

Resolution No.: 16-398  
Introduced: November 20, 2007  
Adopted: December 4, 2007

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: County Council

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**SUBJECT:** Establishment of Spending Control Limits for Use in the Preparation of the FY09 Capital and Operating Budget of the Washington Suburban Sanitary Commission

**Background**

1. When the Montgomery and Prince George's County Councils approved the FY 94 budget of the Washington Suburban Sanitary Commission (WSSC) in May 1993, their concern about rising WSSC rates, debt, and debt service led them to create a bi-County Working Group on WSSC Spending Controls to review WSSC's finances and recommend spending control limits to guide the preparation of the WSSC budget.
2. The Working Group was co-chaired by Councilmember Derick Berlage of Montgomery County and Councilmember Stephen Del Giudice of Prince George's County. WSSC Commissioner Waymond Bray was the third member.
3. The Working Group's January 1994 report recommended "the creation of a spending affordability process that requires the Counties to set annual ceilings on 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."
4. On February 15, 1994 the Prince George's County Council adopted Resolution No. CR-12-1994. This resolution proposed a bi-County Rate Affordability Committee (RAC), which would transmit to the two Councils before October 15 of each year recommended "limits to the increase of debt and debt service in the WSSC water and sewer operating budget and to the increase of WSSC water and sewer rates for the next fiscal year," as well as "debt and rate targets for the next six years."
5. On April 5, 1994 the Montgomery County Council adopted Resolution No. 12-1558, which calls for the establishment of a WSSC spending affordability process in each County. Under this process each Council appoints a Spending Affordability Committee (SAC); for Montgomery County the SAC is the Transportation and Environment Committee. Each SAC recommends spending control limits to its Council, and each Council recommends limits and transmits them to the other Council. Spending control limits are "ceilings on elements of the WSSC capital and operating budgets in the following year that have been selected by the SAC's. Spending control limits must include ceilings on debt and debt service."

6. Both Councils' resolutions provide for the Councils to adopt identical spending affordability resolutions for the following fiscal year. Both resolutions state that the Councils must not approve a WSSC budget in excess of the approved bi-County spending control limits unless a majority of each Council votes to raise them.
7. In September 2007 WSSC transmitted a draft 10-Year Fiscal Plan for FYs2009-2018 to both Montgomery and Prince George's Counties. This document was the culmination of work by staff from Montgomery County, Prince George's County, and WSSC. This document includes assumptions regarding revenues and expenditures and presents a number of FY09 spending control limit scenarios for use by both Councils in setting FY09 spending control limits.
8. On October 25, 2007 the County Executive transmitted his recommendations regarding WSSC's FY09 spending control limits. The Executive recommends a rate increase of 9.7 percent. Assumed as part of this recommendation is the use of \$12.3 million in excess fund balance in FY10 and FY11 to offset a portion of the costs of WSSC's Enterprise Asset Management/Enterprise Resource Planning (EAM/ERP) implementation. Also assumed in the FY09 spending control limits recommendations is the expansion of WSSC's Ready to Serve Charge to create a dedicated source of funding for the acceleration of the replacement of aging water and sewer main infrastructure.
9. On November 15, 2007 the Transportation and Environment Committee discussed WSSC's FY09 spending control limits and recommended the limits proposed by the County Executive for purposes of introduction and public hearing advertisement.
10. A public hearing was held on November 27, 2007.

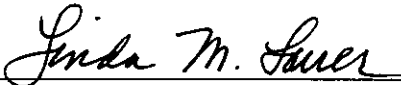
**Action**

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

1. The Montgomery County Council recommends to the Prince George's County Council the joint establishment of four spending control limits for use in preparation of the FY 09 WSSC capital and operating budget.
2. These spending control limits are:
  - New debt: \$182,326,000
  - Debt service: \$165,854,000
  - Total water/sewer operating expenses: \$564,343,000
  - Maximum average rate increase: 9.7%

3. Assumed within these recommended limits is the use of \$12.3 million in excess fund balance in FY10 and FY11 to offset a portion of the costs of WSSC's Enterprise Asset Management/Enterprise Resource Planning (EAM/ERP) implementation.
4. Also assumed in these recommended limits is the expansion of WSSC's Ready to Serve Charge to create a dedicated source of funding for the acceleration of the replacement of aging water and sewer main infrastructure.
5. The Montgomery County Council believes that reaching consensus with the Prince George's County Council on FY09 spending control limits is a critical step in the WSSC budget approval process and will work with the Prince George's County Council to agree on FY09 limits as soon as possible.

This is a correct copy of Council action.

  
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Linda M. Lauer, Clerk of the Council