hearing: FY22 Washington Suburban Sanitary Commission (WSSCWater) Spending Control Limits

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

T&E Committee review scheduled for October 7, 2020 at 1:30 p.m.

DESCRIPTION/ISSUE

Each year by November 1, both the Montgomery and Prince George’s County Councils approve spending control limits for the upcoming WSSC budget. WSSCWater staff develops a “base case” six-year forecast, which is then reviewed by a Bi-County workgroup in September. The FY22 spending control limits assumed in WSSCWater Staff’s latest scenario (Revised Base Case) are presented below.

WSSCWater Staff Revised Base Case

Spending Control Limits	FY22 Revised Base Case	Change from FY21 Budget
Rate Increase	6.6%	FY21 = 6.0%
New Debt	427,880,000	4.4%
Debt Service	310,683,000	-1.0%
Total W/S Oper. Expenses	846,266,000	1.2%
Quarterly Bill Increase		
Residential Customer Monthly Impact	\$\$\$	Percent
Impact at 500 gpd usage	\$50.77	6.4%
Impact at 165 gpd usage	\$12.57	5.8%
Impact at 100 gpd usage	\$7.35	5.3%

This report contains:

Staff Report
 WSSCWater Staff Slides from the Bi-County Working Group Meetings

Pages 1-8
 ©1-36

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Public Hearing

MEMORANDUM

September 24, 2020

TO: County Council

FROM: Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Public Hearing:** FY22 Washington Suburban Sanitary Commission (WSSCWater) Spending Control Limits

PURPOSE: To receive testimony regarding spending control limits for WSSCWater’s FY22 Budget

WSSC Staff Revised Base Case

Spending Control Limits	FY22 Revised Base Case	Change from FY21 Budget
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Background

WSSCWater’s spending control limits process was established in April 1994 via resolution by both Montgomery and Prince George’s County Councils, with the goal of both Councils agreeing on certain budgetary limits by November 1 of each year. Some summary information regarding the process are noted below:

- Based on a multi-year planning model, a strategy to stabilize annual rate increases over time, and holding customer fee-supported debt service below 40 percent of the operating budget.

- Limits provide direction to WSSC as to what to request, but do not create a ceiling (or a floor) as to what the Councils may jointly approve later.¹
- The Councils have agreed on these limits in most years. Even in years when there have not been agreements, the process provided a rate increase range for WSSC to work within to build its budget.

Schedule

- Bi-County Working Group Meetings: September 9 and September 23, 2020
- Montgomery County Council Public Hearing: September 29, 2020
- T&E Committee Discussion: October 7, 2020
- Both Councils' Action: By November 1, 2020

NOTE: The County Executive is expected to transmit his recommendations on WSSC Water's spending control limits prior to the T&E Committee worksession.

The goal of the spending control limits process is for the Montgomery and Prince George's County Councils to come to agreement by November 1 of each year so that WSSC Water can work within the approved limits for its Operating Budget Public Hearing Draft, which is released by January 15 each year. WSSC Water must transmit an Operating Budget to both counties by March 1 of each year.

Spending Control Limits History

The following chart presents the rate increase limits agreed upon by both Councils (unless otherwise noted) since FY96 and the actual rate increase later approved for each fiscal year.

**Table 1:
Spending Control Limits & Actual Rates**

Fiscal Year	Rate Increase		Fiscal Year	Rate Increase	
	Approved* Limit	Actual		Approved* Limit	Actual
FY96	3.0%	3.0%	FY09*	9.7%	8.0%
FY97	3.0%	3.0%	FY10*	9.5%	9.0%
FY98	3.0%	2.9%	FY11*	9.9%	8.5%
FY99	2.0%	0.0%	FY12*	9.9%	8.5%
FY00	1.5%	0.0%	FY13	8.5%	7.5%
FY01	0.0%	0.0%	FY14*	8.0%	7.3%
FY02*	2.0%	0.0%	FY15	6.0%	5.5%
FY03	0.0%	0.0%	FY16**	2.1% (7.0%)	1% (6.0%)
FY04	0.0%	0.0%	FY17**	3.5% (7.0%)	3% (6.5%)
FY05	3.0%	3.0%	FY18	3.5%	3.5%
FY06*	2.5%	2.5%	FY19	5.0%	4.5%
FY07	3.0%	3.0%	FY20	5.0%	5.0%
FY08	5.3%	6.5%	FY21	7.0%	6.0%

*No agreement was reached in FYs 02,06,09,10,11,12, 14, and 18. Limits shown for those years reflect Montgomery County Council recommendations.

**Increases in fixed fees in FYs 16-17 resulted in lower rate increases. The % shown in parenthesis present the equivalent customer impact in those years.

¹ State law defines the annual WSSC Proposed Budget as the “default” budget, should the Montgomery and Prince George's County Councils not agree on changes. Therefore, the limits are an important first step to define proposed budget parameters that are acceptable to both Councils.

- **FY99 through FY04:** Although rate increases were assumed in the approved spending control limits for FY99 and FY00, the WSSCWater budget was approved in those years without rate increases. In fact, there were six straight years without rate increases (FY99-FY04). During this time, WSSCWater was implementing its Competitive Action Plan (CAP) effort, which resulted in a reduction of approximately 1/3 of its workforce.
- **FY05 through FY07:** Modest rate increases in the range of 2.5% and 3.0% were approved.
- **FY08 through FY15:** The Councils debated, and ultimately approved, substantial rate increases. These increases were the result of a combination of factors, including:
 - Flat revenues: WSSCWater’s water production has been largely flat in recent years, even as the number of customer accounts has increased.
 - Expenditure Pressures: Increases in excess of inflationary levels in areas such as Debt Service (to cover many capital needs, including WSSCWater’s need to ramp up its water and sewer main reconstruction efforts and its large diameter water main inspections, repairs, and monitoring program) as well as in many operating cost areas, including: Chemicals; Heat, Light, and Power; Regional Sewage Disposal; and Benefits and Compensation.
- **FY16-FY17:** The Councils supported a recalibration of the Account Maintenance Fee in FY16 and creation of a new infrastructure investment fee (phased in over two years), which resulted in increased revenue equivalent to about a 5 percent rate increase in FY16 and a 3.5 percent rate increase in FY17. Therefore, lower rate increase ceilings were approved in FY16 and FY17. Ultimately, the two Councils approved rate increases of 1.0 percent and 3.0 percent, respectively, in FY16 and FY17.
- **FY18:** A 3.5% rate limit was approved by both Councils for FY18, and the FY18 budget was approved with this rate increase assumption.
- **FY19:** The two Councils did not agree on a rate increase limit. The Prince George’s Council approved a 4.0% rate increase while the Montgomery Council supported a 5.0% rate increase. The WSSCWater budget was transmitted with a 4.5% rate increase, which was ultimately supported by both Councils.
- **FY20-FY21:** In each of the past two years, the Councils agreed on rate increase limits. The FY20 limit was 5.0 percent, and the WSSCWater budget was ultimately approved with that rate increase. For FY21 the rate increase limit was 7.0 percent. Ultimately, the Councils agreed to a n FY21 rate increase of 6.0 percent based on the removal of salary enhancements from WSSCWater’s Proposed budget.

Multi-Year Context/Financial Forecast

While the spending control limits process is an annual process, the Bi-County Working Group takes a multi-year look at trends. The outyear estimates help staff identify issues that could arise in future years. For instance, rate increases in the first year help improve WSSCWater’s fiscal situation in future years by increasing WSSCWater’s base revenues. Conversely, deferring rate increases to future years, or using one-time revenue to reduce a rate increase in the first year, increases future fiscal challenges, since the revenue base is lower in future years.

This year’s latest (revised) base case forecast assumes a 6.6 percent rate increase in FY22, 8.0% rate increases in FYs23-24s and lower rate increases in FYs25-27 (7.0%, 6.5%, and 6.0% respectively). (see ©4). These projections accommodate WSSCWater’s debt needs for its FY22-27 CIP (to be transmitted shortly), get WSSCWater within its debt service coverage target (between of 1.1 and 1.25 by FY24), keep debt service as a percentage of the operating budget below 40 percent (with substantial increases in PAYGO assumed), and provide for inflationary increases in most operating expense categories. Unlike past forecasts, no unspecified reductions are assumed.

Per capita water usage in the WSSCWater service area is down 21.8 percent since FY96 even as the population served by WSSCWater has increased by 25 percent. The financial forecast assumes water consumption remains flat over the financial forecast period. While water conservation is a good thing from an environmental standpoint, it means WSSCWater's dominant revenue source (about 85% of its revenue) has been stagnant, putting more pressure on rates to address large increases in debt service in recent years needed for ongoing infrastructure needs. Therefore, WSSCWater continues to face significant fiscal challenges going forward, with rate increases which are significantly higher than inflation needed.

WSSCWater’s multi-year forecast and its major assumptions will be discussed in more detail at the T&E Committee worksession on October 7, 2020.

FY22 Spending Control Limits Revised Base Case

For the first Bi-County Working Group meeting on September 9, WSSCWater staff prepared an initial base case spending control limits scenario with an assumed 7.9 percent rate increase. The group requested an alternative 5.9 percent rate increase scenario for discussion at the second meeting.

At the second meeting on September 23, WSSCWater Staff provided a “revised” base case with a 6.6% rate increase. The primary change was a lowering of debt service costs in FY22 based on favorable experience from its recent bond sale. The 5.9 percent scenario was also provided. Both scenarios are attached (see ©4-8 and ©9-13). The Revised Base Case is summarized in Table #2 below:

**Table #2:
WSSC Staff Revised Base Case**

Spending Control Limits	FY22 Revised Base Case	Change from FY21 Budget
Rate Increase	6.6%	FY21 = 6.0%
New Debt	427,880,000	4.4%
Debt Service	310,683,000	-1.0%
Total W/S Oper. Expenses	846,266,000	1.2%
Quarterly Bill Increase		
Residential Customer Monthly Impact	\$\$\$	Percent
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Impact at 100 gpd usage	\$7.35	5.3%

This revised base case scenario includes the following major assumptions:

- No changes in WSSCWater’s fixed fees (i.e., the Infrastructure Renewal Fee and the Account Maintenance Fee). *NOTE: This results in the percentage impact on a customer’s bill being lower than the assumed rate increase.*
- COVID-19 Pandemic-related revenue reductions in FY20 and FY21 are reflected as are WSSCWater’s FY20 and FY21 Savings Plans in response to the COVID-19 Pandemic (see discussion below)
- Full funding of WSSCWater’s Proposed FY22-27 Capital Improvements Program
- Salary and Wage increases (+4.5% in FY22 and in each of the outyears; same as assumed in last year’s forecast)²
- Inflationary increases in current programs (+2.0% in FY22 and the outyears; same as assumed in last year’s forecast)
- Increases in Regional Sewage Disposal costs in FY22, based on the latest information from DCWater
- No “Additional and Reinstated Programs” costs are assumed in FY22. Last year, \$10.933 was assumed in FY21 to address operational improvements. Some additional dollars are assumed in FYs25-27.
- No Unspecified Reductions are assumed in any years of the forecast.
- Significant decreases in “funds available” resulting from reduced sewer use revenue, lower interest income, reduced use of Reconstruction Debt Service Offset (REDO)³ and zeroing out the use of excess fund balance. Water consumption is assumed to remain flat throughout the six-year forecast (126 million gallons per day⁴). See details in Table #3 below.

COVID-19 and FY20 Savings Plan (see ©31-32)

The COVID-19 Pandemic resulted in a significant increase in delinquent accounts as well as an overall decline in water consumption. Overall, FY20 revenue was down about \$31.4 million (per WSSCWater’s June Financial report). WSSCWater’s FY20 Savings Plan included \$61.1 million in one-time savings and its FY21 Savings Plan includes \$72.7 million.

The financial forecast assumes that the FY20 and FY21 Savings Plans involve one-time expenditure reductions. While revenues are expected to return to previously projected levels in FY22, the FY20 and FY21 revenue lost due to COVID is not assumed to be recovered.

Revised Base Case Funding Gap

The major elements of the revised base case funding gap are shown in Table 3 below. The overall gap is \$44.9 million, resulting in a 6.6% rate increase requirement.⁵

² Both Councils have agreed in past years to keep WSSCWater’s compensation increases in-line with County employee (non-public safety) increases. Modifications to WSSCWater’s Proposed Budget for salary and wages, if needed, are made later in the budget process when County employee compensation decisions are known.

³ REDO is the use of surplus funds from the General Bond Debt Service Fund to offset a portion of the debt service cost of the Water and Sewer Reconstruction programs. The surplus funds are expected to be exhausted in FY23 (the same as assumed in last year’s forecast).

⁴ Past financial forecasts have presented “Water Production” as a major assumption. The current forecast has switched to using “Water consumption.” Water consumption includes only the billable water used of all water produced.

⁵ A one percent increase in volumetric rates generates approximately \$6.8 million in revenue.

**Table #3:
Contributors to the FY22 Revised Base Case Rate Increase**

Contributors to the FY21 Base Case Rate Increase	Change from FY21 (in \$Millions)	Impact on Rate	Cumulative Rate Incr.
Changes in Funds Available (incl. use of Fund Balance)	(34.643)	5.1%	5.1%
Debt Service	(3.182)	-0.5%	4.6%
Regional Sewage Disposal	1.160	0.2%	4.8%
Heat, Light, and Power	0.817	0.1%	4.9%
Maintenance and Operating (2.0% inflationary increase)	5.699	0.8%	5.8%
Salaries and Wage Increases (4.5% increase)	5.748	0.8%	6.6%
Total Base Case Rate Increase Assumption		6.6%	

Changes in Funds Available (-\$34.6 million) accounts for three quarters of the base case rate increase. This category includes volumetric rate revenue, fixed fees, other revenue, and adjustments. Table #4 below breaks out these changes.

**Table #4:
WSSC Revised Base Case - Changes in Funds Available - FY21 to FY22**

	Approved FY21	Scenario FY22	Change		Impact on Rate (%)
			\$	%	
Revenue					
Water and Sewer Rate Revenue	689,212,000	677,814,000	(11,398,000)	-1.7%	1.68%
Interest Income	10,000,000	1,000,000	(9,000,000)	-90.0%	1.33%
Miscellaneous Revenue	110,040,000	108,796,000	(1,244,000)	-1.1%	0.18%
-Account Maintenance Fee	32,360,000	32,425,000	65,000	0.2%	-0.01%
-Infrastructure Investment Fee	39,410,000	39,488,000	78,000	0.2%	-0.01%
-Rockville Sewer Use	3,000,000	3,000,000	-	0.0%	0.00%
-Plumbing and Inspection Fees	14,470,000	13,685,000	(785,000)	-5.4%	0.12%
-Other	20,800,000	20,198,000	(602,000)	-2.9%	0.09%
Total Revenue	809,252,000	787,610,000	(21,642,000)	-2.7%	3.19%
Adjustments/Use of Fund Balance					
Adjustments-SDC	5,772,000	5,771,000	(1,000)	0.0%	0.00%
Adjustments-REDO	9,500,000	6,000,000	(3,500,000)	-36.8%	0.52%
Adjustments-Prior Year Net Revenue		-	-		
Other	3,500,000	2,000,000	(1,500,000)		
Adjustments-Use of Fund Balance	8,000,000	-	(8,000,000)	-100.0%	1.18%
Total Adjustments	26,772,000	13,771,000	(13,001,000)	-48.6%	1.92%
Total Funds Available	836,024,000	801,381,000	(34,643,000)	-4.1%	5.11%

The largest rate impacts are from lower-than-projected volumetric rate revenue in FY22, primarily due to lower sewer use revenue (-\$12 million). WSSCWater has reset its revenue assumptions for sewer use revenue based on actuals and is exploring why this revenue has come in lower than previous projections. Interest income is also down sharply from past years (-\$9.0 million) based on historically low interest rates. The longtime REDO balance (which can be transferred to General Revenues as a positive adjustment) is expected to be depleted in FY24 and WSSCWater is phasing this adjustment down accordingly. Finally, use of fund balance is also being eliminated for FY22 and beyond in order to avoid future spikes in rate increases and to help bring WSSCWater's "operating reserves on hand" up to its policy range (75 to 110 days) by the end of the six-year period (see ©7).

On the expenditure side, Debt Service costs are down slightly \$3.2 million (-0.5 percent rate impact) based on recent positive experience in WSSC’s recent bond sale. The projection assumes bond-funded expenditures consistent with WSSCWater’s soon-to-be-transmitted FY22-27 CIP.

Some other WSSCWater expenditures, which are essentially fixed (at least in the short run), are also presented. Regional Sewage Disposal expenses (which are based on actual WSSCWater’s sewage flows to the Blue Plains Wastewater Treatment Plant) are up \$1.2 million for FY22. Heat, Light, and Power costs are expected to increase slightly. The Maintenance and Operating category is inflated by 2.0% in the base case (with a 0.8% rate impact).

Salaries and Wages are inflated by 4.5% to cover potential COLA and merit increases (the same as last year’s assumptions) with a 0.8% rate impact. WSSCWater’s proposed compensation adjustments will be reviewed during the regular budget process next spring. In recent years, this Council has supported employee compensation adjustment levels for WSSCWater comparable to County Government (non-public safety) compensation adjustments.

To cover Changes in Funds Available; Debt Service; PAYGO; Regional Sewage Disposal; and Heat, Light, and Power (all essentially fixed short-term costs) requires about a 4.9 percent rate increase. The Maintenance and Operating 2.0% inflationary increase bumps the rate increase requirement up to 5.8 percent. Assuming salary adjustments move the rate requirement up to 6.6 percent.

WSSCWater also has some excess reserves (beyond its fiscal policy reserve levels) which will help WSSC meet its “operating reserve on hand” policy goals. In past years, excess fund balance has been used to address high-priority non-recurring items.

The quarterly impact of the revised base case scenario rate increase on an average residential account using 165 gallons per day (assuming average per capita usage of 55 gallons per day in a 3-person home) is \$12.57 (a 5.8 percent increase from the current average bill; from \$217.83 to \$230.40).

The chart on ©21 shows residential customer bill increases over the past 20 years for various water utilities in the region as well as the US City average. WSSCWater’s average residential customer bill increases since 2000 was 137 percent; the lowest of the regional utilities compared as well as lower than the US City average (160%). WSSCWater’s 137 percent bill increase since 2000 equates to an average annual bill increase of approximately 4.4 percent over that 21-year period. In fact, as shown earlier on Table 1, WSSCWater had six straight years of no rate increases (from FY99 through FY04). Over the past decade, WSSCWater’s residential annual bill increases have been significantly higher to cover WSSCWater’s substantial ramp-up of its capital program.

Next Steps

Transportation and Environment (T&E) Committee review is scheduled for October 7, 2020. A County Executive recommendation is expected to be received prior to the Committee worksession. The Prince George’s County Council’s review is on a similar schedule.

The goal of the spending control limits process is to reconcile both Councils’ actions by November 1 of each year so that WSSCWater can build the approved limits into its Operating Budget Public Hearing Draft, which is released for public comment by January 15 each year. WSSCWater’s Operating Budget request is formally transmitted to both counties by March 1. WSSCWater’s FY22-27 Proposed CIP will be transmitted by October 1.

Attachments

- WSSCWater's Spending Affordability Bi-County Workgroup Meeting #2 Packet (September 23, 2020)
 - Summary of Financial Forecast Scenarios (©3)
 - Revised Base Case (6.6% rate increase Scenario) (©4-8)
 - 5.9% Rate Increase Scenario (©9-13)
 - Past Due Accounts/Amounts Information (©14-15)
 - Rate Change and Budget Impacts (©16-17)
 - FY21 Quarterly Fixed Fee Comparison (WSSCWater vs. Utilities in the Region) (©18)
 - Percentage of Average Residential Bill from Fixed Charges (©19)
 - Other Utilities Approved and Planned Revenue Increases (©20)
 - Other Utilities: FY00 to FY21 Bill Increases (©21)
 - Message to Stakeholders (©22)
 - Appendix
 - Current Rates for WSSCWater and Various Utilities in the Region (©24-27)
 - Answers to Follow-up Questions from Meeting #1 (©28-29)
- WSSCWater's Spending Affordability Bi-County Workgroup Meeting #1 Packet Excerpt (September 9, 2020) (Excerpt)
 - COVID-19 Response (©31-32)
 - Bond Rating Agency Reports (©33)
 - Fiscal Planning Actions Implemented and Underway (©34-36)

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Spending Affordability – Meeting II

September 23, 2020

Agenda

- Financial Forecasts
- FY 2022 Rate Change and Budget Impacts
- Other Utilities: Approved and Planned Revenue Rate Increases
- Other Utilities: Bill Increase Comparisons
- Message to Stakeholders
- Appendix



Financial Forecast Scenarios

Rate Increase Scenario*	Quarterly Bill Impact (165 gallons per day)	Bill Increase Percentage	Unspecified Operating Reductions	Debt Service Coverage Target: 1.1 - 1.25	Days Operating Reserve On-hand Target: 75 - 105	Debt Service as Percentage of Expenses Target: <40%
6.6%	\$12.57	5.8%	\$0	1.06	72.8	36.7%
5.9%	\$11.20	5.1%	\$3.9 million	1.06	73.2	36.8%

*Scenarios assume a "needs based" CIP

Assumption Summary

	PLANNING DATA	PROJECTED				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
REVENUE RATE INCREASE						
	6.6%	8.0%	8.0%	7.0%	6.5%	6.0%
1 REVENUE						
2 Water Consumption and Sewer Treatment						
3	Water consumption (Average MGD)	126.0	126.0	126.0	126.0	126.0
4 Credits and Transfers (\$000's)						
5	Use of Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
6	SDC Debt Service Offset	\$ 5,771	\$ 5,771	\$ 5,773	\$ 5,772	\$ 5,771
7 EXPENDITURE						
8 Operating (\$000's)						
9	Workyears	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0
10	Salary and Wages Increase	4.5%	4.5%	4.5%	4.5%	4.5%
11	All Other	2.0%	2.0%	2.0%	2.0%	2.0%
12	Debt Service	\$ 310,683	\$ 333,763	\$ 359,177	\$ 385,154	\$ 406,109
13	Yearly Growth %	5.8%	7.4%	7.6%	7.2%	5.4%
14	PAYGO	\$31,016	\$31,016	\$44,000	\$65,000	\$ 80,000
15 Capital Expenditure Parameters						
16	Water and Sewer Completion Factor	80.0%	80.0%	80.0%	84.7%	84.7%
17	Information Only Completion Factor	90.0%	90.0%	90.0%	95.0%	95.0%
18 BOND ISSUANCE						
19	Interest Rate	5.0%	5.0%	5.0%	5.0%	5.0%



Revenues and Expenditures Impact on Approved Charges

		(In Thousands \$000s)	FY 2021 Approved	FY 2022 Proposed	Dollar Change	W&S Rev Impact*
1	OPERATING REVENUES (BASE)					
2	Water and Sewer Charges		\$ 689,212	\$ 677,814		
3	ADJUSTMENTS TO REVENUES					
4	Other Sources and Fees		110,040	108,796	(1,244)	0.2%
5	Interest Income		10,000	1,000	(9,000)	1.3%
6	Revenue Impairment		-	-	-	0.0%
7	OTHER TRANSFERS AND CREDITS		26,772	13,771	(13,001)	1.9%
8			\$ 146,812	\$ 123,567	\$ (23,245)	3.4%
9	OPERATING EXPENSES					
10	Salaries and Wages		\$ 127,726	\$ 133,474	\$ 5,748	0.8%
11	Heat, Light, and Power		20,423	21,240	817	0.1%
12	Regional Sewage Disposal		58,000	59,160	1,160	0.2%
13	All Other		284,993	290,692	5,699	0.8%
14	Unspecified Reductions/Additional & Reinstated		-	-	-	0.0%
15	DEBT SERVICE		313,865	310,683	(3,182)	-0.5%
16	PAYGO (Contribution to bond fund)		31,016	31,016	0	0.0%
17			\$ 836,024	\$ 846,266	\$ 10,242	1.5%
18	YEAR-END ADJUSTMENTS					
19	Water User Growth Adjustment		602	-	(602)	-0.1%
20	Sewer User Rebaseline Adjustment		12,000	-	(12,000)	1.8%
21	Total - Base Case Revenue Need		\$ 677,814	\$ 722,699	\$ 44,885	6.6%
22				\$ -	\$ 44,885	

*Approximately \$6.8 million in additional operating expenses = 1 percent increase in revenue

	FY 2022 Estimated	W&S Rev Impact	
25			
26	Potential Offsets to Revenue Increase:		
27	\$50 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (2,002)	-0.3%
28	\$100 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (4,005)	-0.6%
29	\$125 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (5,006)	-0.7%

31 Notable Assumptions:

32 4.5% annual increase in Salaries & Wages FY 2022 through FY 2027

33 2.0% annual increase in All Other

34 \$12.0 million reduction included for Sewer Use Charges in FY 2022 to rebaseline projections

35 80% completion factor for CIP; 90% for Information Only (including Reconstruction)

36 Debt service impact on new bond issuance assumes only one interest payment (or half year) in FY 2022. Outer year
37 impact would double interest paid.

FY 2022 Forecast

6.6% Needs Based CIP

(In Thousands \$000s)		FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		Approved	Estimated	Proposed	Projected	Projected	Projected	Projected	Projected
1	New Water and Sewer Debt Issues	\$ 409,922	\$ 350,000	\$ 427,880	\$ 443,100	\$ 383,600	\$ 350,000	\$ 350,000	\$ 350,000
2	Total Water and Sewer Debt Service	313,865	293,652	310,683	333,763	359,177	385,154	406,109	426,179
3	Total Water and Sewer Expenditures	836,022	769,061	846,266	883,198	935,893	1,000,778	1,050,118	1,100,919
4	Water and Sewer Combined Rate Increase (Avg)	6.0%	6.0%	6.6%	8.0%	8.0%	7.0%	6.5%	6.0%
5	Water and Sewer User Charges	\$ 689,212	\$ 689,212	\$ 722,699	\$ 770,540	\$ 833,221	\$ 892,672	\$ 951,916	\$ 1,010,340
	Water Consumption Charges	301,067	301,067	301,669	324,715	353,983	385,513	415,447	445,289
	Sewer Use Charges	388,145	388,145	376,145	388,587	417,595	448,834	478,446	507,936
	Revenue Increase Adjustments	0	0	44,885	57,238	61,643	58,325	58,024	57,115
6	Other Sources/Fees	110,040	108,054	108,796	109,552	110,323	111,109	111,910	112,727
	Account Maintenance Fees	32,360	32,360	32,425	32,489	32,554	32,619	32,685	32,750
	Rockville Sewer Use	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	Plumbing and Inspection Fees	14,470	13,286	13,685	14,095	14,518	14,954	15,402	15,864
	Infrastructure Investment Fee	39,410	39,410	39,488	39,567	39,647	39,726	39,805	39,885
	Miscellaneous	20,800	19,998	20,198	20,400	20,604	20,810	21,018	21,228
	Interest Income	10,000	500	1,000	1,000	1,000	1,000	1,000	1,000
	Revenue Impairment	-	(31,658)	-	-	-	-	-	-
7	Operating Revenues	809,252	766,108	832,494	881,092	944,544	1,004,781	1,064,826	1,124,068
8	OTHER TRANSFERS AND CREDITS	26,772	22,923	13,771	11,771	9,773	7,772	7,771	7,748
	Use of Fund Balance	8,000	-	-	-	-	-	-	-
	Reconstruction Debt Service Offset (REDO)	9,500	8,000	6,000	4,000	2,000	-	-	-
	SDC Debt Service Offset	5,772	5,772	5,771	5,771	5,773	5,772	5,771	5,748
	Premium Transfer	1,500	7,151	-	-	-	-	-	-
	Underwriter's Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	Miscellaneous Offset	-	-	-	-	-	-	-	-
9	Total Funds Available	836,024	789,031	846,266	892,863	954,317	1,012,553	1,072,597	1,131,815
10	Salaries and Wages	\$ 127,726	\$ 127,726	\$ 133,474	\$ 139,480	\$ 145,756	\$ 152,316	\$ 159,170	\$ 166,332
11	Heat, Light, and Power	20,423	20,423	21,240	22,090	22,974	22,042	21,148	22,142
12	Regional Sewage Disposal	58,000	58,000	59,160	60,343	61,550	62,781	64,037	65,317
13	All Other	284,993	284,993	290,692	296,506	302,436	308,485	314,655	320,948
14	Operating Expenses	\$ 491,143	\$ 491,142	\$ 504,566	\$ 518,419	\$ 532,716	\$ 545,624	\$ 559,009	\$ 574,740
16	Bonds and Notes Principal and Interest	313,865	293,652	310,683	333,763	359,177	385,154	406,109	426,179
17	Operating Expenses with Debt Service	805,008	784,794	815,250	852,182	891,893	930,778	965,118	1,000,919
	<i>Growth (% change)</i>			3.9%	4.5%	4.7%	4.4%	3.7%	3.7%
18	OTHER TRANSFERS AND ADJUSTMENTS								
19	Unspecified Reductions/Additional & Reinstated	-	(25,733)	-	-	-	5,000	5,000	20,000
20	PAYGO (Contribution to bond fund)	31,016	10,000	31,016	31,016	44,000	65,000	80,000	80,000
21	Total Expenditures	836,024	769,061	846,266	883,198	935,893	1,000,778	1,050,118	1,100,919
22	Net Revenue (Loss)	0	19,970	0	9,664	18,424	11,775	22,479	30,896
23	BEGINNING FUND BALANCE - JULY 1	\$ 129,388	\$ 148,849	\$ 168,819	\$ 168,819	\$ 178,483	\$ 196,907	\$ 208,683	\$ 231,162
24	Net Increase (Decrease) in Fund Balance	0	19,970	-	9,664	18,424	11,775	22,479	30,896
25	Use of Fund Balance/Other Adjustments	(8,000)	-	-	-	-	-	-	-
26	ENDING FUND BALANCE - JUNE 30	\$ 121,388	\$ 168,819	\$ 168,819	\$ 178,483	\$ 196,907	\$ 208,683	\$ 231,162	\$ 262,058

FY 2022 Forecast – 6.6%

Needs Based CIP

- Capital Policy Guidelines
 - Maintain adequate liquidity and fund balance reserves

B Metrics	CFO Guideline	FY 2021 Estimated	FY 2022 Proposed	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
I Debt Service Coverage:								
a Debt Service Coverage	1.1 - 1.25	1.02	1.06	1.09	1.15	1.18	1.23	1.24
b Debt Service (P+I) as a Percentage Total Expenditures	<40.0%	38.2%	36.7%	37.8%	38.4%	38.5%	38.7%	38.7%
II Liquidity and Reserves:								
a Days Operating Reserves-on-Hand	75 - 105	80.1	72.8	73.8	76.8	76.1	80.3	86.9
b Ending Fund Balance as a Percentage of Operating Revenue	15.0%	22.0%	20.3%	20.3%	20.8%	20.8%	21.7%	23.3%
III Workforce	n/a	1,776	1,776	1,776	1,776	1,776	1,776	1,776

Annual and Quarterly Customer Bills

Proposed Revenue Rate Increase		6.6%					
Meter Size	Average Daily Consumption (Gallons Per Year)	Approved FY 2021	Quarterly Approved FY 2021	Proposed FY 2022	Quarterly Proposed FY 2022	Perc Chg	Quarterly \$ Chg
3/4" Residential Meter	100 (36,500 gal/yr)	\$555.76	\$138.94	\$585.15	\$146.29	5.3%	\$7.35
3/4" Residential Meter	165 (60,225 gal/yr)	871.31	217.83	921.59	230.40	5.8%	\$12.57
3/4" Residential Meter	500 (182,500 gal/yr)	3,178.63	794.66	3,381.70	845.43	6.4%	\$50.77
2" Meter	1,000 (365,000 gal/yr)	7,612.08	1,903.02	8,060.00	2,015.00	5.9%	\$111.98
3" Meter	5,000 (1,825,000 gal/yr)	38,947.68	9,736.92	41,354.34	10,338.59	6.2%	\$601.67
6" Meter	10,000 (3,650,000 gal/yr)	78,994.18	19,748.55	83,849.28	20,962.32	6.1%	\$1,213.77



Assumption Summary

	PLANNING DATA	PROJECTED				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
REVENUE RATE INCREASE						
	5.9%	8.0%	8.0%	7.0%	6.5%	6.0%
1 REVENUE						
2 Water Consumption and Sewer Treatment						
3	Water consumption (Average MGD)	126.0	126.0	126.0	126.0	126.0
4 Credits and Transfers (\$000's)						
5	Use of Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
6	SDC Debt Service Offset	\$ 5,771	\$ 5,771	\$ 5,773	\$ 5,772	\$ 5,771
7 EXPENDITURE						
8 Operating (\$000's)						
9	Workyears	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0
10	Salary and Wages Increase	4.5%	4.5%	4.5%	4.5%	4.5%
11	All Other	2.0%	2.0%	2.0%	2.0%	2.0%
12	Debt Service	\$ 309,733	\$ 330,673	\$ 356,087	\$ 382,064	\$ 403,019
13	Yearly Growth %	5.5%	6.8%	7.7%	7.3%	5.5%
14	PAYGO	\$31,016	\$31,016	\$44,000	\$65,000	\$ 80,000
15 Capital Expenditure Parameters						
16	Water and Sewer Completion Factor	80.0%	80.0%	80.0%	84.7%	84.7%
17	Information Only Completion Factor	90.0%	90.0%	90.0%	95.0%	95.0%
18 BOND ISSUANCE						
19	Interest Rate	4.0%	5.0%	5.0%	5.0%	5.0%



Revenues and Expenditures Impact on Approved Charges

	(In Thousands \$000s)	FY 2021 Approved	FY 2022 Proposed	Dollar Change	W&S Rev Impact*
1	OPERATING REVENUES (BASE)				
2	Water and Sewer Charges	\$ 689,212	\$ 677,814		
3	ADJUSTMENTS TO REVENUES				
4	Other Sources and Fees	110,040	108,796	(1,244)	0.2%
5	Interest Income	10,000	1,000	(9,000)	1.3%
6	Revenue Impairment	-	-	-	0.0%
7	OTHER TRANSFERS AND CREDITS				
8		\$ 146,812	\$ 123,567	\$ (23,245)	3.4%
9	OPERATING EXPENSES				
10	Salaries and Wages	\$ 127,726	\$ 133,474	\$ 5,748	0.8%
11	Heat, Light, and Power	20,423	21,240	817	0.1%
12	Regional Sewage Disposal	58,000	59,160	1,160	0.2%
13	All Other	284,993	290,692	5,699	0.8%
14	Unspecified Reductions/Additional & Reinstated	-	(3,943)	(3,943)	-0.6%
15	DEBT SERVICE				
16	PAYGO (Contribution to bond fund)	31,016	31,016	0	0.0%
17		\$ 836,024	\$ 841,372	\$ 5,348	0.8%
18	YEAR-END ADJUSTMENTS				
19	Water User Growth Adjustment	602	-	(602)	-0.1%
20	Sewer User Rebaseline Adjustment	12,000	-	(12,000)	1.8%
21	Total - Base Case Revenue Need	\$ 677,814	\$ 717,805	\$ 39,991	5.9%

24 *Approximately \$6.8 million in additional operating expenses = 1 percent increase in revenue

	FY 2022 Estimated	W&S Rev Impact
25		
26	Potential Offsets to Revenue Increase:	
27	\$ (1,892)	-0.3%
28	\$ (3,783)	-0.6%
29	\$ (4,729)	-0.7%

31 Notable Assumptions:

32 4.5% annual increase in Salaries & Wages FY 2022 through FY 2027

33 2.0% annual increase in All Other

34 \$12.0 million reduction included for Sewer Use Charges in FY 2022 to rebaseline projections

35 80% completion factor for CIP; 90% for Information Only (including Reconstruction)

36 Debt service impact on new bond issuance assumes only one interest payment (or half year) in FY 2022. Outer year
37 impact would double interest paid.



FY 2022 Forecast

(In Thousands \$000s)		FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		Approved	Estimated	Proposed	Projected	Projected	Projected	Projected	Projected
1	New Water and Sewer Debt Issues	\$ 409,922	\$ 350,000	\$ 427,880	\$ 443,100	\$ 383,600	\$ 350,000	\$ 350,000	\$ 350,000
2	Total Water and Sewer Debt Service	313,865	293,652	309,733	330,673	356,087	382,064	403,019	423,090
3	Total Water and Sewer Expenditures	836,022	769,061	841,372	880,108	932,803	997,688	1,047,028	1,097,829
4	Water and Sewer Combined Rate Increase (Avg)	6.0%	6.0%	5.9%	8.0%	8.0%	7.0%	6.5%	6.0%
5	Water and Sewer User Charges	\$ 689,212	\$ 689,212	\$ 717,805	\$ 765,259	\$ 827,510	\$ 886,554	\$ 945,391	\$ 1,003,415
	Water Consumption Charges	301,067	301,067	301,669	322,268	351,338	382,651	412,379	442,017
	Sewer Use Charges	388,145	388,145	376,145	386,141	414,952	445,977	475,386	504,674
	Revenue Increase Adjustments	0	0	39,991	56,850	61,221	57,926	57,626	56,723
6	Other Sources/Fees	110,040	108,054	108,796	109,552	110,323	111,109	111,910	112,727
	Account Maintenance Fees	32,360	32,360	32,425	32,489	32,554	32,619	32,685	32,750
	Rockville Sewer Use	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	Plumbing and Inspection Fees	14,470	13,286	13,685	14,095	14,518	14,954	15,402	15,864
	Infrastructure Investment Fee	39,410	39,410	39,488	39,567	39,647	39,726	39,805	39,885
	Miscellaneous	20,800	19,998	20,198	20,400	20,604	20,810	21,018	21,228
	Interest Income	10,000	500	1,000	1,000	1,000	1,000	1,000	1,000
	Revenue Impairment	-	(31,658)	-	-	-	-	-	-
7	Operating Revenues	809,252	766,108	827,601	875,811	938,833	998,663	1,058,301	1,117,142
8	OTHER TRANSFERS AND CREDITS	26,772	22,923	13,771	11,771	9,773	7,772	7,771	7,748
	Use of Fund Balance	8,000	-	-	-	-	-	-	-
	Reconstruction Debt Service Offset (REDO)	9,500	8,000	6,000	4,000	2,000	-	-	-
	SDC Debt Service Offset	5,772	5,772	5,771	5,771	5,773	5,772	5,771	5,748
	Premium Transfer	1,500	7,151	-	-	-	-	-	-
	Underwriter's Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	Miscellaneous Offset	-	-	-	-	-	-	-	-
9	Total Funds Available	836,024	789,031	841,372	887,581	948,606	1,006,434	1,066,072	1,124,890
10	Salaries and Wages	\$ 127,726	\$ 127,726	\$ 133,474	\$ 139,480	\$ 145,756	\$ 152,316	\$ 159,170	\$ 166,332
11	Heat, Light, and Power	20,423	20,423	21,240	22,090	22,974	22,042	21,148	22,142
12	Regional Sewage Disposal	58,000	58,000	59,160	60,343	61,550	62,781	64,037	65,317
13	All Other	284,993	284,993	290,692	296,506	302,436	308,485	314,655	320,948
14	Operating Expenses	\$ 491,143	\$ 491,142	\$ 504,566	\$ 518,419	\$ 532,716	\$ 545,624	\$ 559,009	\$ 574,740
16	Bonds and Notes Principal and Interest	313,865	293,652	309,733	330,673	356,087	382,064	403,019	423,090
17	Operating Expenses with Debt Service	805,008	784,794	814,299	849,092	888,803	927,688	962,028	997,829
	<i>Growth (% change)</i>			3.8%	4.3%	4.7%	4.4%	3.7%	3.7%
18	OTHER TRANSFERS AND ADJUSTMENTS								
19	Unspecified Reductions/Additional & Reinstated	-	(25,733)	(3,943)	-	-	5,000	5,000	20,000
20	PAYGO (Contribution to bond fund)	31,016	10,000	31,016	31,016	44,000	65,000	80,000	80,000
21	Total Expenditures	836,024	769,061	841,372	880,108	932,803	997,688	1,047,028	1,097,829
22	Net Revenue (Loss)	0	19,970	0	7,473	15,803	8,747	19,044	27,061
23	BEGINNING FUND BALANCE - JULY 1	\$ 129,388	\$ 148,849	\$ 168,819	\$ 168,819	\$ 176,292	\$ 192,095	\$ 200,842	\$ 219,886
24	Net Increase (Decrease) in Fund Balance	0	19,970	-	7,473	15,803	8,747	19,044	27,061
25	Use of Fund Balance/Other Adjustments	(8,000)	-	-	-	-	-	-	-
26	ENDING FUND BALANCE - JUNE 30	\$ 121,388	\$ 168,819	\$ 168,819	\$ 176,292	\$ 192,095	\$ 200,842	\$ 219,886	\$ 246,946

FY 2022 Forecast – 5.9%

- Capital Policy Guidelines

- Maintain adequate liquidity and fund balance reserves

B Metrics	CFO Guideline	FY 2021 Estimated	FY 2022 Proposed	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
I Debt Service Coverage:								
a Debt Service Coverage	1.1 - 1.25	1.02	1.06	1.08	1.14	1.17	1.23	1.23
b Debt Service (P+I) as a Percentage Total Expenditures	<40.0%	38.2%	36.8%	37.6%	38.2%	38.3%	38.5%	38.5%
II Liquidity and Reserves:								
a Days Operating Reserves-on-Hand	75 - 105	80.1	73.2	73.1	75.2	73.5	76.7	82.1
b Ending Fund Balance as a Percentage of Operating Revenue	15.0%	22.0%	20.4%	20.1%	20.5%	20.1%	20.8%	22.1%
III Workforce	n/a	1,776	1,776	1,776	1,776	1,776	1,776	1,776

Annual and Quarterly Customer Bills

		Proposed Revenue Rate Increase				5.9%	
Meter Size	Average Daily Consumption (Gallons Per Year)	Approved FY 2021	Quarterly Approved FY 2021	Proposed FY 2022	Quarterly Proposed FY 2022	Quarterly Perc Chg	Quarterly \$ Chg
3/4" Residential Meter	100 (36,500 gal/yr)	\$555.76	\$138.94	\$581.95	\$145.49	4.7%	\$6.55
3/4" Residential Meter	165 (60,225 gal/yr)	871.31	217.83	916.10	229.03	5.1%	\$11.20
3/4" Residential Meter	500 (182,500 gal/yr)	3,178.63	794.66	3,359.56	839.89	5.7%	\$45.23
2" Meter	1,000 (365,000 gal/yr)	7,612.08	1,903.02	8,011.16	2,002.79	5.2%	\$99.77
3" Meter	5,000 (1,825,000 gal/yr)	38,947.68	9,736.92	41,091.96	10,272.99	5.5%	\$536.07
6" Meter	10,000 (3,650,000 gal/yr)	78,994.18	19,748.55	83,319.95	20,829.99	5.5%	\$1,081.44

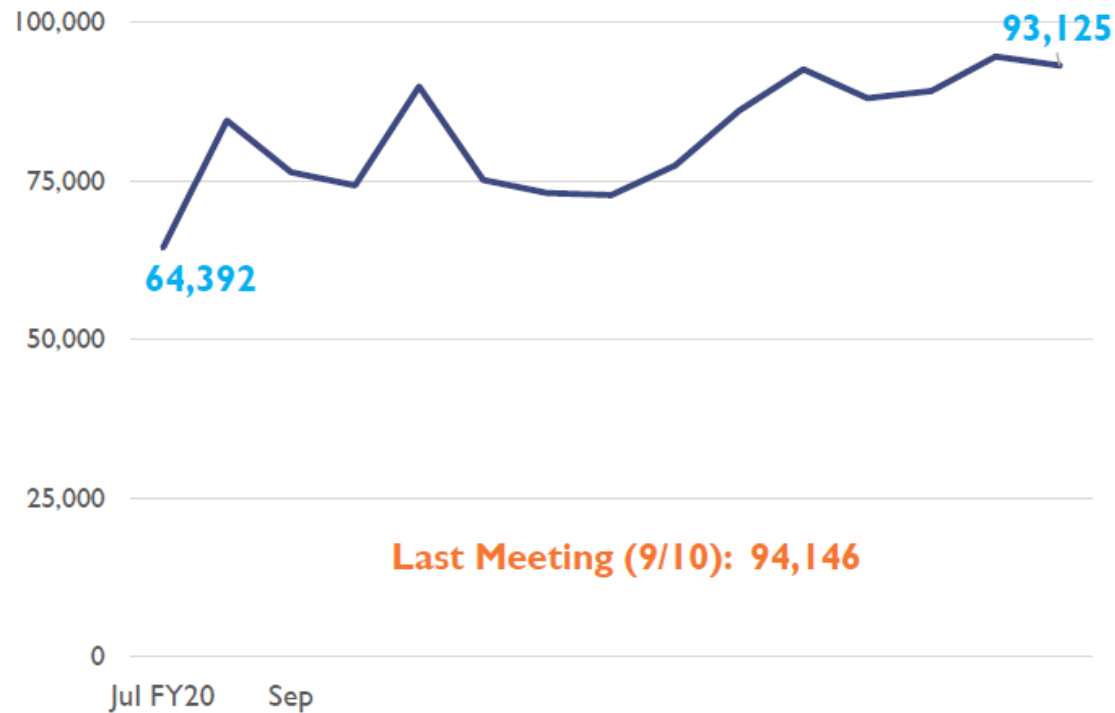


Past Due Accounts/Amounts (as of 9/17/20)

High-Level

Past Due Accounts*

of accounts 30 days past the bill date

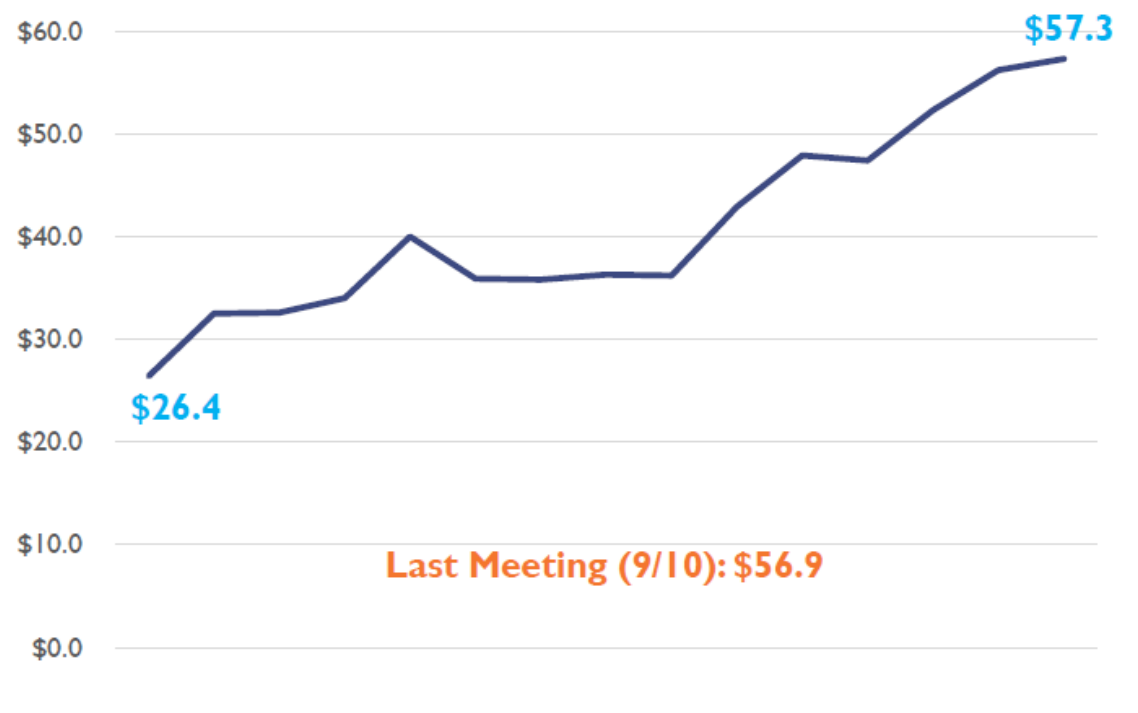


- End of June FY20: 87,984 accounts past due
- End of July FY21: 89,123 accounts past due
- End of August FY21: 94,547 accounts past due



Past Due Amount*

\$ of accounts (millions) 30 days past the bill date



- End of June FY20: \$47.4 Million past due
- End of July FY21: \$52.3 Million past due
- End of August FY21: \$56.2 Million past due

Past Due Accounts on Pay Plans (as of 9/17/20)

- About 97.5% of past due accounts/amount **not** on pay plans
- Total Past Due: \$57.3M; 93.1K accounts
 - 90.5K accounts *not* on pay plans
 - \$55.9 million *not* on pay plans
- Of the ~2,613 past due accounts that *are* on pay plans:
 - 99% or 2,587 are residential customers
 - 79% or 2,068 are past due by 6 months or less

Residential	99%
Commercial	0.6%
Government	0.4%

FY 2022 Rate Change and Budget Impacts

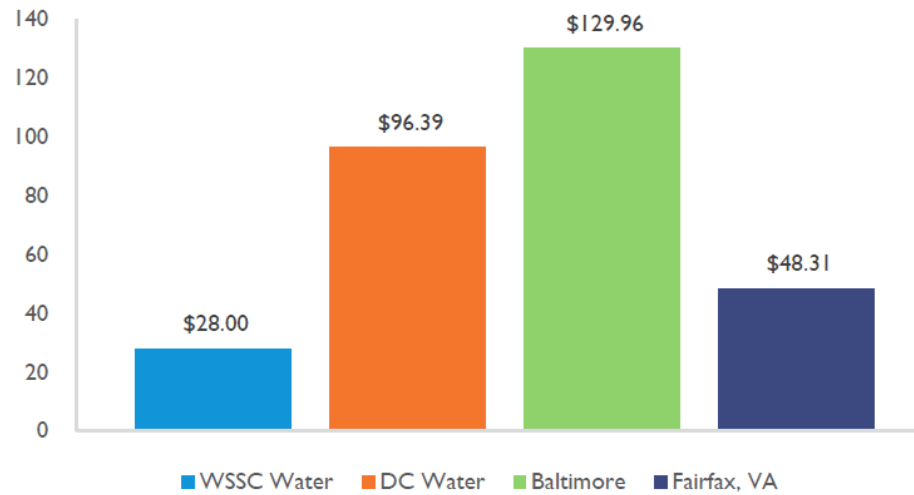
- 1.0% Water and Sewer Average Rate Increase/Decrease
 - Operating Budget impact = \$6.8 million
- Capital Budget impact:
 - \$50 million in Capital = \$2.0 million Operating Budget*
 - \$100 million in Capital = \$4.0 million Operating Budget*
 - \$125 million in Capital = \$5.0 million Operating Budget*
 - \$169 million in Capital = \$6.8 million Operating Budget*

*Debt service changes with one principal and one interest payment in FY 2022

FY 2022 Rate Change and Budget Impacts

- 1.0% Average Rate Decrease: \$6.8 million in reductions
 - \$125 million in capital reductions plus
 - \$1.8 million in operating reductions
- 2.0% Average Rate Decrease: \$13.6 million in reductions
 - \$125 million capital reductions plus
 - \$8.6 million operating reductions
- Take additional \$6.8 million in operating reductions for every 1.0% reduction in the water & sewer rates

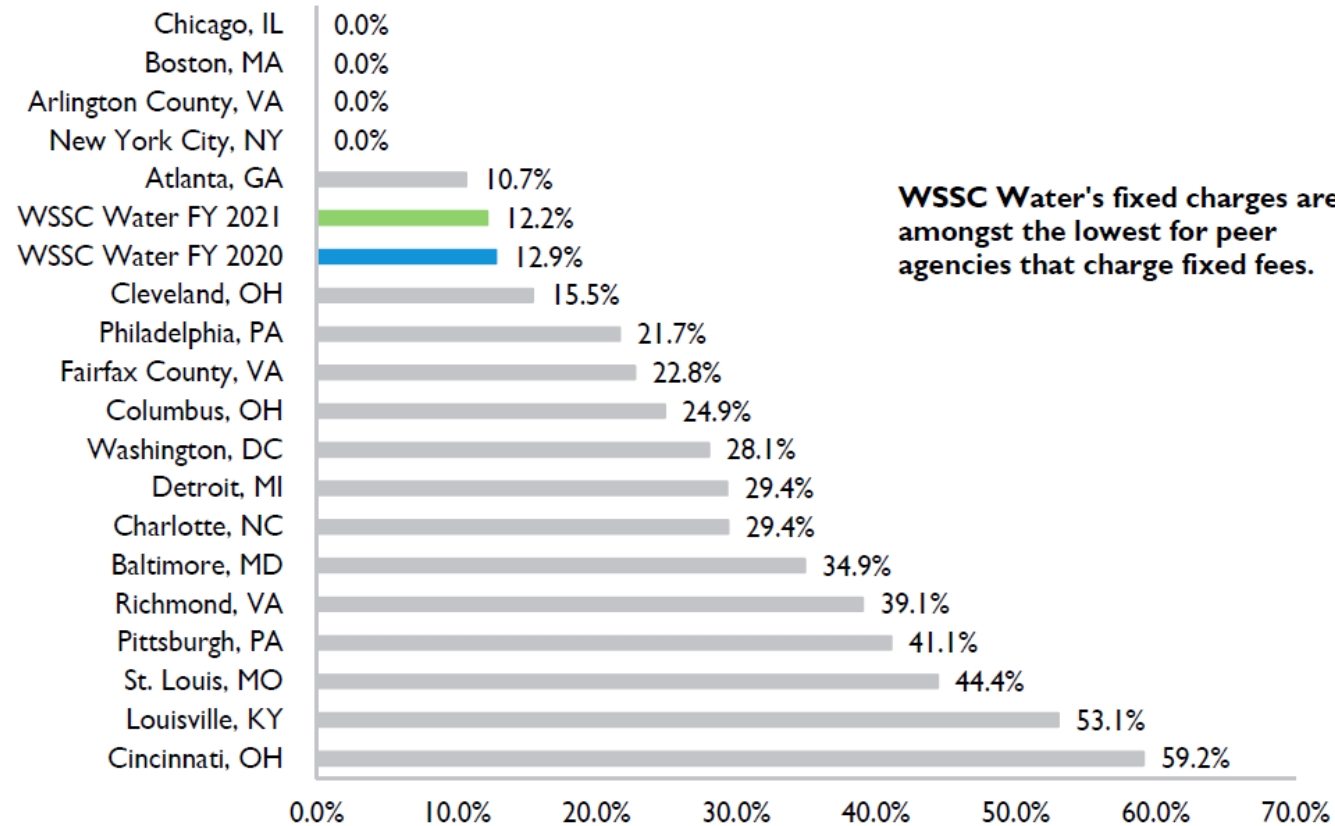
FY 2021 Quarterly Fixed Fee Comparison for 3/4" Meter



WSSC Water		DC Water		Baltimore		Fairfax, VA	
Fee	Quarterly Charge	Fee	Quarterly Charge	Fee	Quarterly Charge	Fee	Quarterly Charge
Account Maintenance Fee	\$ 16.00	Customer Metering Fee	\$ 15.66	Account Management Fee	\$ 11.82	Quarterly Billing Service Charge (Fairfax Water)	\$ 15.40
Infrastructure Investment Fee	\$ 12.00	Water System Replacement Fee	\$ 22.17	Water Infrastructure Charge	\$ 64.23	Base Charge (Fairfax County Sewer)	\$ 32.91
		Clean Rivers Impervious Area Charge	\$ 58.56	Sewer Infrastructure Charge	\$ 53.91		
Total	\$ 28.00	Total	\$ 96.39	Total	\$ 129.96	Total	\$ 48.31



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



Other Utilities: Approved and Planned Revenue Rate Increases

Agency	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Cumulative
WSSC Water											
Water + Wastewater (volumetric)	5.00%	6.00%	6.60%	8.00%	8.00%	7.00%	6.50%	6.00%	6.00%	6.00%	87.8%
Water + Wastewater (fixed fee for 5/8" meter)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
DC Water											
Residential Water + Sewer (volumetric)	11.50%	9.90%	7.80%	8.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	121.2%
Customer Metering Fee (5/8" meter)	0.00%	28.50%	56.25%								
Clean Rivers Impervious Area Charge (per Equivalent Residential Unit)	-8.96%	-6.78%	-5.74%								
Water System Replacement Fee (5/8" meter)	0.00%	0.00%	0.00%								
City of Baltimore											
Water (volumetric and fixed charges)	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	6.00%	3.25%	3.25%	3.25%	105.6%
Wastewater (volumetric and fixed charges)	9.00%	9.00%	9.00%	6.00%	6.00%	5.00%	3.25%	3.25%	3.25%	3.25%	73.6%
Fairfax, VA											
Fairfax Water (volumetric)	4.42%	4.23%	4.06%								
Fairfax Water (fixed fee for 5/8" meter)	0.00%	18.03%	3.13%								
Fairfax County Sewer (volumetric)	4.00%	0.00%	9.07%	3.27%	3.41%	4.95%					
Fairfax County Sewer (fixed residential fee)	8.33%	0.00%	18.66%	10.42%	9.83%	5.00%					

Sources:

WSSC Water: FY 2022 Long-term Financial Plan, dated September 9th, 2020.

DC Water: Section III Financial Plan and Section IV Rates and Revenue <https://www.dewater.com/budget-and-financial-planning>

City of Baltimore: https://comptroller.baltimorecity.gov/sites/default/files/0001-0153_2019-01-09.pdf

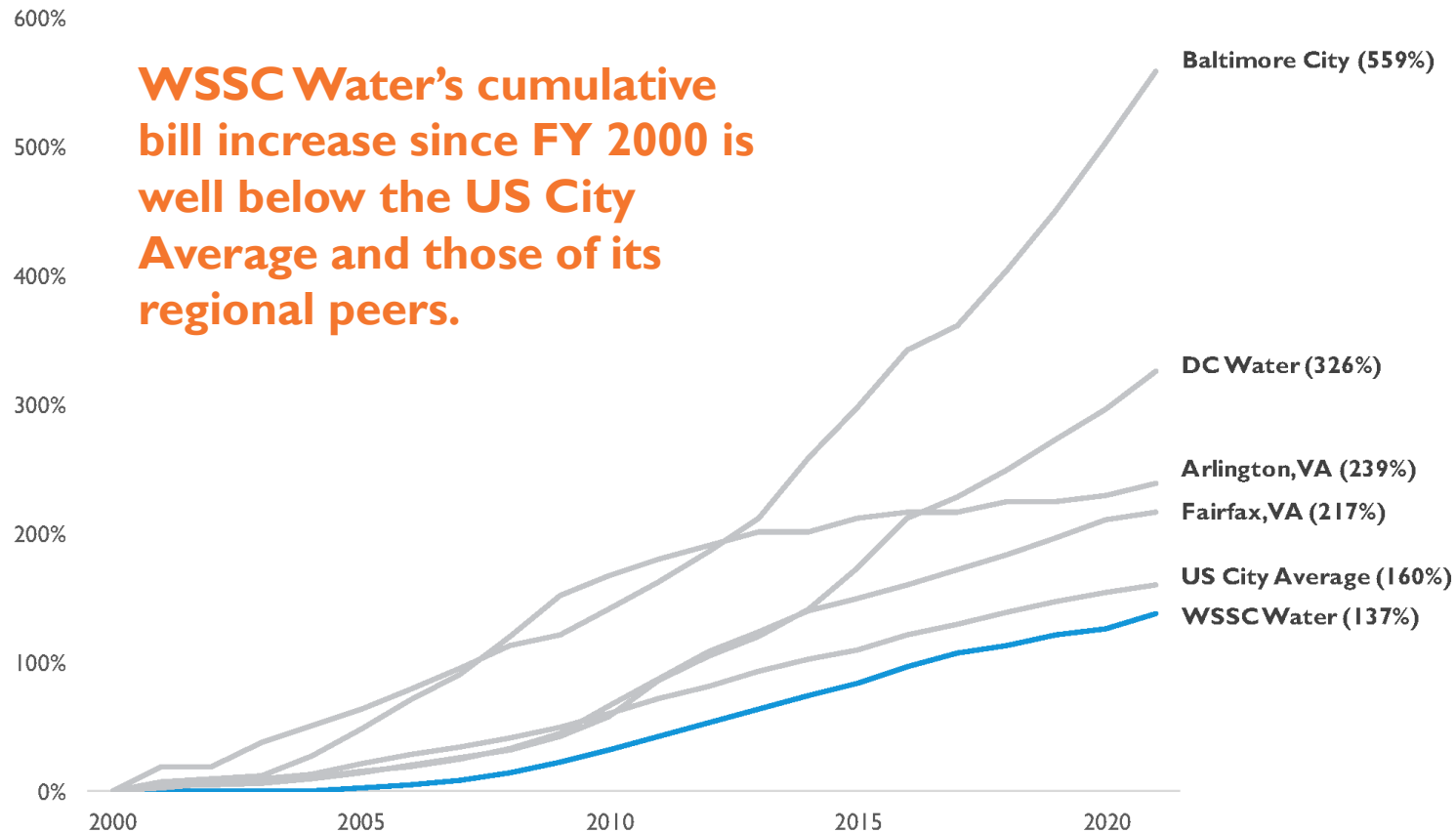
Fairfax Water: Based on adopted and proposed rate schedules effective April 1st of 2018, 2019, 2020, and 2021.

Fairfax County: FY 2021 Adopted Budget Plan <https://www.fairfaxcounty.gov/budget/current-year-adopted-budget-plan-0>



Other Utilities: FY00 to FY21 Bill Increases

FY 2000 to 2021 Bill Increase Comparison @ 165 Gallons per Day



Message to Stakeholders

- CIP addresses mandatory, regulatory, and system improvements
- Long-term rate stability needed for multi-year CIP implementation
- Investments in customer service and operational improvements
- Significant cost savings achieved and on-going
- Innovation programs underway to improve service and identify non-rate revenue sources
- Maintain service levels despite COVID-19 challenges
- Improving affordability programs
- \$55 million in past due accounts equates an 8.1% rate increase

Appendix

WSSC Water

WSSC Water's ratemaking process sets rates for a one-year period. Changes to rates for volumetric charges and fixed fees are not wholistic, meaning that the advertised rate increase applies only to volumetric rates and fixed fees have different rates of change. WSSC Water's rates and fees are approved by the Montgomery and Prince George's County Councils and the Commission that oversees the agency. The organization has implemented a four-tier rate structure for volumetric water and sewer charges for all customers based on average daily consumption (ADC) in gallons per day. Two fixed fees, the Account Maintenance Fee (AMF) and the Infrastructure Investment Fee (IIF), are also charged on a quarterly basis based on meter size for all customers. WSSC Water bills most of its customers quarterly.

Tiers (ADC in Gallons)	Water (per 1,000 Gallons)	Sewer (per 1,000 Gallons)	Total (per 1,000 Gallons)
0 - 80.9999	\$ 5.35	\$ 7.25	\$ 12.60
81 - 165.9999	\$ 6.04	\$ 8.06	\$ 14.10
166 - 275.9999	\$ 6.96	\$ 10.10	\$ 17.06
276 & Greater	\$ 8.15	\$ 13.33	\$ 21.48

Meter Size	AMF (Quarterly Charge)	IIF (Quarterly Charge)	Total (Quarterly Charges)
5/8"	\$ 16.00	\$ 11.00	\$ 27.00
3/4"	\$ 16.00	\$ 12.00	\$ 28.00
1"	\$ 16.00	\$ 14.00	\$ 30.00

DC Water

DC Water utilizes a multi-year ratemaking process to set rates and fees for a two-year period. The organization does not utilize a wholistic rate change approach, approving different changes for volumetric rates and fixed fees. DC Water’s Board of Directors is responsible for approving the rates and fees. DC Water has implemented a two-tier rate structure for volumetric water charges for residential customers based on total usage measured in hundreds of cubic feet, with flat rates for multi-family and non-residential customers, and a flat rate structure for volumetric sewer for all customers.¹ The organization charges six fixed fees, but three of the fees are pass-through charges from the District of Columbia. The three charges that are not pass-throughs are the Clean Rivers Impervious Area Charge (CRIAC), the Customer Metering Fee (CMF), and the Water System Replacement Fee (WSRF). The CRIAC varies by the number of equivalent residential units (ERUs), the CMF varies by meter size, and the WSRF varies by meter size and customer class. These fixed fees are charged on a monthly basis, as DC Water has implemented monthly billing.

Customer Class/ Tiers	Water (per 1,000 Gallons)	Sewer (per 1,000 Gallons)	Total (per 1,000 Gallons)
Residential. 0-4 CCF	\$ 4.67	\$ 13.06	\$ 17.73
Residential, > 4 CCF	\$ 6.02	\$ 13.06	\$ 19.08
Multi-family	\$ 5.30	\$ 13.06	\$ 18.36
Non-residential	\$ 6.20	\$ 13.06	\$ 19.26

Residential Customers	CRIAC (Monthly Charge)	CMF (Monthly Charge)	WSRF (Monthly Charge)
5/8"		\$ 4.96	\$ 6.30
3/4"		\$ 5.22	\$ 7.39
1"		\$ 5.86	\$ 9.67
Per ERU	\$ 19.52		

¹ One hundred cubic feet (CCF) equals 748 gallons.

City of Baltimore

The City of Baltimore has adopted a multi-year ratemaking process that approves rates and fees for a three-year period. The City has also adopted a wholistic approach to rate changes, where one rate of change applies to both the volumetric rates and the fixed fees. The City's Board of Estimates is the entity responsible for approving the rates and fees. The City of Baltimore has a flat rate structure for both water and sewer for all customers based on usage measured in hundreds of cubic feet.² Three fixed fees, the Account Management Fee (AMF), the Water Infrastructure Charge (WIC), and the Sewer Infrastructure Charge (SIC), are charged by the City on a monthly basis. The AMF is a flat fee per bill for each customer, while the infrastructure charges vary based on the customer's meter size. The City of Baltimore has implemented monthly billing.

Customer Class/ Tiers	Water (per 1,000 Gallons)	Sewer (per 1,000 Gallons)	Total (per 1,000 Gallons)
All Customers	\$ 4.41	\$ 11.63	\$ 16.04

Meter Size	AMF (Monthly Charge)	WIC (Monthly Charge)	SIC (Monthly Charge)
5/8"		\$ 11.90	\$ 9.99
3/4"		\$ 21.41	\$ 17.97
1"		\$ 47.57	\$ 39.93
Per Bill	\$ 3.94		

² One hundred cubic feet (CCF) equals 748 gallons.

Fairfax Water (Water Only)

Fairfax Water utilizes a one-year ratemaking process for its water rates and fees. The volumetric and fixed fee increases for Fairfax Water are not wholistic, as volumetric and fixed fees have different rates of change. The water rates and fees are approved by the Board of Directors. Fairfax Water has a flat rate structure with peak pricing for all customers. For the peak pricing, consumption in the two quarters that contain the summer months is compared to the winter quarter and if certain criteria are met, then the additional peak usage charges are applied. The organization also has one fixed fee, the Quarterly Billing Service Charge (QBSC), which is based on the size of the customer's meter and the class of customer. Fairfax Water utilizes quarterly billing for most of its customers.

Customer Class/ Tiers	Water (per 1,000 Gallons)
All Customers	\$ 3.20
Additional Peak Use Charge	\$ 3.85

Single Family/ Townhouse	QBSC (Quarterly Charge)
5/8"	\$ 14.40
3/4"	\$ 15.40
1"	\$ 16.25

Fairfax County (Sewer Only)

The ratemaking process at Fairfax County appears to be a mix of one-year and multi-year processes. The Board of Supervisors approves the rates and fees each year, but the County Code contains a six-year schedule of rates and fees. The schedule in the County Code appears to be updated each year based on the rates approved by the Board of Supervisors, but it is not clear if the rates and fees for subsequent years are automatically implemented if no subsequent action is taken by the Board of Supervisors to adopt or amend them. The sewer rates are based on a flat rate structure for all customers. Fairfax County also charges one fixed fee, the Base Charge (BC), on a quarterly basis. This fixed fee has one rate for residential customers and various rates based on meter size for commercial customers. The Fairfax County sewer charges are billed quarterly and are included on the bill received from Fairfax Water.

Customer Class/ Tiers	Sewer (per 1,000 Gallons)
All Customers	\$ 7.28

Residential Customers	BC (Quarterly Charge)
All Residential	\$ 32.91

Additional Follow-up Questions

1. Is the \$31.7 million revenue impairment shown on Slide 5 for Estimate FY21 solely from Sewer Use Revenue shortfalls? Slide 4 shows a \$12 million revised baseline for sewer revenue in FY21. [The \\$31.7 million impairment includes both COVID and sewer revenue shortfalls. We did not carry the COVID related revenue impairment into FY22.](#)
2. Why is interest income down so much in FY21 (Approved = \$10 million Estimate = \$500k)? [This is based on historical comparisons. We looked at prior actuals when we were in a low interest rate environment.](#)
3. Is the reduction in “additional and reinstated” for Estimate FY21 solely from that category or is that a catchall for all one-time operating savings expected in FY21? [This is a catchall. There are no additional & reinstated in FY21. We can change the name of the row.](#)
4. What would the Water and Sewer rate revenue be in FY22 before any rate increase? [\\$677,814,000 \(This is the approved \\$689,212,000 less the \\$12,000,000 sewer revenue adjustment and plus \\$602,000 water revenue growth\)](#)
5. What is the non-rounded number for revenue generated from each 1% rate increase? For a \$53.4 million gap, I get a 7.7% rate increase requirement, not a 7.9% requirement, probably because I don't have the correct water/sewer revenue number. [\\$53,376/677,814 = 7.9%](#)
6. How much is assumed in FY22 for the Customer Assistance Program? [\\$2.0 million. We had increased the budget for enhancements to affordability programs. However, these additional funds had to repurposed to offset increased CAP participation.](#) What is the status of WSSC's efforts to expand the program to indirect customers?

[Key Updates:](#)

- [The Customer Service Department hired a new Division Manager, Customer Engagement and Advocacy who will help co-lead this project.](#)
- [The project will also be co-led by a Government Affairs Manager from the Intergovernmental Relations Office.](#)
- [We recognize that renters continue to be a target group that could benefit from water affordability/customer assistance, especially due to the impact of COVID-19.](#)
- [It is important to note that for the past three fiscal years, we have exceeded the allocated \\$888,000.00 budget for our customer assistance program \(CAP\).](#)
- [The current COVID-19 environment is impacting our revenue collections and could further impact our ability to fund the expansion of CAP.](#)
- [Customer Service is working closely with Finance and IRO to monitor the financial impact of the crises on our customers.](#)

Task	Who	Estimated Completion
1. Form cross-functional planning committee a. Identify external participants and key partners b. Plan meeting logistics	Customer Service	FY Sep 2021
2. Conduct planning sessions a. Identify target group for assistance b. Determine budget and amount of assistance c. Determine method for assisting renters and indirect customers d. Develop communication plan	Planning Committee	FY Apr 2021
3. Approve recommendations	GM/CEO and Commissioners	FY Jun 2021
4. Implement plan	Customer Service	FY Sep 2022

7. Canjor asked for a scenario with a 5.9% rate increase. It would be helpful to some multiple options for how you would get to 5.9% (not just increasing unspecified reductions in year one and revising rates in year 2 and beyond to catch up to the Base Case assumptions). For instance, considering a reduction in the debt service costs, recovery of some delinquent charges during COVID, etc.

Potential savings options are as follows:

- Reduce interest rates on debt service
- Reduce street repairs
- Reduce customer service – increases here have been very costly
- Stop CIP projects that are currently in design (primarily PGC projects) – does not include mandated or regulatory
- Reduce Large Diameter Water Pipe & Large Valve Rehabilitation Program by 25%
- Suspend high bill adjustments
- Reduction in the operating fund investment in the Piscataway for inflow and infiltration in improvements

8. What has been your bond interest experience the past few years? I think it has been less than the 5% assumed in the Base Case. What would be the impact on the model if you assumed a 4% bond interest?

The True Interest Cost (TIC) for the last 3 deals on Consolidated Public Improvement bonds has been as follows:

- 2018 3.59 (average coupon 4.15%)
- 2019 2.64 (average coupon 3.247%)
- 2020 1.94 (average coupon 2.44%)

Note that the TIC (true interest cost) is lower due to the receipt of bond premiums which enable us to reduce the size of the bond sale, but the serial maturities do have higher coupons. The debt service was lower as we did reduce the size of the sales for 2019 and 2020, but for 2018, we did not lower the size of the sale. We received the premium and used the premium to help lower debt service costs and the balance was used for projects to also lower future debt. We plan on using future premiums to lower bond size. We will prepare a model that assumes 4% and include it in this Wednesday's package.

9. WSSC has had substantial IT implementation costs over the past few years. Are these costs expected to go down (or up) in FY21 and FY22? The Fiscal Plan does not take into account one-time fluctuations up or down in the budget. C2M implementation costs were significant. Excess costs associated with stabilizing the system were covered by PAYGO not transferred to the bond funds. We will have more information regarding required IT costs after budgets are submitted.
10. Are there other one-time costs in FY21 that can be removed from the base going into FY22? There were no one-time costs included in the FY21 budget that can be removed.
11. Given that the current AMI implementation schedule assumes a phase-in of the program over the next several years, and these program costs are built into the Six-Year Fiscal Plan, the assumed payback from the program should also be reflected in the Fiscal Plan. The 2011 study assumed substantial annual savings (a 6 to 8 year payback). These savings could result in significant rate impacts downward; especially in the later years of the CIP. We can insert estimated impacts from the AMI project in a separate scenario when the Cost Benefit Analysis is finalized. We expect it to be completed within the next three weeks.
12. The Piscataway BioEnergy project is programmed to be completed in FY24. Annual cost savings/additional revenue should also be reflected in the Six-Year Fiscal Plan. We have added projected energy savings from this project to the forecast.

COVID-19 Response

Customer related:

- Late fees are waived and all water shut offs are suspended
- All in-home non-emergency work is cancelled or postponed
- Facilities are closed to the public until further notice

Operations:

- Field and Fleet depot crews are working alternative shifts to promote social distancing and resiliency
- In-person public meetings are postponed indefinitely
- Social distancing measures implemented
- Non-essential employees are required to telework for foreseeable future
- No ride sharing in WSSC Water vehicles by work crews



COVID-19 Financial Impacts

Proactive Savings Plan implemented to offset COVID-19 impacts:

- FY 2020: \$61.1 million
- FY 2021: \$72.7 million

Revenue:

- Delinquent accounts from about \$26.4 million as of 7/1/19 to \$47.4 million as of June 30th
- Payments were down approximately 10% from expectations since March 2020
- Total Consumption (All Customer Classes) – Down since start of pandemic (March-June) by 7.7%. Down FY20 YTD compared to FY19 YTD by 7.1%.
- FY20 savings plan more than offset revenue losses
- Secured \$100 million line of credit for liquidity purposes; no draws needed to date



Bond Rating Agency Reports

- Recently rated AAA by the three rating agencies
- S&P rated Green Bonds E1 – the highest rating
- Factors that could lead to downgrade
 - “Failure to raise rates to support operations and debt needs, leading to declines in reserves and liquidity” (Moody’s)
 - “If management is unable to effectuate necessary rate increases or contain costs which results in a reduction in reserves or a failure to meet sum sufficient coverage, we will lower the rating one of more notches” (S&P)
 - “COFO that consistently falls below 1.0x concurrent with liquidity equating to less than 120 days' cash on hand” (Fitch)

Fiscal Planning Actions Implemented

- Operating Supply management project identified savings since FY 2013
 - Cost reductions in excess of \$8.1 million
 - Cost avoidance savings of nearly \$17.2 million
- Group insurance plan revision savings of \$5.1 million since FY 2017
- 66 frozen positions
- Reduced overtime expenses of \$4.7 million since FY 2017
- Cost savings to offset COVID-19 impacts
 - FY 2020: \$61.1 million
 - FY 2021: \$72.7 million



Fiscal Planning Actions Implemented

- Capital Savings
 - Water Main Reconstruction program at 31 miles for FY 2022 remains below target level of 55 miles
 - Potomac Submerged Channel Intake will remain deferred beyond FY 2027
- Maintain AAA Bond Rating
 - Increase PAYGO from \$31 million in FY 2021 to \$80 million in FY 2027 to manage debt service ratios
 - Implement level principal payments beginning FY 2023
- Strategic Sourcing Teams and operating departments identified \$54 million in capital cost savings/avoidance since FY 2013



Fiscal Planning Actions Underway

WSSC Water is piloting several technologies to improve our environmental stewardship, productivity, and cost control:

- Water system transient pressure monitoring systems to reduce breaks and extend pipe life
- New low impact, lower cost high pressure, pull through liners for water main rehabilitation
- Technologies to reduce chemical use and improve Nitrogen and Phosphorus removal at Piscataway, Seneca and Parkway Water Resource Recovery Facilities
- Satellite leak detection for 20% of water system this year to identify and reduce water loss and water main breaks

