

Worksession

MEMORANDUM

April 11, 2013

TO: Transportation, Infrastructure, Energy & Environment Committee
FROM: *KL* Keith Levchenko, Senior Legislative Analyst
SUBJECT: **Worksession: FY14 Washington Suburban Sanitary Commission (WSSC)
Operating Budget**

Summary of Council Staff Recommendations

- Concur with WSSC to maintain System Development Charge rates for FY14 at current approved levels, but to increase the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment as allowed for under State law.
- Concur with the 7.25 percent rate increase proposed by WSSC.
- Council Staff recommends the following changes within the Proposed Budget:
 - Assume to utilize the \$3.4 million WSSC has allocated for salary enhancements to provide a 3.0% COLA with the remaining funds to go toward merit increases.
 - Concur with the County Executive's recommendations
 - Make adjustments to debt service and to the Capital Budget consistent with the latest DCWater capital cost assumptions for WSSC.

Attachments to this Memorandum

Excerpts from the Proposed FY14 WSSC Budget (©1-30)
County Executive's FY14 Recommended Budget Section for WSSC (©31-34)
Summary Table of FY14 Additional and Reinstated Programs (©35)
Detail of FY14 Additional and Reinstated Programs (©36-41)

The following officials and staff are expected to attend this worksession:

WSSC

Gene Counihan, Commission Vice Chair
Adrienne Mandel, Commissioner
Tom Traber, Chief Financial Officer
Chris Cullinan, Budget Group Leader
Letitia Carolina-Powell, Budget Unit Coordinator

County Government

Matthew Schaeffer, Office of Management and
Budget

Budget Highlights

Below are some major highlights of the WSSC's Proposed FY14 Budget:

- The combined total of the Capital and Operating Budget is \$1.46 billion, an increase of \$4.5 million (or .3 percent) from the Approved FY13 amount of \$1.45 billion.
- The total proposed Operating Budget is \$699.3 million, an increase of \$37.5 million (or 5.7 percent) from the Approved FY13 Operating Budget of \$661.7 million.
- 7.25 percent average rate increase – *During the spending control limits process last fall, the Montgomery County Council recommended an 8.0 percent rate increase ceiling. The Prince George's County Council recommended a rate increase ceiling of 7.5 percent. About three-quarters of the rate increase is needed to cover increases in debt service and Paygo.*
- Water production is projected at 170 million gallons per day (mgd), which is the same as was assumed in FY13 and the same as assumed for FY14 during the spending control limits process last fall. *Water production for FY12 was 165.7mgd, which was a significant drop from the FY11 total of 175mgd. FY13 production is running lower than original projections. WSSC's latest projection for FY13 is 166mgd.*
- Includes \$53.2 million (an increase of \$1.9 million, or 3.7 percent) for regional sewage disposal costs for WSSC sewage treated at the Blue Plains Wastewater Treatment Facility. *Note: WSSC estimates that the cost per thousand gallon of treatment of WSSC sewage at Blue Plains is \$1.14, compared to \$1.88 at WSSC facilities.*
- An increase of \$5.4 million (\$3.6 million rate impact) for “additional and reinstated” programs in both the Operating Budget and CIP. This includes an increase of 24 workyears (*More discussion is provided later in this memorandum. Additional details are attached on ©35-41.*)
- Includes \$24.4 million for 18 miles of large diameter pre-cast concrete cylinder pipe (PCCP) water main inspection, repairs, and acoustic fiber optic installation, as well as acoustic fiber optic monitoring of all previously installed AFO. *During FY13, WSSC will complete the first inspection cycle of all PCCP water mains 48 inches in diameter and greater (77 miles). This program is a high priority of the Council, and the FY14 proposed program spending represents a continued strong commitment to this effort. WSSC is also inspecting some 36- and 42-inch pipe.*
- Funds 51 miles of water main reconstruction (up from 46 miles budgeted in FY13). *WSSC's long-term goal is to reach a steady state of approximately 55 miles of replacement per year (or about a 100-year replacement cycle).*
- Adds \$1.0 million to the base budget for retiree health costs (the 7th year of an 8 year schedule in response to GASB 45 reporting requirements) to increase funding ultimately up to \$19 million per year. *The eight year schedule is consistent with other agencies' approved plans as of FY10. However, budget pressures over the past several years have caused other agencies to fall behind on their funding plans.*

Schedule

On March 1, WSSC transmitted its proposed FY14 Operating Budget to the Montgomery and Prince George's County Executives and County Councils. On March 15, the County Executive transmitted his recommendations to the Council. The Council will finalize its recommendations in early May. The Bi-County meeting to resolve any CIP and Operating Budget differences with Prince George's County is scheduled for May 9.

General Information about WSSC

The Washington Suburban Sanitary Commission (WSSC) provides public water and sewer services to over 1.7 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 170 mgd of drinking water) and maintains 7 wastewater treatment plants (including the Blue Plains Plant in Washington DC). WSSC has more than 5,500 miles of water mains and more than 5,400 miles of sewer mains. WSSC has about 448,000 customer accounts (see ©29 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, 3 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 six commissioners are:

Montgomery County

Gene Counihan, Vice Chair
Adrienne Mandel
Dr. Roscoe Moore

Prince George's County

Christopher Lawson, Chair
Antonio Jones
Melanie Hartwig-Davis

General Manager Jerry Johnson was hired in the fall of 2009 after a long tenure in a similar position with the District of Columbia Water and Sewer Authority (DCWater).

An organizational chart is attached on ©34. The Chair's budget transmittal letter and other excerpts from the Proposed FY14 budget are attached on ©1-30.

About 66 percent of all WSSC sewage and over 80 percent of Montgomery County's sewage (generated within the WSSC service area) are treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. This plant is managed by DCWater.¹ WSSC makes operating and capital payments each year to DCWater consistent with the Blue Plains Intermunicipal Agreement of 1985 (IMA).² Blue Plains-related costs are a major element of the sewer program and reflect a majority of overall CIP expenditures. The projected FY14 operating payment is \$53.2 million (about 7.6 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 DCWater 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 boardmembers only vote on "joint use" issues (i.e., issues affecting the suburban jurisdictions). These boardmembers do not vote on issues affecting only the District of Columbia.

² A new IMA is being finalized. The Montgomery County Council approved a resolution in support of the new IMA on February 14, 2012 and on December 4, 2012. Council President Navarro signed the new IMA on April 2, 2013.

County Executive Recommendations for the FY14 WSSC Budget

(See Operating Budget Excerpt on ©31-34)

In his March 15 transmittal, the County Executive recommended the following change to WSSC's Proposed FY14 Operating Budget:

- Reduce debt service in the FY14 WSSC Operating Budget by \$493,100 to accommodate revised DCWater costs for Blue Plains Wastewater Treatment Plant joint projects, consistent with the County Executive's recommendations for WSSC's FY14-19 Capital Improvements Program.

The County Executive recommends keeping the rate increase at the proposed level of 7.25% and supports WSSC's proposed salary enhancements of \$3.4 million (assuming these enhancements are no greater than those of Montgomery County employees).

Performance Measures

WSSC has included a number of performance measures in its FY14 Proposed Budget. Most of these measures speak to water quality, quality of service, timeliness of service, and customer satisfaction. Council staff believes these measures highlight WSSC's success in delivering high-quality service. As noted in the budget document, "WSSC has never exceeded a maximum allowable contaminant level (MCL) established by the US. Environmental Protection Agency (EPA) in accordance with the Safe Drinking Water Act."

As noted in past years, in general, Council Staff believes WSSC is doing an excellent job in measuring its drinking water quality, responses to customer concerns, and customer satisfaction. It would be helpful if WSSC published information on how these measures and other fiscal measures compare over time to other similarly sized water and sewer utilities.

At the recent briefing on the Chevy Chase Lake water main break, the Committee asked WSSC to provide comparative data with other water utilities on service quality measures (such as number of leaks and breaks per mile, repair times, and others). WSSC agreed to assemble this information and forward it to the Council.

The Office of Legislative Oversight is working on a report (due out later this spring) regarding the status of and possible improvements to coordination efforts between WSSC, DOT, and other utilities who work in the County rights-of-way. This coordination is essential to ensure that this necessary (but disruptive and expensive) work done by multiple agencies is staged properly to minimize neighborhood impacts, while efficiently spending WSSC and County dollars.

System Development Charge (SDC) Fees and Exemptions

WSSC's Proposed CIP and draft Operating Budget assumes no change in the SDC rate. However, WSSC supports increasing the maximum rate by a CPI adjustment for FY14, as permitted under State law. The proposed charge and the maximum allowable charge are presented in Table 1.

**Table 1:
Proposed SDC Charges**

Item	FY14 Charge	Max. Allowable Charge
Apartment		
- Water	\$896	\$1,240
- Sewer	\$1,140	\$1,580
1-2 toilets/residential		
- Water	\$1,344	\$1,861
- Sewer	\$1,710	\$2,365
3-4 toilets/residential		
- Water	\$2,240	\$3,102
- Sewer	\$2,850	\$3,945
5 toilets/residential		
- Water	\$3,135	\$4,340
- Sewer	\$3,991	\$5,526
6+ toilets/residential*		
- Water	\$88	\$122
- Sewer	\$115	\$160
Non-residential*		
- Water	\$88	\$122
- Sewer	\$115	\$160

*costs shown are per fixture unit

The SDC fund itself is discussed in more detail in Council Staff's CIP packet (T&E Item #1A).

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 approved in mid-May. The Council will act on the SDC resolution in mid May.

Other Fees

A list of WSSC fees (and proposed revenue changes) is attached on ©16-20. Most of these fees have to do with construction activity. Neither WSSC nor the Council has received any concerns from the building industry regarding the fee schedule.

Water and Sewer Main Infrastructure

Large Diameter Water Pipe

Last week, the Committee received an update on WSSC's large diameter pipe work as part of a briefing on the Chevy Chase Lake water main break.

WSSC has approximately 960 miles of large diameter water main (mains ranging in size from 16 inches to 96 inches in diameter), of which 350 miles are PCCP. These are the highest priority for inspection, monitoring, repair, and replacement because (unlike pipes made out of iron or steel), PCCP pipe can fail in a more catastrophic manner. Both Montgomery and Prince George's Counties have experienced large diameter PCCP failures in recent years (most recently with a break in Prince George's County in January).

Of the PCCP inventory, there are 77.7 miles of pipes 48 inches or greater, which has been WSSC's highest priority for inspection, repair, and acoustic fiber optic (AFO) monitoring over the past few years. WSSC expects to complete its initial inspections, urgent repairs, and AFO work on these 77 miles during FY13. WSSC is also beginning to expand this program to pipes smaller than 48 inch diameter as well, and planned to inspect 3.3 miles of 42 inch diameter PCCP mains in FY13 using new robotic technology.

While the large section repairs are being funded out of the CIP, the inspection, fiber optic monitoring, and smaller repairs remain in the Operating Budget. The FY14 budget includes \$6.1 million for 18 miles of large diameter PCCP pipe inspection, assessment, and AFO monitoring of all 77 miles of the large diameter PCCP pipe.

Water Reconstruction Program

Over the past five years, WSSC has ramped up the annual number of miles of pipe to be replaced. Beginning with the Approved FY10-15 CIP, budgeted and actual replacement miles began to increase steadily. The budget level for FY10 was 27 miles per year but has been increased each year and is 46 miles for FY13. For FY14, 51 miles of replacement are proposed. WSSC's long-term goal is to reach a steady state of approximately 55 miles of replacement per year (or about a 100-year replacement cycle).

The need for expanding this program was identified several years ago in the Asset Management Plan effort discussed earlier. Originally, this ramp-up was to be a major multi-year commitment predicated on a substantial increase in the Account Maintenance Fee (ready to serve) charge that was ultimately not agreed upon by the WSSC Commission. Without a new funding source, the ramp-up must be accommodated within available dollars from annual water and sewer rate increases.

This ramp-up is having an impact on rates of new debt and debt service costs in the Operating Budget. Fortunately, favorable interest rates and WSSC's move from 20 year debt to 30 year debt (with accompanying reinvestment of a portion of the debt service savings back into Paygo contributions) have helped temper this impact. Debt service is expected to climb from about 34.2 percent in FY13 to 37.4 percent in FY18. However, this FY18 percentage is substantially lower than what was projected at this time last year (42.5%).

The Bi-County Infrastructure Funding Working Group is continuing to look at possible infrastructure charges and possible changes in the current rate structure. WSSC recently hired a consultant to assist with this study. The consultant study should be completed by September 2013.

Sewer Reconstruction Program

This "information only" project funds comprehensive sewer system evaluations and rehabilitation programs. The six-year cost is \$583.9 million. As with the Water Reconstruction Program above, the sewer reconstruction project does not include funding for "major capital projects" as defined in State law. Capital-size projects that are identified in this project become stand-alone projects.

WSSC has approximately 5,400 miles of sewer pipe. As discussed in past years, this project is a major element of WSSC's SSO Consent Decree compliance efforts. Expenditures have already ramped up in this program as a result. As mentioned earlier, WSSC developed a new project in FY11 to deal

specifically with trunk sewer reconstruction. Costs associated with that work were previously included in this project. The focus of this project is on sewer mains and house connections.

Both the water and sewer reconstruction efforts are a major area of concern to Montgomery County, given WSSC's aging infrastructure. However, recent years of significant rate increases and continued rising debt requirements make this effort a major challenge. The rate study noted earlier is needed so that WSSC and both counties can identify how to address WSSC's infrastructure needs over the long term with a sustainable and equitable revenue stream.

The water and sewer reconstruction effort is a major area of concern to Montgomery County, given WSSC's rising debt requirements. The Bi-County Infrastructure Funding Working Group is working with a consultant to identify and review various strategies to address long-term infrastructure needs. An interim report will be presented to the Commission shortly.

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, Infrastructure, Energy and Environment Committee.

There are four spending control limits: Maximum Average Rate Increase, Debt Service, New Debt, and Total Water and Sewer Operating Expenses.

Councilmembers should keep in mind that the spending control limits only provide a ceiling regarding what the Councils direct WSSC to propose in its budget. The limits do not cap what the Councils can approve within the regular budget process that concludes in May of each year.

FY14 Spending Control Limits

Last fall, the T&E Committee and the Council reviewed WSSC's major revenue and expenditure assumptions as part of the FY14 spending control limits process. WSSC developed a "base case" scenario (roughly a "same services" scenario with some enhancements) that included a 9.5 percent rate increase.

The Montgomery County Council supported an 8.0 percent rate ceiling. The Prince George's County Council supported a 7.5 percent rate ceiling.

Ultimately, the WSSC Commissioners agreed to a budget request that assumes a 7.5 percent rate increase. Table 2 below shows how WSSC's Proposed FY14 Budget compares to the approved limits and to the County Executive's FY14 budget recommendations.

**Table 2:
FY14 Spending Control Limits Approved by Each Council
versus the FY14 Proposed WSSC Budget and CE Recommendation**

Spending Control Limit Categories	Recommended Limits		WSSC	CE
	MC	PG	Proposed	Rec
New Debt (in \$000s)	506.4	506.4	506.4	497.4
Water and Sewer Debt Service (in \$000s)	226.6	226.6	226.6	226.1
Water/Sewer Operating Expenses (in \$000s)	662.3	659.7	658.9	658.4
Maximum Avg. Rate Increase	8.0%	7.5%	7.25%	7.25%

WSSC's Proposed Budget complies with all four of the limits recommended by the two Councils. As mentioned earlier, the average water and sewer rate increase requested is 7.25 percent, which is under both of the limits supported by the two Councils. The Executive's recommendations regarding the WSSC Operating Budget result in a slight reduction in debt service expenses (\$500,000) and an overall decrease in new debt as a result of incorporating the latest DCWater capital budget numbers (discussed earlier).

Fund Balance Status

WSSC's fund balance projections and potential uses for excess fund balance were previously discussed last fall during the Council's spending control limits discussion for WSSC. That chart is presented below:

**Table 3:
Estimated Excess Fund Balance Calculation (in \$000s)**

FY12 Carryover	111,860
FY12 Reserve Requirement	(28,000)
FY13 Operating Reserve Increase	(3,400)
FY13 Use of Fund Balance for CIP: Blue Plains/Mid Pike Pl	(670)
FY13 Operating Reserve Contribution	(10,200)
FY13 Billing Factor Reduction Offset	(7,658)
Unallocated Reserve (end of FY13)	61,932
FY14 Operating Reserve Contribution	(11,700)
Net Available for use in FY14 and Beyond	50,232
Increase Reserve to offset billing Factor Reduction in FY14	(8,108)
FY14 Use of Fund Balance: ERP	(2,500)
FY14 Use of Fund Balance: PAYGO	(5,000)
FY14 Use of Fund Balance: One-Time Additional & Reinst	(673)
FY14 Operating Reserve Contribution	(11,700)
FY15-17 AMI Billing System Replacement	(10,000)
FY15-17 Additional Operating Reserve Increase	(21,600)
Estimated Excess Fund Balance	2,351

WSSC's January Monthly Status Report assumes revenues to be \$30.2 million less than budgeted, primarily as a result of lower than previously projected water production. However, expenditures are also expected to be lower than projected (by about \$41.8 million) as a result of savings in salary and wages, operating expenses, and debt service. Overall, an additional \$11.6 million is projected in unallocated reserves from what was projected last fall. **Council Staff suggests that this additional unallocated reserve, if realized, can be considered in the context of the next spending control limits process this fall.**

FY14 WSSC Proposed Budget

Summary Charts

The following chart presents summary budget data for WSSC for the FY13 Approved and FY14 Proposed Budgets.

**Table 4:
WSSC Expenditures by Fund (in \$000s)**

	Approved	Proposed	Change	
	FY13	FY14	\$	%
Capital				
Water Supply	240,107	246,702	6,595	2.7%
Sewage Disposal	527,914	488,106	(39,808)	-7.5%
General Construction	19,984	20,133	149	0.7%
Total Capital	788,005	754,941	(33,064)	-4.2%
Operating				
Water Operating	269,337	280,166	10,829	4.0%
Sewer Operating	350,941	378,752	27,811	7.9%
Subtotal W&S Operating	620,278	658,918	38,640	6.2%
Interest and Sinking	41,455	40,355	(1,100)	-2.7%
Total Operating	661,733	699,273	37,540	5.7%
Grand Total	1,449,738	1,454,214	4,476	0.3%

The combined total of the FY14 Capital and Operating Budget is \$1.46 billion, an increase of \$4.5 million (or .3 percent) from the Approved FY13 amount of \$1.45 billion.

The total proposed FY14 Operating Budget is \$699.3 million, an increase of \$37.5 million (or 5.7 percent) from the Approved FY13 Operating Budget of \$661.7 million.

The following chart summarizes the proposed water and sewer operating expenditures by major expenditure category.

**Table 5:
Water and Sewer Operating Expenditures by Category**

Expense Categories	Approved	Proposed	Change	
	FY13	FY14	\$	%
Salaries and Wages	101,233	104,645	3,412	3.4%
Heat, Light, and Power	24,223	23,910	(313)	-1.3%
Regional Sewage Disposal	51,309	53,207	1,898	3.7%
All Other	233,095	252,202	19,107	8.2%
Debt Service	251,873	265,309	13,436	5.3%
Total	661,733	699,273	37,540	5.7%

Debt service is the biggest category. This is not unexpected for WSSC, given its large capital program. For FY14, overall debt service costs are increasing 5.3 percent. Water and Sewer related debt (which funds non-growth related infrastructure) has been going up steadily in recent years as a result of upward trends in WSSC’s CIP and non-CIP infrastructure recapitalization . As discussed during the past several spending control limits discussions, increases in debt service are the biggest element of WSSC’s rate increase needs. Debt service and Paygo funding combined account for about 5.3 percent of the 7.25 percent rate increase.

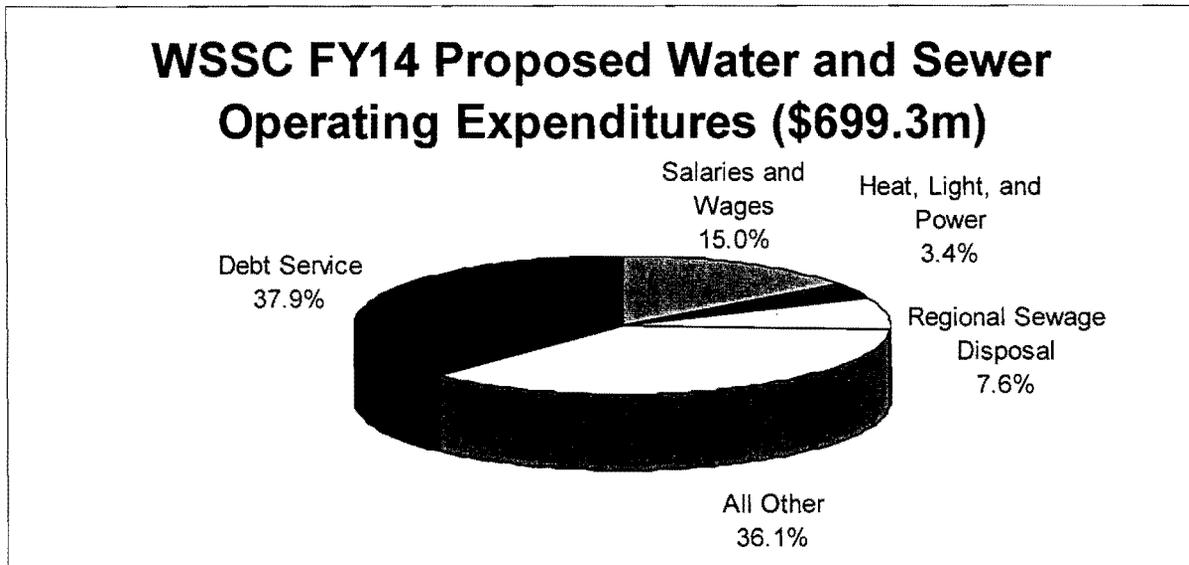
The heat, light, and power category is down slightly for FY14³ (by 1.3 percent), which follows more substantial declines the past two years as a result of reductions in the weighted average unit price of electricity and also reductions in natural gas usage. Over the past 8 years, WSSC has also pursued a number of electricity retrofit initiatives, funded mostly through a large performance contract with Constellation Energy, that have helped offset operational changes that have increased WSSC’s energy requirements (such as installation of ultra-violet disinfection processes). WSSC also has made a major long-term investment in wind power through wholesale purchases from a wind farm in Pennsylvania. This purchase provides approximately 1/3 of WSSC’s power needs at fixed kWh rates for the next 10 years.

The “All Other” category includes all operating costs not otherwise broken out above and also includes employee benefits.

³ WSSC’s FY14 budget for heat, light, and power assumes that Montgomery County’s energy tax increase from two years ago DOES NOT sunset at the end of FY13. If a sunset were to occur in whole or in part, WSSC would achieve some additional budget savings in FY14 from lower energy costs for its facilities located in Montgomery County.

Compensation

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



Even adding employee benefits (which are included in the “All Other” category) in order to look at personnel costs as a whole, personnel costs as of FY14 are estimated to make up less than 25 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County Government, where personnel costs are about 56 percent of all tax-supported expenditures in the FY14 Recommended Budget.

“Salaries and Wages”⁴ costs within the Operating Budget are estimated to increase by 3.4 percent. This increase covers WSSC’s proposed salary enhancements totaling \$3.4 million as well as 24 new positions (discussed in more detail later), with an estimated ratepayer impact of \$1.4 million. The type of salary enhancements to be provided were left to the two Councils to decide.

Last year (FY13), WSSC’s represented and non-represented employees received 2.0 percent cost of living adjustments and merit pay (also known as step increases or increments) averaging 3.0 percent. This was far more than what County Government employees received.⁵

For FY14, the County Executive has recommended a 3.25 percent COLA (effective September 2013) and 3.5 percent increments for general County workers (represented and non-represented non-public safety). The cost to provide this same level of increase to WSSC employees would be about \$3.8 million.

WSSC’s personnel costs (and increases) are a small part of WSSC’s budget. The ratepayer impact of the \$3.4 million in salary enhancements equates to a .64 percent rate increase. Also, since

⁴ Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other” expense category.

⁵ For FY13, the Montgomery County Council recommended one-time lump sum increases of \$2,000 (pro-rated for part-time employees) instead of COLAs or merits for WSSC. However, for a change from the Proposed WSSC budget to be approved, both Councils must agree (per State law). In this case, the Prince George’s County Council supported the COLAs and merits.

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, 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.

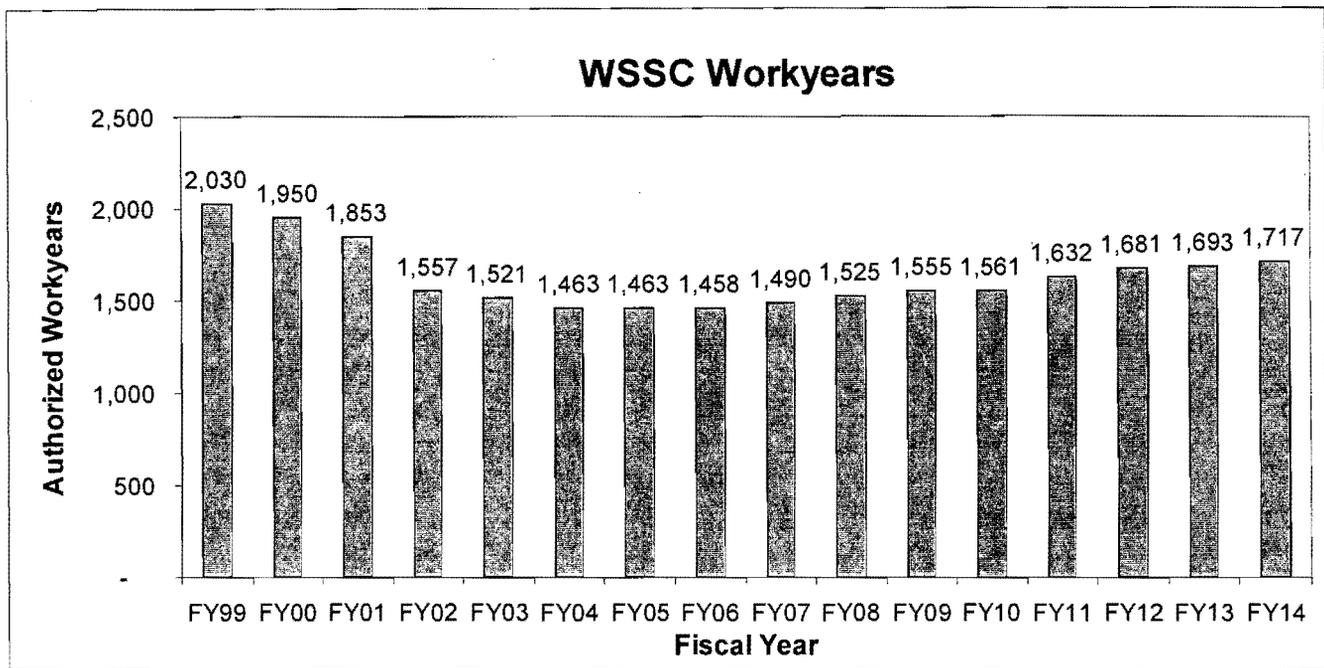
The Council's Government Operations and Fiscal Policy (GO) Committee will discuss compensation and benefit assumptions across agencies on April 22 and on April 25. However, final Council decisions on County Government (and other agencies) employee compensation and benefit changes will not be finalized until after the Bi-County meeting on May 9.

Council Staff supports the County Executive's approach this year (and the Council's approach in past years) of treating employees consistently across all agencies whenever possible. While the total funding may be slightly below what would be needed to match County Government employees, WSSC has received higher compensation increases the past several years. Given that, Council Staff supports the level of funding proposed by WSSC (\$3.4 million) and suggests that this compensation be divided between COLA and merits. Council Staff suggests a 3.0 percent COLA and the balance to merit increases. *An alternative approach that could be funded at the \$3.4 million level would be to assume \$2,000 lump sum payments for all WSSC employees.*

The Prince George's Council's Transportation, Housing, and Environment (THE) Committee will discuss the WSSC budget on April 11. Any differences between the two Councils' positions will be worked out at the bi-County meeting on May 9. If the Councils fail to approve a budget for WSSC, the WSSC Proposed Budget is approved by default (per §17-202 of the Public Utilities Article of the Maryland Code).

Workyear Trends

After about a 1/3 reduction in the workforce achieved as a result of a Competitive Action Program (CAP) and retirement incentive program, WSSC has been adding workyears since FY07. Workyears by organizational unit for the Approved FY13 and FY14 Proposed budget are presented on ©29-30. The chart below presents workyear trends since FY99.



For FY14, 24 new positions are requested, as summarized on ©35. The total annual cost of these new positions is about \$1.9 million, with \$1.4 million in water and sewer rate-related costs. More information on each new position was provided by WSSC and is attached on ©36-38. Six of the positions involve bringing work in-house currently being done by consultants.

As in past years, many of the new positions reflect the increased workload on WSSC as it ramps up its CIP and Operating Budget to address its aging infrastructure. Asset management continues to be a major focus of several new positions. Other increases are intended to address more longstanding issues experienced subsequent to the major workyear reductions experienced through FY04, or to deal with increases in regulatory workload (such as the Consent Decree).

Council Staff recognizes that WSSC’s operating and capital workload is growing substantially and that much of the additional staffing approved over the past several years has been needed to support this work throughout WSSC. Staff from both Montgomery and Prince George’s Counties will continue to review WSSC’s staffing needs in the context of the annual spending control limits process each fall and the budget each spring.

New and Expanded Programs

The chart on ©35 presents a list of additional and reinstated programs included in the FY14 Proposed Budget. Each of the items is described in more detail on ©36-41. These items total about \$5.45 million, with an operating budget impact of about \$3.6 million (including costs for new staffing detailed earlier). Several one-time items totaling \$673,000 are assumed to be funded via the use of fund balance. Overall, these items (including the new positions described earlier) result in a rate increase requirement of approximately 0.67%.

Customer Impact

With regard to the impact on the WSSC ratepayer, the following chart shows that each 1.0% rate increase adds about 70 cents per month to an average residential bill (\$2.09 to a quarterly bill and \$8.36 annually).

**Table 6:
Impact of Rate Increases in FY14
on Avg. Residential Customer Bill**

% Increase	Impact			
	Monthly	Quarterly	Annual	
1.00%	\$0.70	\$2.09	\$8.36	Impact of 1% Change
7.25%	\$5.05	\$15.15	\$60.60	WSSC FY14 Proposed
7.50%	\$5.22	\$15.67	\$62.69	PG Spending Control Limit
8.00%	\$5.57	\$16.72	\$66.87	MC Spending Control Limit
<hr/>				
Current Avg. Bill*	\$73.29	\$219.87	\$879.49	

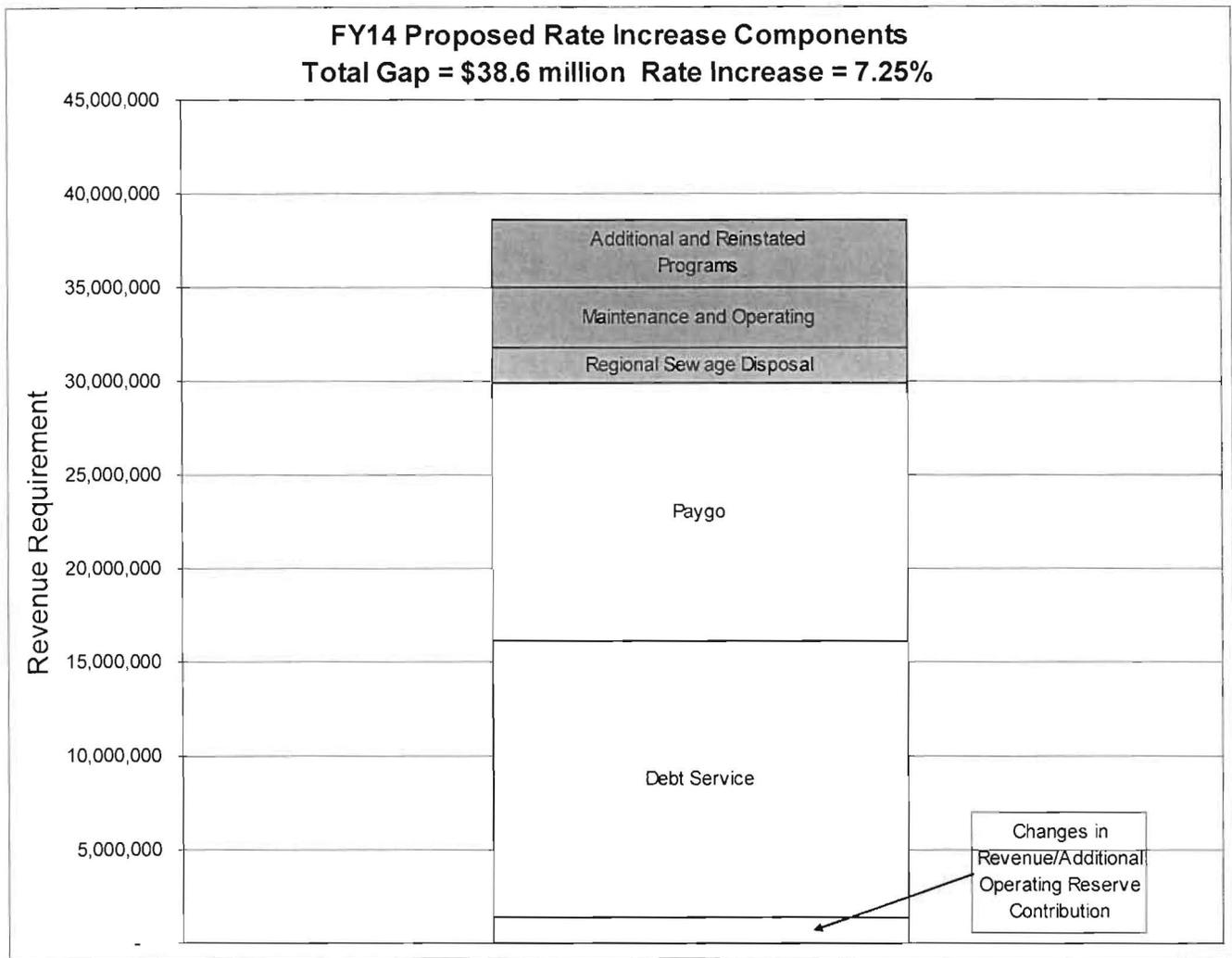
*based on avg. usage of 210 gallons per day and account maintenance fee of \$11 per quarter

The effect of WSSC’s proposed 7.25 percent rate increase on the average quarterly residential bill is about \$5.05 per month (\$15.15 quarterly and \$60.60 annually). The impact of the Prince George’s Council and Montgomery Council recommended rate ceilings, from last fall’s spending control limits process, are also shown on the chart. The current average residential bill amount is noted at the bottom of the chart.

Closing the Gap

Each 1% of rate increase provides an estimated \$5.3 million in revenue. A revenue gap of approximately \$12 million was estimated to get from WSSC’s “base” case forecast of last fall (9.5 percent rate increase) down to the 7.25% rate increase proposed now. WSSC was able to close this gap by budgeting about \$6.0 million less in “all other” costs than assumed during the spending control limits process (a 4.0 percent increase in “all other” costs was assumed at that time), about \$2.5 million less in salary and wage increases and slightly less in heat, light, and power as well. Revenues are also up slightly. However, as noted earlier, debt service and Paygo needs make up the majority of the rate increase requirement.

The end result is a 7.25 percent rate increase proposal, with the following major rate increase components:



Summary of Council Staff Recommendations

- Council Staff concurs with WSSC to maintain System Development Charge rates for FY14 at current approved levels, but to increase the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment as allowed for under State law.
- Council Staff recommends approval of the 7.25 percent rate increase proposed by WSSC.
- Council Staff recommends the following changes within the Proposed Budget:
 - Assume to utilize the \$3.4 million WSSC has allocated for salary enhancements to provide a 3.0% COLA with the remaining funds to go toward merit increases.
 - Concur with the County Executive's recommendations
 - Make adjustments to debt service and to the Capital Budget consistent with the latest DCWater capital cost assumptions for WSSC.

Attachments

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Washington Suburban Sanitary Commission

14501 Sweitzer Lane Laurel, MD 20707-5901
(301) 206-8000 1(800) 828-6439 TTY: (301) 206-8345 www.wsscwater.com

March 1, 2013

To The Honorable:

County Executives of Prince George's
and Montgomery Counties

Chair, President, and Members
of the County Councils of
Prince George's and Montgomery Counties

Valued Customers and Interested Citizens:

We are hereby transmitting the Fiscal Year 2014 (FY'14) Proposed Capital and Operating Budget Document for the Washington Suburban Sanitary Commission (WSSC). In January, a preliminary FY'14 budget was published and distributed for review by interested customers, citizens, and officials. Public Hearings were held on Wednesday, February 6, Thursday, February 7, and Wednesday, February 13, 2013. The FY'14 Proposed WSSC Budget is now submitted to the County Executives and Councils of Montgomery and Prince George's Counties for hearings and other procedures as directed by Section 17-202 of the Public Utilities Article, Annotated Code of Maryland, before a final budget is adopted for the next fiscal year, beginning July 1, 2013.

The Commission's commitment to our customers both now and in the future is incorporated in the programs, goals, and objectives included in this budget. This proposed budget reflects our continued focus on providing safe and reliable water, returning clean water to the environment, and doing it in an ethically and financially responsible manner.

We continue to face the challenge of meeting our fiscal responsibilities in a manner our customers can afford. The combined average 7.25% rate increase in the FY'14 budget is below the Spending Affordability Guidelines established by each County. This increase will add approximately \$5.05 per month to the bill of a customer who uses 210 gallons of water per day. The impact on customers' annual water and sewer bills at various consumption levels is shown on Table VI (page 14).

Water and Sewer Infrastructure

The state of WSSC's infrastructure remains a significant issue. The provision of adequate, reliable infrastructure is essential for maintaining levels of service, complying with environmental mandates, and supporting new development. This emphasis on infrastructure is evident in that new debt service to be issued in FY'14 accounts for approximately two-thirds (4.73%) of the proposed combined rate increase.

The Commission continues to make significant reinvestments in our critical water and sewer infrastructure. At the end of the current fiscal year, all 77 miles of 48 inch and larger diameter Prestressed Concrete Cylinder Pipe (PCCP) water lines will have been inspected and Acoustic Fiber Optic (AFO) monitoring equipment installed. The proposed budget includes funds to safeguard these investments by beginning regular, continuous re-inspections of these pipes. The large water pipe rehabilitation program will be extended in FY'14 to begin inspection of the 68 miles of 36 and 42 inch PCCP. The budget also proposes the rehabilitation/ replacement of 51 miles of smaller water main (less than 16 inches in diameter), house connections, large meters and vaults.

In FY'14, the Commission will begin the rehabilitation of 122 miles of trunk sewer lines to meet the requirements of the Sanitary Sewer Overflow (SSO) Consent Decree. The delivery process for these projects has been accelerated by the advance procurement of several Indefinite Delivery Indefinite Quantity (IDIQ) construction contracts. Once the design of the trunk sewer lines is complete, construction may begin without the need to wait for several, separate procurement processes. The Commission will also complete the final two Sewer Basin Repair, Replacement, and Rehabilitation (SR³) plans. The FY'14 budget also includes reconstruction of 12 miles of small-sized sewer pipe less than 15 inches in diameter. Initially, the cost of the Consent Decree was estimated to be \$400 million. As we have implemented the Decree's Articles, our total estimated cost has grown to \$1.5 billion. While these improvements will protect the environment, the magnitude of these costs place a greater emphasis on the need for the strategic allocation of financial resources for capital improvements. The Commission is utilizing a multi-year Asset Management Program (AMP) which identifies infrastructure needs for the entire organization over the next 30 years. This information serves as the basis for future investment decision making and management of infrastructure.

The Commission's share of capital improvements at the regional Blue Plains Advanced Wastewater Treatment Plant total \$178.6 million in FY'14, which is approximately 28% of WSSC's FY'14 Proposed Capital Improvement Program. WSSC is also in the process of making a series of environmental improvements to improve the health of the Chesapeake Bay at its Damascus, Parkway, Piscataway, Seneca, and Western Branch Wastewater Treatment Plants. These improvements are to comply with the Maryland Department of the Environment (MDE) Enhanced Nutrient Removal (ENR) Program. ENR projects total \$20.4 million in FY'14 in addition to WSSC's share of ENR projects at Blue Plains.

The Bi-County Infrastructure Funding Working Group has made considerable progress over the past year to develop affordable, long-term funding solutions to meet WSSC's infrastructure needs. Beginning in FY'14, in accordance with the Group's recommendations, new debt issues will be for 30 years instead of the current practice of 20 years. A portion of the debt service

savings will be used for Pay-As-You GO (PAYGO) financing of capital projects so that the amount of future rate increases will be reduced. This change also ensures the Commission's ratio of debt service to operating budget stays below 40% which keeps rate increases stable and reasonable.

FY'14 Proposed Capital and Operating Budgets

Our Proposed Budget for FY'14 includes a 7.25% rate increase. The budget includes funds for an additional 24 workyears to support critical programs and enhanced customer service. These additional workyears account for 0.67% of the proposed rate increase. These additional and reinstated positions will provide quicker response times to customer questions and requests, more efficient operations, and enhanced preventative maintenance of the Commission's infrastructure. The FY'14 Proposed Budget includes funds to secure the long-term fiscal sustainability of the Commission including a contribution to continue the process of increasing the operating reserve to 10% of water and sewer rate revenues and funding the phase-in of full funding of the annual required contribution for non-retirement post-employment benefits. At this point in our budget process, we are including a pool of \$3.4 million for salary enhancements. The specific use of these funds will be determined during the budget approval process as the two Counties decide how they will address salary enhancements for their employees.

Comparative Expenditures by Fund

	FY'13 Approved	FY'14 Proposed	FY'14 Over / (Under) FY'13	% Change
<u>Capital Funds</u>				
Water Supply	\$240,107,000	\$246,702,000	\$6,595,000	2.7 %
Sewage Disposal	527,914,000	488,106,000	(39,808,000)	(7.5) %
General Construction	19,984,000	20,133,000	149,000	0.7 %
Total Capital	788,005,000	754,941,000	(33,064,000)	(4.2) %
<u>Operating Funds</u>				
Water Operating	269,337,000	280,166,000	10,829,000	4.0 %
Sewer Operating	350,941,000	378,752,000	27,811,000	7.9 %
General Bond Debt Service	41,455,000	40,355,000	(1,100,000)	(2.7) %
Total Operating	661,733,000	699,273,000	37,540,000	5.7 %
GRAND TOTAL	\$1,449,738,000	\$1,454,214,000	\$4,476,000	0.3 %



The FY'14 Proposed Capital Budget of \$754.9 million represents a decrease of \$33.1 million (-4.2%) from the FY'13 Approved Budget. The changes can be primarily attributed to decreases in the small diameter Sewer Reconstruction Program and two major sewer projects winding down construction in FY'14 (the Blue Plains Advanced Wastewater Treatment Plant Digester and Enhanced Nutrient Removal projects).

In summary, the FY'14 estimated expenditures for all operating and capital funds total \$1.5 billion or \$4.5 million (0.3%) more than the FY'13 Approved Budget. The FY'14 Proposed Operating Budget of \$699.3 million represents an increase of \$37.5 million (5.7%) from the FY'13 Approved Operating Budget. The primary drivers of this increase are debt service associated with the increased Capital Budget and PAYGO financing of capital projects as recommended by the Bi-County Infrastructure Funding Working Group. Water and sewer operating debt service costs are expected to exceed FY'13 budgeted debt service by \$14.7 million. Other drivers include cost increases for regional sewage disposal, reduced revenue from passive conservation, expansion of the PCCP and Corrosion Management Programs, an increase in the operating reserve, and new workyears in support of operations and maintenance of the water and sewer systems.

Spending Affordability

The Commission, 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 on balancing affordability considerations against providing the resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates, and provide the facilities needed for growth. In October 2012, the Montgomery County Council and Prince George's County Council approved resolutions establishing four limits on the WSSC's FY'14 budget. As indicated in the following table, the proposed FY'14 budget is in compliance with all of the spending affordability limits. The Commission is pleased to be able to put forth a budget that maintains service levels, increases funding for infrastructure replacement and rehabilitation, but requires a water and sewer rate increase that is less than the Counties' spending affordability limit.

WSSC FY'14 Proposed Budget vs. Spending Affordability Limits
 (\$ in Millions)

	<u>FY'14 Proposed Budget</u>	<u>Prince George's County Limit</u>	<u>Montgomery County Limit</u>
New Water and Sewer Debt	\$506.4	\$506.4	\$506.4
Total Water and Sewer Debt Service	\$226.6	\$226.6	\$226.6
Total Water/Sewer Operating Expenses	\$658.9	\$659.7	\$662.3
Water/Sewer Bill Increase	7.25%	7.5%	8.0%

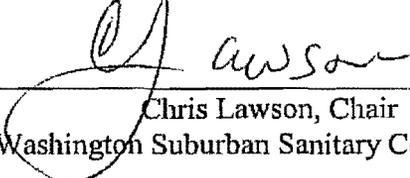
The proposed budget provides for:

- Funding the first year of the FYs 2014-2019 Capital Improvements Program;
- Increased funding for the large and small Water and Sewer Reconstruction Programs;
- Complying with the Sanitary Sewer Overflow Consent Decree;
- Inspecting and monitoring our large diameter water main transmission system;
- Promptly paying \$265.4 million in debt service on \$2.2 billion in outstanding debt to WSSC bondholders;
- Meeting or surpassing all federal and state water and wastewater quality standards and permit requirements;
- Keeping maintenance service at a level consistent with the objective of arriving at the site of a customer's emergency maintenance situation within 2 hours of receiving the complaint and restoring service within 24 hours of a service interruption;
- Paying the WSSC's share of the cost of operating the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant;
- Funding for employee salary enhancements in a manner coordinated with the Counties;
- Operating and maintaining a system of 3 reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 6 wastewater treatment plants, 5,600 miles of water main, and 5,500 miles of sewer main 24 hours a day, 7 days a week;
- Continue making recommended safety and access improvements in our watershed;
- Continuing to increase the operating reserve toward our goal of 10% of water and sewer rate revenues; and
- Funding the seventh year of an eight-year ramp-up to achieve full funding of the annual required contribution for non-retirement post-employment benefits based on Government Accounting Standards Board Statement No. 45.

In addition to reviewing expenses and revenues for water and sewer services, we have analyzed the cost and current fee levels for other WSSC services. Based upon these analyses, some new fees and adjustments to current fees are recommended in Table IX (page 17).

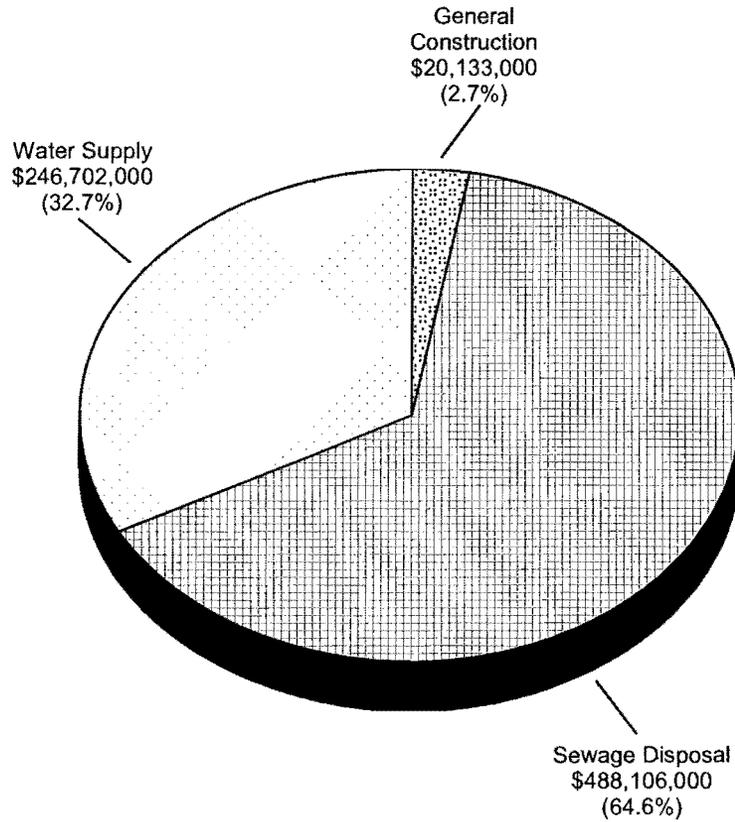
Budget Review Process

The Proposed Budget is subject to the Counties' hearings, procedures, and decisions, as provided under Section 17-202 of the Public Utilities Article, Annotated Code of Maryland, before the final budget is adopted for the fiscal year beginning July 1, 2013.

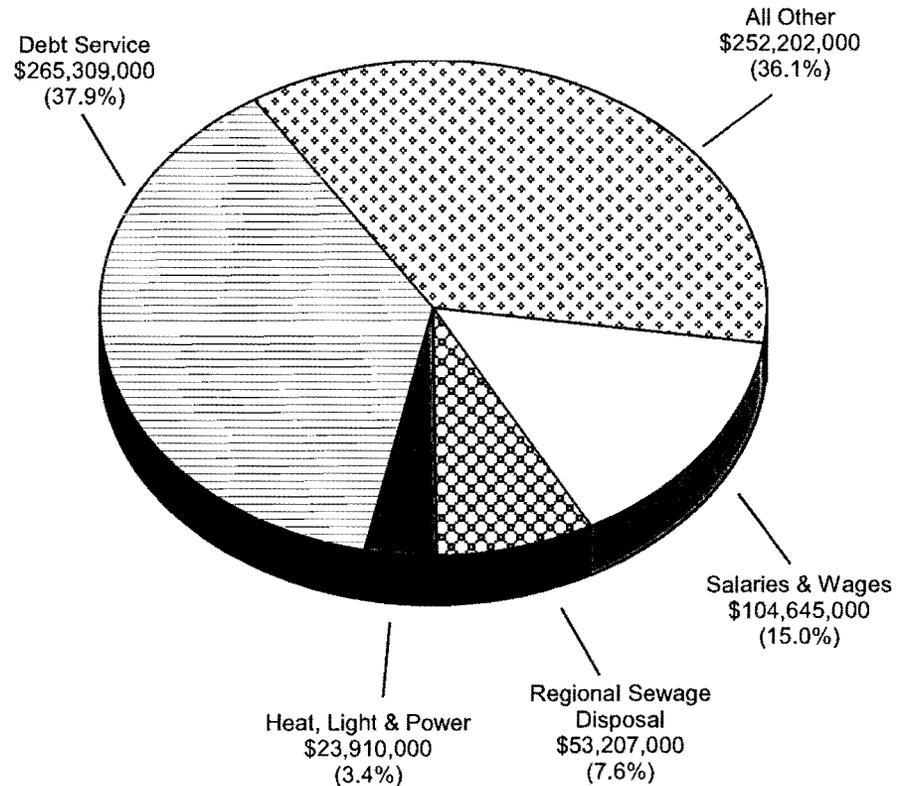

Chris Lawson, Chair
Washington Suburban Sanitary Commission

FY 2014 PROPOSED BUDGET

CAPITAL = \$754,941,000



OPERATING = \$699,273,000

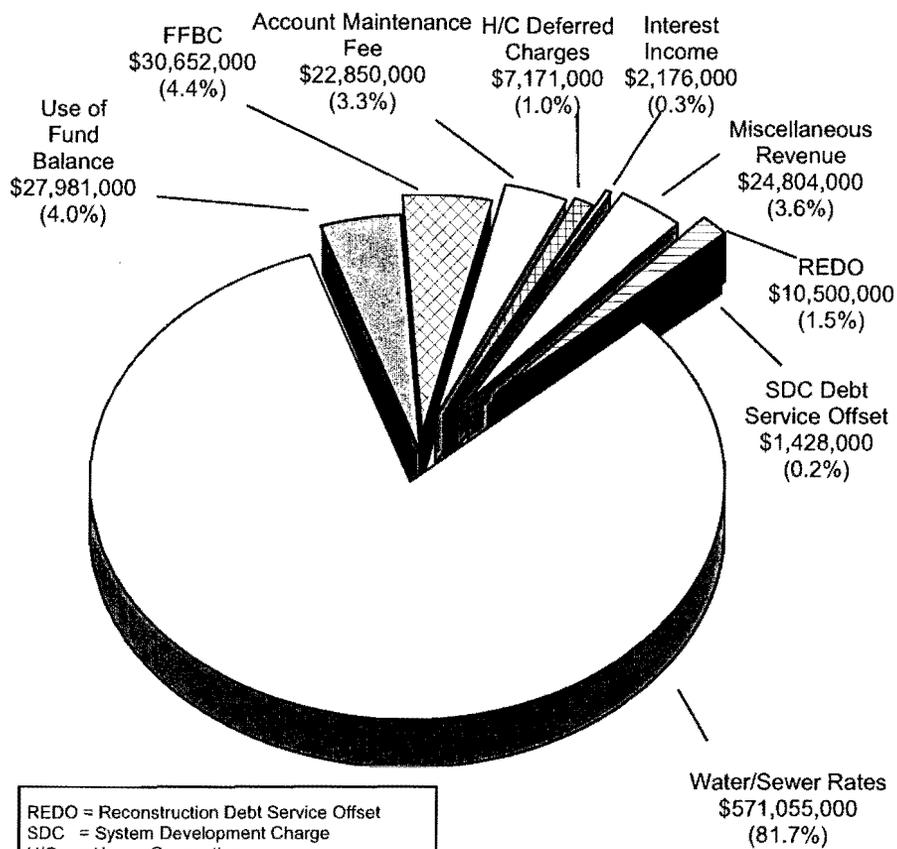


GRAND TOTAL = \$1,454,214,000

FY 2014 PROPOSED BUDGET

OPERATING

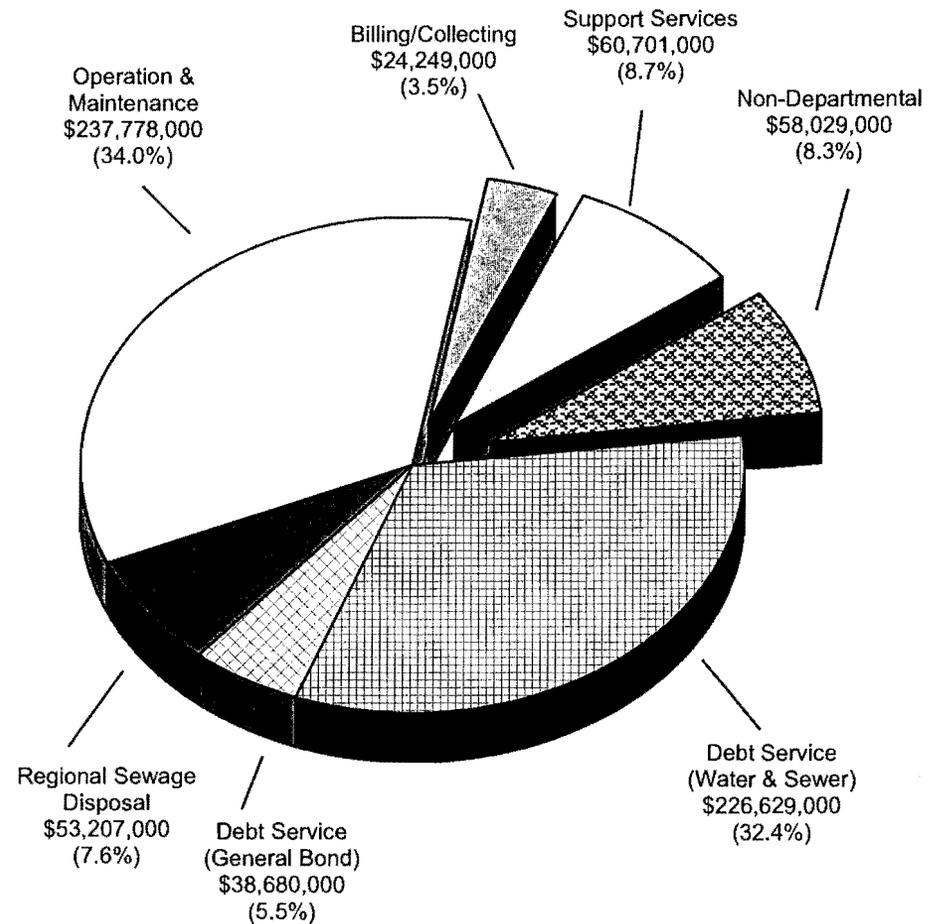
FUNDING SOURCES



REDO = Reconstruction Debt Service Offset
 SDC = System Development Charge
 H/C = House Connection
 FFBC = Front Foot Benefit Charge

TOTAL SOURCES = \$698,617,000

FUNDING USES



TOTAL USES = \$699,273,000

TABLE I

Comparative Expenditures by Fund

	FY'11 Actual	FY'12 Actual	FY'13 Approved	FY'14 Proposed	FY'14 Over / (Under) FY'13
Capital Funds					
Water Supply	\$ 104,278,000	\$ 158,078,000	\$ 240,107,000	\$ 246,702,000	\$ 6,595,000
Sewage Disposal	94,308,000	262,507,000	527,914,000	488,106,000	(39,808,000)
General Construction	41,664,000	14,912,000	19,984,000	20,133,000	149,000
Total Capital	240,250,000	435,497,000	788,005,000	754,941,000	(33,064,000)
Operating Funds					
Water Operating	220,332,000	229,538,000	269,337,000	280,166,000	10,829,000
Sewer Operating	264,355,000	289,022,000	350,941,000	378,752,000	27,811,000
General Bond Debt Service	88,417,000	48,424,000	41,455,000	40,355,000	(1,100,000)
Total Operating	573,104,000	566,984,000	661,733,000	699,273,000	37,540,000
GRAND TOTAL	\$ 813,354,000	\$ 1,002,481,000	\$ 1,449,738,000	\$ 1,454,214,000	\$ 4,476,000

TABLE II

Comparative Expenditures by Major Expense Category

(\$ in Thousands)

Expense Categories	FY'12 Actual			FY'13 Approved			FY'14 Proposed		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Salaries & Wages	\$ 23,575	\$ 89,144	112,719	\$ 23,651	\$ 101,233	\$ 124,884	\$ 23,541	\$ 104,645	\$ 128,186
Heat, Light & Power	-	24,658	24,658	-	24,223	24,223	-	23,910	23,910
Regional Sewage Disposal	-	49,483	49,483	-	51,309	51,309	-	53,207	53,207
Contract Work	190,925	-	190,925	396,985	-	396,985	378,860	-	378,860
Consulting Engineers	51,848	-	51,848	83,267	-	83,267	113,002	-	113,002
All Other	169,149	180,689	349,838	284,002	233,095	517,097	239,438	252,202	491,640
Debt Service	-	223,010	223,010	100	251,873	251,973	100	265,309	265,409
TOTAL	\$ 435,497	\$ 566,984	\$ 1,002,481	\$ 788,005	\$ 661,733	\$ 1,449,738	\$ 754,941	\$ 699,273	\$ 1,454,214

TABLE IV

**Change in Ending Fund Balance
FY 2013 Approved Budget Compared to FY 2014 Proposed**
(\$ In Thousands)

	FY 2013 Projected Ending Fund Balance	FY 2014 Projected Ending Fund Balance	Change in Fund Balance	% Change
Water Operating Fund	\$ 41,435	\$ 33,743	\$ (7,692)	-18.6%
Sewer Operating Fund	62,097	53,508	(8,589)	-13.8
General Bond Debt Service Fund	80,071	68,915	(11,156)	-13.9
Capital Fund	-	-	-	-
	\$ 183,603	\$ 156,166	\$ (27,437)	-14.9%

Explanation of Changes in Fund Balance Greater Than 10%

Water and Sewer Operating Funds – The FY 2014 approved ending fund balances are lower than the projected FY 2013 ending fund balances for the Water and Sewer Operating funds. A majority of the change is due to a planned use of fund balance to offset a reduction in our budgeted billing factor which is the amount of rate revenue received per 1,000 gallons of water production. Other drivers of the decrease are planned uses of fund balance to finance one-time projects and expenses so that these costs are not permanently built into water and sewer rates.

General Bond Debt Service Fund – The FY 2014 approved ending fund balance is 13.9% lower than the projected FY 2013 ending fund balance for the General Bond Debt Service fund. Revenues for this are derived from Front Foot Benefit and House Connection Charges. These types of mains and lines are now built by developers. The revenues that are currently collected are from prior assessments that are paid over a multi-year period. Paid in full assessments have caused revenues to decrease and, combined with lower interest income expectations, a small portion of fund expenses are not covered.

TABLE V

Combined Water/Sewer Operating Funds - FY'14 Proposed Rate Impact

(\$ in Thousands)

(7.25% AVERAGE RATE INCREASE PROPOSED FOR FY'14)

<u>Funding Sources</u>	<u>FY'14 Proposed</u>
<u>Revenues at Current Rates</u>	
Consumption Charges at 170.0 MGD	\$ 532,453
Account Maintenance Fee	22,850
Interest Income	1,000
Miscellaneous Revenues	24,104
Sub-Total	<u>580,407</u>
Reconstruction Debt Service Offset	10,500
SDC Debt Service Offset	1,428
Use of Fund Balance	27,981
Total Funding Sources	<u>620,316</u>
<u>Requirements</u>	
Operating, Maintenance & Support Services Expenses	406,807
Debt Service	226,629
PAYGO	13,782
Operating Reserve Contribution	11,700
Total Requirements	<u>658,918</u>
Shortfall to be Covered by Rate Increase	<u>\$ (38,602)</u>
 PROPOSED AVERAGE WATER AND SEWER RATE INCREASE	 7.25%

TABLE VI

Annual Customer Bills At Various Consumption Levels

Average Daily Consumption (ADC) Gallons Per Day	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
100 (36,500 GAL/YR) Residential Meter	\$ 290.74	\$ 310.82	\$ 333.45	\$ 354.98	\$ 377.61
210 (76,650 GAL/YR) Residential Meter	705.49	760.68	821.23	879.49	940.04
500 (182,500 GAL/YR) Residential Meter	2,093.48	2,263.20	2,451.18	2,631.85	2,819.83
1,000 (365,000 GAL/YR) 2" Meter	4,536.55	4,890.60	5,288.45	5,675.35	6,073.20
5,000 (1,825,000 GAL/YR) 3" Meter	22,523.50	24,348.50	26,392.50	28,363.50	30,389.25
10,000 (3,650,000 GAL/YR) 6" Meter	46,901.50	50,661.00	54,895.00	58,983.00	63,180.50

Annual customer bills include the Account Maintenance Fee shown on page 16.

TABLE VII

WSSC Water/Sewer Rate Schedules Effective July 1, 2012 & Proposed for Implementation July 1, 2013

(Rates per Thousand Gallons)

(7.25% AVERAGE RATE INCREASE PROPOSED FOR FY'14)

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	Water Rates		Sewer Rates		Combined Water & Sewer Rates	
	Current Water Consumption Rate	Proposed Water Consumption Rate	Current Sewer Consumption Rate	Proposed Sewer Consumption Rate	Current Combined Water & Sewer Rate	Proposed Combined Water & Sewer Rate
0-49	\$ 2.90	\$ 2.95	\$ 3.64	\$ 4.06	\$6.54	\$ 7.01
50-99	3.24	3.29	4.25	4.74	7.49	8.03
100-149	3.55	3.61	4.97	5.53	8.52	9.14
150-199	3.99	4.05	5.73	6.37	9.72	10.42
200-249	4.65	4.73	6.25	6.96	10.90	11.69
250-299	5.04	5.13	6.76	7.53	11.80	12.66
300-349	5.33	5.42	7.22	8.04	12.55	13.46
350-399	5.57	5.66	7.56	8.42	13.13	14.08
400-449	5.78	5.88	7.73	8.61	13.51	14.49
450-499	5.93	6.03	7.98	8.89	13.91	14.92
500-749	6.04	6.14	8.14	9.07	14.18	15.21
750-999	6.19	6.29	8.32	9.27	14.51	15.56
1,000-3,999	6.31	6.41	8.68	9.67	14.99	16.08
4,000-6,999	6.46	6.56	8.88	9.89	15.34	16.45
7,000-8,999	6.53	6.64	9.01	10.03	15.54	16.67
9,000 & Greater	6.66	6.76	9.24	10.29	15.90	17.05

Current Flat Rate Sewer Charge - \$90.00 per quarter
 Proposed Flat Rate Sewer Charge - \$100.00 per quarter

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TABLE VIII

Account Maintenance Fees Proposed for Implementation July 1, 2013

<u>Meter Size</u>	<u>Current FY'13 Quarterly Charges</u>	<u>Proposed FY'14 Quarterly Charges</u>
<u>Small Meters</u>		
5/8" to 1-1/2" (Residential)	\$ 11.00	\$ 11.00
<u>Large Meters</u>		
1-1/2" (Commercial)	31.00	31.00
2"	51.00	51.00
3"	92.00	92.00
4"	145.00	145.00
6"	237.00	237.00
8"	379.00	379.00
10" & 12"	458.00	458.00
<u>Detector Check Meters</u>		
2" to 4"	53.00	53.00
6"	73.00	73.00
8"	197.00	197.00
10"	256.00	256.00

TABLE IX

Miscellaneous Fees and Charges – Proposed Changes

The Commission 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, 2013.

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2013</u>
1. Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gasfitting Inspections		
New Single Family Detached Dwellings	\$550	\$550
New Attached Dwellings (townhouse/multiplex excluding apartments)	550	550
All Other Residential:		
Water/Well Hookup	75	75
Meter Yoke Inspection (meter only installation)	75	75
Water Hookup Converting from Well (includes 2 inspections)	155	** 150
Sewer/Septic Hookup	75	75
First Plumbing Fixture	75	75
Each Additional Fixture	25	25
SDC Credit Fixture Inspection (per fixture)	20	20
Minimum Permit Fee	170	170
Permit Reprocessing Fee	50	50
Long Form Permit Refund Fee	-	* 170
All Non-Residential:		
Plan Review (without Permit Application)		
50 Fixtures or Less	360	360
51-200 Fixtures	1,220	1,220
Over 200 Fixtures	2,430	2,430
2 nd or 3 rd Review (with or without Permit Application)		
50 Fixtures or Less	145	145
51-200 Fixtures	275	275
Over 200 Fixtures	580	580
Water/Well Hookup	140	140
Meter Yoke Inspection (meter only installation)	140	140
Sewer/Septic Hookup	140	140
FOG Interceptor	140	140
First Plumbing Fixture	140	140
Each Additional Fixture	35	35
SDC Credit Fixture Inspection (per fixture)	20	20
Minimum Permit Fee	210	210
Permit Reprocessing Fee	50	50
Long Form Permit Refund Fee	-	* 210

* New Fee

** Changed Fee

TABLE IX

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2013</u>
2. Site Utility (On-Site) Review Fee		
Base Fee \$2,900	\$2,900	
Additional Fee per 100 feet	230	** 250
Re-Review Fee (per review)	1,200	** Delete
Minor (Waived) Site Utility (On-Site) Fee	600	** 660
Minor (Waived) Site Utility (On-Site) Re-Review Fee (per review)	275	** Delete
3. Short Form Permit Fee (up to 3 fixtures) – Non-Refundable	\$55	** \$60
4. Septic Hauler Discharge Permit Sticker		
<u>Category I</u>		
<u>Residential & Septic Waste & Grease</u>		
1 - 49 gallons	\$170/vehicle	** \$190/vehicle
50 - 799 gallons	2,490/vehicle	** 2,740/vehicle
800 - 2,999 gallons	7,096/vehicle	** 7,805/vehicle
3,000 - gallons and up	16,840/vehicle	** 18,525/vehicle
January through June	50% of fee	50% of fee
Transfer and/or Replacement Permit Sticker	55	** 60
Industrial/Special Waste Disposal Fee	220/1,000 gallons	** 240/1,000 gallons
Zero Discharge Permit Fee	55	** 60
Temporary Discharge Permit Fee	55 + Sewer Rate/1,000 gallons	** 60 + Sewer Rate/1,000 gallons
Sewer Rate – Domestic Low Strength Wastewater	7.79/1,000 gallons of truck capacity	7.79/1,000 gallons of truck capacity
Sewer Rate – Domestic High Strength Wastewater	37.31/1,000 gallons of truck capacity	37.31/1,000 gallons of truck capacity
5. Long Form Permit Transfer Fee	\$105	** \$115
6. Meter Testing Fees		
5/8" to 1"	\$175	** \$190
1-1/2"	300	** 330
2" and up	350	** 385
7. Feasibility Review Fee (Non-SEP)		
Feasibility Review & Report Fee Deposit (can be deferred as deficit when extension is completed)	\$7,750	\$7,750
Feasibility Submission Fee (Non-Refundable)	1,250	1,250
Change in Applicant of Record	150	** Delete

* New Fee

** Changed Fee

TABLE IX

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2013</u>
8. Industrial Discharge Control Program Fees by Category		
Industrial users subject to Categorical Pretreatment Standards (less than 5,000 gpd) (single visit)	\$3,020	** \$3,170
Industrial users subject to Categorical Pretreatment Standards (greater than 5,000 gpd) (double visit)	4,620	** 4,850
Non-Discharging Categorical Industries (zero discharge)	815	** 855
Significant Industrial User (less than 25,000 gpd) (single visit - priority pollutant sampling)	3,020	** 3,170
Significant Industrial User (greater than 25,000 gpd) (double visit - priority pollutant sampling)	4,620	** 4,850
Penalty Charge for Late Fee Payment	5% of fee	5% of fee
9. Missed Appointment Fee		
First Missed Appointment or Turn-On	\$55	** \$60
Each Additional Missed Appointment	80	** 85
10. Connection Redemption Fee	\$30	** \$35
11. Utility Erosion and Sediment Control Permit Fee		
Minor Projects	\$.12 per linear ft.	** \$.13 per linear ft.
Major Projects	.15 per linear ft.	** .16 per linear ft.
Minimum for Major Projects	110	** 120
12. Erosion and Sediment Control Training Certification Session Fee	\$40/session, per participant	** \$55/session, per participant
13. Dishonored Check Fee & Electronic Payment Fee (applies to all dishonored checks and all dishonored electronic payments) (previously called Dishonored Check Fee)	\$30	** \$35
14. Right-of-Way Release Review Fee	\$750/document	** \$825/document
15. Sewer Meter Maintenance Fee	\$6,400/year	** \$7,500/year
Quarterly Calibrations	1,800/year	** 1,880/year
16. Meter Reinstallation Correction Fee	\$250	** \$275
17. Discharge Authorization Permit Fee		
Significant Industrial User – Initial Permit	\$3,250/4 years	** \$3,575/4 years
Significant Industrial User – Renewal	1,600/4 years	** 1,760/4 years
Temporary Discharge Permit (Non – SIU)	3,250	** 3,575

* New Fee

** Changed Fee

TABLE IX

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2013</u>
18. Sale of Plumbing Clinic Video	\$16.95	** Delete
19. Extra Review Fee		
Additional Reviews of Unsigned Plans (per review)	\$2,000	\$2,000
Minor Revisions of Signed Plans (per review)	950	950
Major Revision/Splitting Signed Plans (per review)	2,000	2,000
Per Site Utility/Minor Utility Additional Signed or Unsigned Plan Review		
Site Utility **	1,200	1,200
Minor Utility **	275	** 300
Per Hydraulic Planning Analysis/Systems Planning Forecast Application		
Additional Review of Required Data (per application)	-	* 650
20. Hydraulic Planning Analysis and System Planning Forecast ** (previously called Hydraulic Planning Analysis)		
Water & Sewer Modeling	\$1,045	\$1,045
Water or Sewer Only Modeling	590	590
Development Parts Over 3	455/part	455/part
Pressure Sewer Review Fee (per system)	240	240
21. Environmental Site Review Fee ** (previously called Database Search and Initial Assessment for Possible Contamination)		
With Database Search Conducted by WSSC	\$300	** \$330
With Database Search Submitted by Applicant	-	* 250
22. Partial Release Fee	\$750	** \$825
23. Project Amendment Fee	\$325	** \$360
Amendments without Hydraulics Modeling	-	* 360
Amendments with Hydraulics Modeling	-	* 360 + same fee as Hydraulic Planning Analysis & System Planning Forecast
24. Service Connection Application and Inspection Fee (per permit)	\$1,750/water and/or sewer connection	** \$1,800/water and/or sewer connection
25. Property Inspection Fee	\$65	** \$70

* New Fee

** Changed Fee

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TABLE IX

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2013</u>
26. Government Referred Plan Review Fee		
Major Development – Over 10 Units	\$1,100	\$1,100
Minor Development – 10 or Less Units	550	550
Re-Review Fee for Major Development	-	* 550
Re-Review Fee for Minor Development	-	* 275
27. Change Fee for Open Hydraulic Planning Analysis & Amendments		
Basic (Both Water & Sewer)	\$300	** \$330
Moderate (Both Water & Sewer)	1,000	** 1,100
Complex (Both Water & Sewer)	2,600	** 2,860
Basic (Water or Sewer Only)	150	** 165
Moderate (Water or Sewer Only)	500	** 550
Complex (Water or Sewer Only)	1,300	** 1,430
28. Pre-Screen Re-Submission Fee** (previously called Submission Fee for Design Review)	\$275	\$275
29. Site Utility Inspection Fee		
Basic Fee	\$1,000	\$1,000
Pipeline (per foot)	3.00	** 5.60
30. Name/Transfer of Ownership Fee (previously called Change in Applicant of Record)	\$150	** \$165
* New Fee		
** Changed Fee		

TABLE IX

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

<u>ITEM</u>	<u>CURRENT CHARGE</u>	<u>PROPOSED CHARGE EFFECTIVE JULY 1, 2013</u>	<u>CURRENT MAXIMUM ALLOWABLE CHARGE</u>	<u>PROPOSED MAXIMUM ALLOWABLE CHARGE</u>
31. *** System Development Charge				
Apartment				
Water	\$896	\$896	\$1,212	\$1,240
Sewer	1,140	1,140	1,544	1,580
1-2 toilets/residential				
Water	1,344	1,344	1,819	1,861
Sewer	1,710	1,710	2,312	2,365
3-4 toilets/residential				
Water	2,240	2,240	3,032	3,102
Sewer	2,850	2,850	3,856	3,945
5 toilets/residential				
Water	3,135	3,135	4,242	4,340
Sewer	3,991	3,991	5,402	5,526
6+ toilets/residential (per fixture unit)				
Water	88	88	119	122
Sewer	115	115	156	160
Non-residential (per fixture unit)				
Water	88	88	119	122
Sewer	115	115	156	160

*** No increase is proposed for the System Development Charge for FY'14 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 2.3% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers for all items in the Washington, D.C. metropolitan area from November 2011 to November 2012.

EXPLANATION OF THE BUDGET

(Continued)

5. New Debt - The debt service estimates for FY'14 assume that \$175.0 million in Water bonds, \$286.2 million in Sewer bonds, and \$20.0 million in General Construction bonds will be issued in FY'14, in addition to repayment of existing debt. An estimated \$45.2 million in 20-year sewer loans will be borrowed from the Maryland Department of the Environment (MDE). The WSSC water and sewer issues will be 29-year bonds with an estimated 5.5 percent net interest rate. The General Construction bonds will be 30-year bonds.

6. Salary and Wage Increase – Funding for employee salary enhancements in a manner coordinated with the Counties is included in the budget.

The following major workload indices and demand projections were used to develop the proposed budget.

WORKLOAD DATA	ACTUAL					ESTIMATED						
	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	FY'17	FY'18	FY'19
Water to be supplied (MGD)	168.2	162.3	168.7	175.0	165.7	170.0	170.0	170.5	171.0	171.5	172.0	172.5
Sewage to be treated (MGD)	177.8	178.6	200.3	182.4	182.9	209.3	211.0	214.2	215.9	217.5	219.3	221.0
Water lines to be added by the WSSC (miles)	.2	.5	1.5	0	.3	5	5	5	5	5	5	5
Sewer lines to be added by the WSSC (miles)	1	1.8	0	0	0	5	5	5	5	5	5	5
Water lines to be added – contributed (miles)*	38	23.3	9.9	12.5	20.5	45	45	45	45	45	45	45
Sewer lines to be added – contributed (miles)*	34	26.7	10.4	19.7	19.4	45	45	45	45	45	45	45
Population to be served (thousands)	1,693	1,710	1,727	1,734	1,742	1,749	1,757	1,764	1,778	1,791	1,805	1,818
House connections to be added												
Water	3,884	2,293	1,126	1,574	2,591	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Sewer	3,463	2,006	909	1,417	2,374	4,000	4,000	4,000	4,000	4,000	4,000	4,000

* Contributed lines are built by developers and maintained by the WSSC.

EXPLANATION OF THE BUDGET

(Continued)

VII. KEY PROVISIONS OF THE FY'14 BUDGET

The total proposed budget for all funds is \$1.5 billion—\$754.9 million in capital and \$699.3 million in operating. A 7.25 percent average increase in water and sewer rates is required to fund water and sewer operating expenses. The budget provides for:

- Implementing the first year of the FYs 2014-2019 Capital Improvements Program;
- Treating and delivering 170.0 MGD of water to over 447,000 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards;
- Treating 211.0 MGD of wastewater and responsibly managing up to 1,000 tons of biosolids per day in a manner that meets or exceeds federal and state permit requirements and regulations;
- Operating and maintaining a system of 3 water reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 6 wastewater treatment plants, 5,600 miles of water main, and 5,500 miles of sewer main, 24 hours a day, 7 days a week;
- Paying the WSSC's share of the cost of operating the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant;
- Continuing to increase the operating reserve to 10% of water and sewer rate revenues;
- Paying debt service of \$265.4 million—of which \$226.6 million is in the Water and Sewer Operating Funds;
- Increasing the Water and Trunk Sewer Reconstruction Programs;
- Funding the seventh year of an eight-year ramp-up to achieve full funding of the annual required contribution for post-employment benefits other than retirement based on Government Accounting Standards Board Statement No. 45;
- Continuing to provide maintenance services at a level consistent with the objective of responding to the customer within 2 hours of receiving notification of a maintenance problem and restoring service to the customer within 24 hours from the time a service interruption occurs;
- Complying with the Sanitary Sewer Overflow Consent Order;
- Answering at least 95 percent of all customer billing calls received;
- Maintaining and fueling 947 vehicles, maintaining approximately 676 pieces of large field equipment, and operating 6 repair facilities;

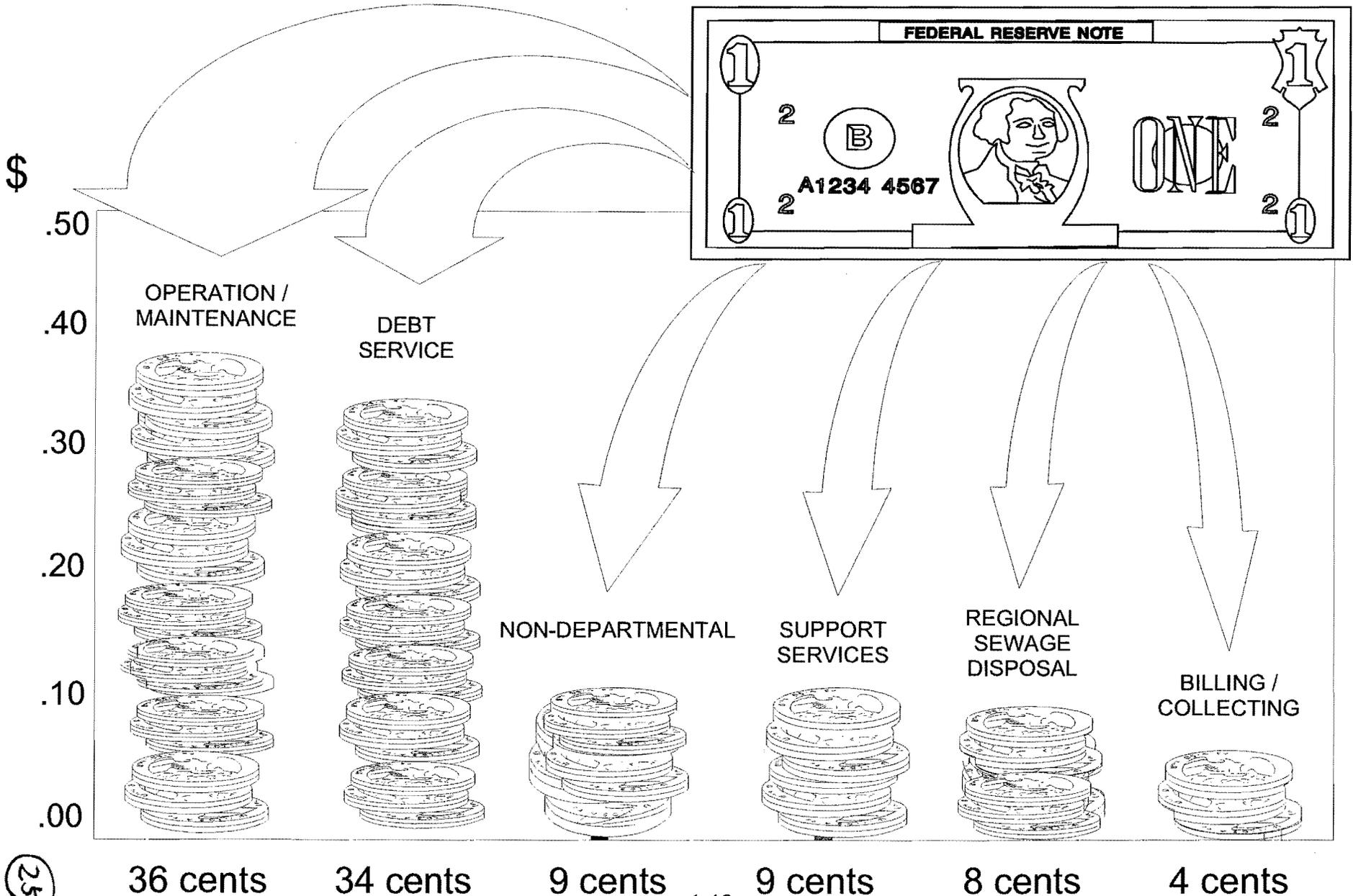
EXPLANATION OF THE BUDGET

(Continued)

- Replacing 15 pieces of major equipment which are needed to support construction, operations, and maintenance activities;
- Replacing 124 and purchasing an additional 10 vehicles which are needed to support construction, operations, and maintenance activities; and
- Funding employee salary enhancements in a manner coordinated with the Counties, and continuing other benefits.

FY'14 PROPOSED BUDGET

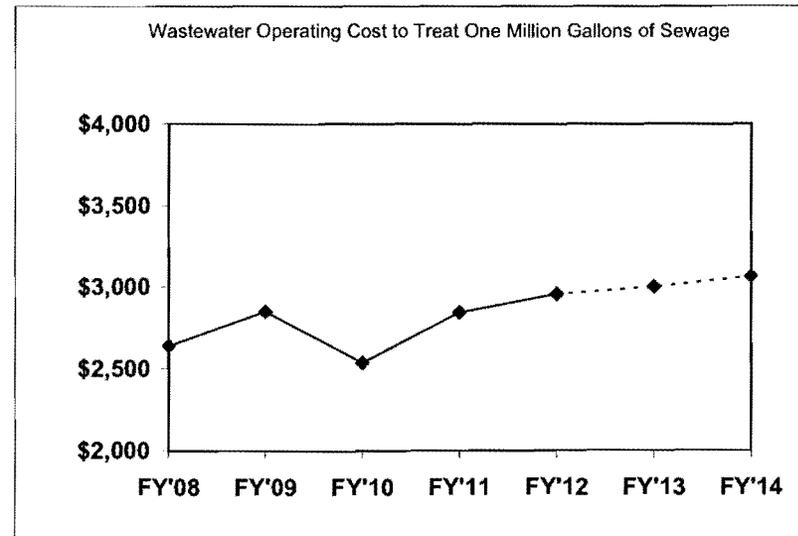
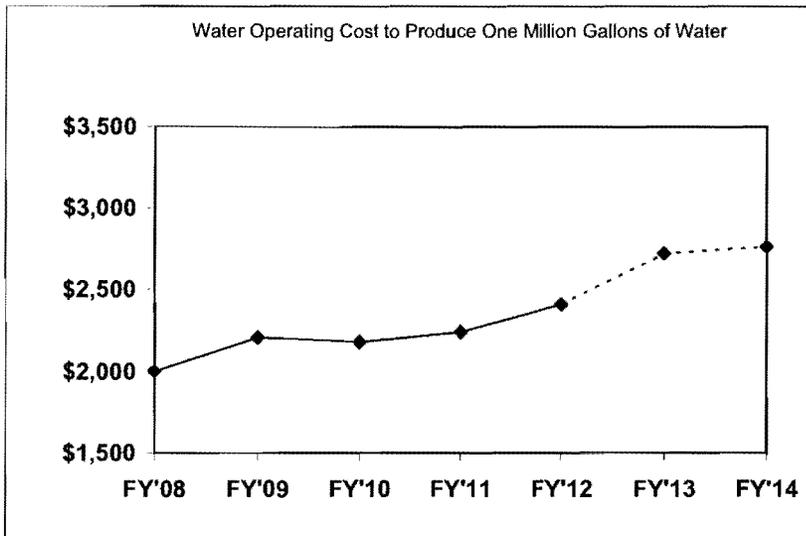
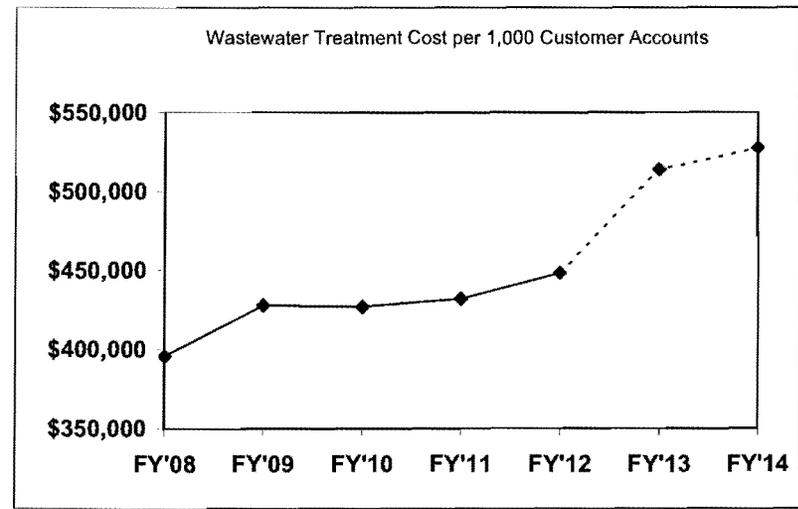
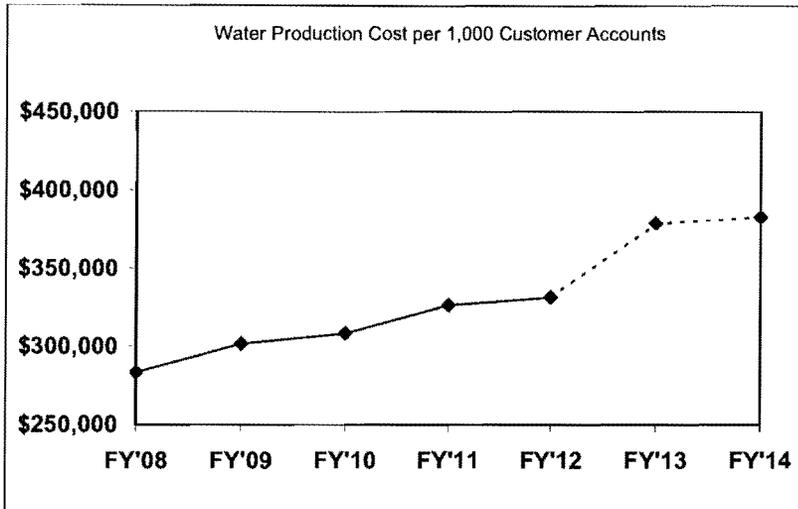
(How Each Dollar of a Water and Sewer Bill Is Spent)



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WSSC

OPERATING EFFICIENCY MEASURES



Note: FY'13 & FY'14 are budgeted, not actual.

SELECTED STATISTICAL DATA

	<u>FY'08</u> <u>ACTUAL</u>	<u>FY'09</u> <u>ACTUAL</u>	<u>FY'10</u> <u>ACTUAL</u>	<u>FY'11</u> <u>ACTUAL</u>	<u>FY'12</u> <u>ACTUAL</u>	<u>FY'13</u> <u>APPROVED</u>	<u>FY'14</u> <u>PROPOSED</u>
Population Served **	1,693,000	1,710,000	1,727,000	1,734,000	1,742,000	1,749,000	1,757,000
Customer Accounts	433,967	433,579	434,773	438,193	439,805	446,193	447,805
Water Produced (average MGD)	168.2	162.3	168.7	175.0	165.7	170.0	170.0
Water Produced (millions of gallons)	61,572	59,255	61,590	63,861	60,648	62,050	62,050
Water Mains Maintained (miles)	5,403	5,427	5,438	5,451	5,471	5,551	5,571
Water Mains Constructed (miles added by WSSC)	0.2	0.5	1.5	-	0.3	5	5
Water Mains Constructed (miles added by developers)	38	23	10	13	20.5	45	45
Water House Connections Maintained	436,600	438,893	440,019	441,593	444,184	449,593	452,184
Water House Connections Installed	3,884	2,293	1,126	1,574	2,591	4,000	4,000
Water Meters Issued	16,457	13,458	8,769	13,696	11,594	14,212	15,662
Sewage Systems Total Flow (average MGD)	177.8	178.6	200.3	182.4	182.9	209.3	211.0
Sewage Systems Total Flow (millions of gallons)	65,068	65,201	73,089	66,581	66,950	78,293	77,015
Sewer Mains Maintained (miles)	5,285	5,314	5,324	5,344	5,363	5,444	5,463
Sewer Mains Constructed (miles added by WSSC)	1	1.8	-	-	-	5	5
Sewer Mains Constructed (miles added by developers)	34	27	10	20	19	45	45
Sewer House Connections Maintained	414,386	416,392	417,301	418,718	421,092	426,718	429,092
Sewer House Connections Installed	3,463	2,006	909	1,417	2,374	4,000	4,000
Maintenance Work Orders (Emergency and Routine)	93,570	87,942	75,253	84,473	84,906	81,500	83,500
Vehicles in Fleet	853	865	883	927	933	937	947
Miles Traveled by Fleet	5,498,376	5,399,040	5,563,414	5,514,312	5,866,778	5,845,170	5,890,245
Water Meter Readings Completed	1,853,520	1,876,796	1,933,411	1,937,265	2,006,837	1,951,250	2,006,700
Authorized Positions	1,525	1,555	1,561	1,632	1,681	1,693	1,717
Authorized Workyears	1,525	1,555	1,561	1,632	1,681	1,693	1,717
Actual Employment Level - Beginning	1,428	1,434	1,455	1,468	1,528	1,549	
Actual Employment Level - Ending	1,434	1,455	1,468	1,528	1,549		
Actual Workyears	1,407	1,428	1,449	1,486	1,522		

** Fiscal Year's 2008 to 2013 populations revised via MWCOG/M-NCP&PC Round 8.0 Population Demographics, updated in 2011.

SYSTEMS RECONSTRUCTION PROGRAM

	<u>FY'12</u>	<u>FY'13</u>	<u>FY'14</u>
	<u>Actual</u>	<u>Approved</u>	<u>Proposed</u>
• <u>Systems Reconstruction Program</u>	\$166,971,995	\$213,839,000	\$146,676,000

This program provides for the systematic replacement or rehabilitation of the Commission’s aging small diameter water mains (less than 16-inches in diameter) and sewer lines (less than 15-inches in diameter), as well as associated house connections (from the main to the Commission maintained property line). Portions of the systems are replaced due to deterioration, failure, or to meet current customer demand. Through FY’12, WSSC maintained approximately 5,500 miles of water main and 5,400 miles of sewer main, along with 444,200 water house connections and 421,100 sewer house connections. While the budget for small diameter pipe rehabilitation programs decreased in FY’14, it increased for large diameter pipe rehabilitation projects found in the Capital Improvements Program (CIP budget). These projects are identified on page 5-11, the Large Diameter Water Pipe Rehabilitation Program (W-161.01) and page 5-14, the Trunk Sewer Reconstruction Program (S-170.09).

The Water Reconstruction Program consolidates several water main improvement activities designed to enhance water quality and reliability under one initiative. A majority of the funding is dedicated to replacing older water mains previously prone to breaks with new sections of cement lined ductile iron pipe. Projects also may include cathodic protection and pipeline appurtenances, including large meter and fire meter vaults. The FY’14 proposed budget of \$96.8 million is \$19.4 million greater than the FY’13 Approved Budget. It includes \$88 million for the design and replacement of 51 miles of water main and associated house connection renewals, \$5.4 million for large water service rehabilitation, and \$3.4 million for cathodic protection. In FY’12, 59.5 miles of water main and associated house connection renewals were rehabilitated, along with 6 large water services, at a total cost of \$84 million dollars.

The Sewer Reconstruction Program provides for correcting structural deficiencies in sewer mains that may result from soil settlement, root penetration, or corrosion, and often contribute to sewage overflows and backups into homes. The FY’14 proposed budget of \$49.9 million provides for the rehabilitation of 19 miles of main and lateral lines, as well as associated house connection renewals. The Sewer Rehabilitation Program decreased by \$86.5 million while the Trunk Sewer Reconstruction Program increased by \$133.9 million to \$186.2 million. The Trunk Sewer Reconstruction Program provides for the inspection, evaluation, planning, design and rehabilitation of both trunk sewer mains (15-inches in diameter and greater) and smaller sewer mains (less than 15-inches in diameter) located in environmentally sensitive areas. In FY’12, 53.7 miles of sewer mains and laterals and associated house connections were rehabilitated at a total cost of \$83.0 million dollars.

Comparative Expenditures by Organizational Unit

	FY'13 Approved		FY'14 Proposed	
	Workyears	Amount	Workyears	Amount
<u>Commissioners Office/Corporate Secretary's Office</u>	2	\$ 350,100	2	\$ 352,900
Internal Audit	9	1,101,700	10	1,139,100
<u>General Manager</u>	5	979,000	6	1,050,900
Intergovernmental Relations Office	5	520,700	4	625,600
Strategic Systems Management Office	7	871,700	7	944,500
General Counsel's Office	16	3,896,200	16	4,008,200
Communications & Community Relations Office	17	2,117,700	17	2,188,700
Human Resources Office	23	3,369,900	23	3,440,600
Small, Local and Minority Business Enterprise Office	8	1,170,400	8	1,169,400
Fair Practice Office	2	187,700	1	110,900
Procurement Office (Previously Acquisition Office)	26	2,246,300	26	2,379,700
Engineering & Construction Team	359	772,087,900	370	745,059,500
Production Team	298	152,833,700	302	152,203,100
Logistics Office	177	29,029,500	177	28,862,200
Finance Office	61	5,505,600	61	5,657,600
Customer Care Team	583	99,623,100	592	96,353,700
Information Technology Team	95	30,116,900	95	29,951,000
Non-Departmental (Finance)	-	37,476,000	-	40,903,800
Non-Departmental (Human Resources)	-	32,272,600	-	29,982,000
Debt Service	-	251,973,000	-	265,409,000
PAYGO	-	-	-	13,782,000
Depreciation Expense	-	11,808,300	-	13,553,600
Operating Reserve Contribution	-	10,200,000	-	11,700,000
Salary Enhancements	-	-	-	3,386,000
SUMMARY-TOTAL	<u>1,693</u>	<u>\$ 1,449,738,000</u>	<u>1,717</u>	<u>\$ 1,454,214,000</u>

Comparative Personnel Complement by Organizational Unit

	<u>FY'12 Actual</u>		<u>FY'13 Approved</u>		<u>FY'14 Proposed</u>	
	Authorized Positions	Workyears	Authorized Positions	Workyears	Authorized Positions	Workyears
<u>Commissioners Office/Corporate Secretary's Office</u>	*8	2.0	*8	2.0	*8	2.0
Internal Audit	9	8.3	9	9.0	10	10.0
<u>General Manager</u>	5	3.6	5	5.0	6	6.0
Intergovernmental Relations Office	5	3.8	5	5.0	4	4.0
Strategic Systems Management Office	7	5.0	7	7.0	7	7.0
General Counsel's Office	16	14.1	16	16.0	16	16.0
Communications & Community Relations Office	17	17.0	17	17.0	17	17.0
Human Resources Office	22	24.2	23	23.0	23	23.0
Small, Local and Minority Business Enterprise Office	8	7.2	8	8.0	8	8.0
Fair Practice Office	2	1.0	2	2.0	1	1.0
Procurement Office (Previously Acquisition Office)	26	21.3	26	26.0	26	26.0
Corporate Asset Management Office	16	4.9	-	-	-	-
Engineering & Construction Team	350	319.7	359	359.0	370	370.0
Production Team	293	278.8	298	298.0	302	302.0
Logistics Office	176	142.0	177	177.0	177	177.0
Finance Office	62	56.5	61	61.0	61	61.0
Customer Care Team	581	539.5	583	583.0	592	592.0
Information Technology Team	84	73.3	95	95.0	95	95.0
SUMMARY-TOTAL	<u>1,681</u>	<u>1,522.2</u>	<u>1,693</u>	<u>1,693.0</u>	<u>1,717</u>	<u>1,717.0</u>

* Commissioners (6) not included in total positions.

Washington Suburban Sanitary Commission

MISSION STATEMENT

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

WSSC'S PROPOSED BUDGET

WSSC's proposed budget is not detailed in this document. The Commission's budget can be obtained from WSSC's Budget Group at the WSSC Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707 (phone 301.206.8110) or from their website at <http://www.wsscwater.com>.

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 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 to their respective County Councils.

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

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***Operate and maintain a system of three reservoirs impounding 14 billion gallons of water, two major water filtration plants, six wastewater treatment plants, 5,600 miles of water mains, and 5,500 miles of sewer mains 24 hours a day, seven days a week.***
- ❖ ***Treat and deliver 170.0 million gallons of water per day to over 447,000 customer accounts, and treat 211.0 million gallons of wastewater per day in a manner that meets or surpasses all Federal and State water and wastewater quality standards and permit requirements.***
- ❖ ***Continue to provide maintenance services at a level consistent with the objective of responding to the customer within two hours of receiving notice of a major problem and restoring service to the customer within 24 hours from the time a service interruption occurs.***
- ❖ ***Undertake a six-year Capital Improvement Program that includes rehabilitation of 122 miles of Trunk Sewer, as well as funding for six major projects at the Blue Plains Advanced Wastewater Treatment Plant in the District of Columbia, the Bi-County Water Tunnel, rehabilitation of large water and sewer mains, and other important water and wastewater projects.***
- ❖ ***Inspect, repair, and install acoustic fiber optic cable (an early warning system) for 10 miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains. During FY14, WSSC will, after completing the inspection of all PCCP water mains 48 inches in diameter and larger in FY13, begin inspecting the next lowest sized PCCP water mains at 36 inches.***
- ❖ ***Continue to renew WSSC's underground infrastructure through the Water and Sewer Reconstruction Programs. In FY14, the Commission will reconstruct 51 miles of small water mains (five more miles than in FY13) and rehabilitate 25 miles of residential sewers.***

- ❖ **Comply with the Sanitary Sewer Overflow Consent Decree.**
- ❖ **Fund the sixth year of implementing the Enterprise Resource Planning/Enterprise Asset Management system.**
- ❖ **Fund the seventh year of the eight-year phase-in to achieve full funding for liabilities related to post-employment benefits other than retirement, based on Governmental Accounting Standards Board Statement No. 45.**
- ❖ **Continue to increase the operating reserve toward the goal of having reserves equal to 10 percent of water and sewer rate revenues. (The reserve percentage will rise to 9.3% in FY14 from an estimated FY13 level of 7.7%.)**
- ❖ **Fund the above activities and initiatives in conjunction with a 7.25% rate increase consistent with the Spending Control Limits adopted by Montgomery and Prince George's counties.**

Spending Control Limits

The spending control limits process requires that the two counties set annual ceilings on WSSC'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 FY14 spending control limits adopted by the Montgomery and Prince George's County councils, compared to the spending control results projected under WSSC's Proposed FY14 Budget and under the County Executive's Recommended Budget for WSSC. The Commission's Proposed Budget complies with all of the spending control limits approved by the two county councils.

FY14 Spending Control Limits Comparison				
SPENDING CONTROL LIMITS	Approved Spending Control Limits		Projected Levels Under	
	Montgomery County	Prince George's County	WSSC's Proposed Budget	County Executive Recommended Budget
Maximum Average Water/Sewer Rate Increase	8.0%	7.5%	7.25%	7.25%
New Debt (\$millions)	\$506.4	\$506.4	\$506.4	\$497.4
Water and Sewer Debt Service (\$millions)	\$226.6	\$226.6	\$226.6	\$226.1
Total Water and Sewer Operating Expenses (\$millions)	\$662.3	\$659.7	\$658.9	\$658.4

FY14 COUNTY EXECUTIVE RECOMMENDATIONS

Operating Budget

The County Executive recommends that WSSC's proposed FY14 operating budget be approved with the following changes:

The County Executive recommends that the Commission provide a salary enhancement no greater than what has been recommended for Montgomery County employees as part of the County Executive's FY14 Recommended Operating Budget. This will ensure that the compensation enhancements provided to WSSC employees in FY14 are consistent with those provided to Montgomery County employees. The County Executive does not recommend providing additional resources to WSSC beyond the \$3.4 million budgeted by the Commission for salary enhancements and further recommends the Commission identify any additional required funds needed to provide this recommended salary enhancement level within the Commission's Proposed FY14 Operating and Capital Budget.

WSSC's proposed FY14 operating budget also needs to be adjusted to make it consistent with the County Executive's Recommended FY14-19 CIP, which incorporates District of Columbia Water and Sewer Authority's (WASA) most recent cost estimates for the six Blue Plains Advanced Wastewater Treatment Plant projects. The expenditure adjustments to these projects will require that the Commission reduce their bond issuance by \$9.021 million in bonds in FY14, necessitating a \$493,100 decrease in water and sewer debt service for FY14.

Capital Budget

The County Executive recommends approval of WSSC's proposed FY14 capital budget with the following adjustments:

To make the WSSC proposed FY14 capital budget consistent with the County Executive's Recommended FY14-19 CIP for WSSC, the expenditures and funding for the six Blue Plains Advanced Wastewater Treatment Plant projects should be revised to align them

with the updated amounts shown in the District of Columbia Water and Sewer Authority's (WASA) proposed FY2012-2021 CIP. The recommended changes will result in a net reduction of \$12.974 million to the FY14 capital budget. These changes are the result of revised project cost estimates and project schedule adjustments deferring costs to later years.

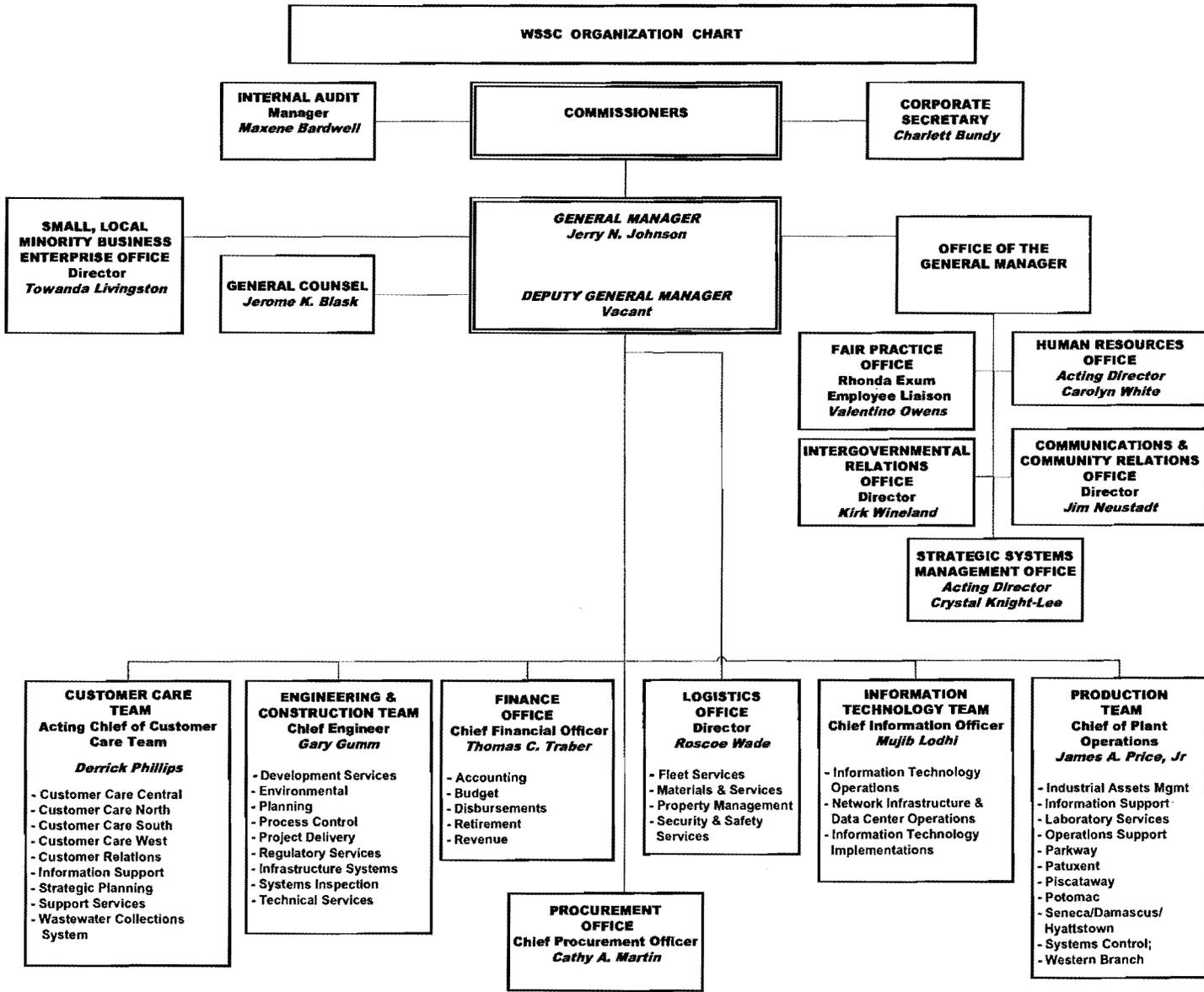
FY14 fiscal projections for all funds and budgets are shown below.

Expenditures by Category - FY14 WSSC Proposed and Executive Recommended							
(\$000s)							
Expenditure Categories	WSSC Total	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Change (CE Rec. vs. WSSC Proposed)
	Actual FY12	Approved FY13	Proposed FY14	Recommended FY14	Recommended FY14	Recommended FY14	
Salaries and Wages	112,719	124,884	128,186	23,541	104,645	128,186	0.0%
Heat, Light, & Power	24,658	24,223	23,910	--	23,910	23,910	0.0%
Regional Sewage Disposal	49,483	51,309	53,207	--	53,207	53,207	0.0%
Contract Work	190,925	396,985	378,860	378,860	--	378,860	0.0%
Consulting Engineers	51,848	83,267	113,002	113,002	--	113,002	0.0%
All Other	349,838	517,097	491,640	239,438	252,202	491,640	0.0%
Debt Service	<u>223,010</u>	<u>251,973</u>	<u>265,409</u>	<u>100</u>	<u>264,816</u>	<u>264,916</u>	-0.2%
Total Budget	1,002,481	1,449,738	1,454,214	754,941	698,780	1,453,721	0.0%

Note: Total expenditures include the water and sewer operating funds, the general bond debt service fund, and the three capital funds.

PROGRAM CONTACTS

Contact Letitia Carolina-Powell of the Washington Suburban Sanitary Commission at 301.206.8379 or Matt Schaeffer of the Office of Management and Budget at 240.777.2751 for more information regarding this agency's capital and operating budgets.



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Increased FY'14 Expenditure Assumptions Over and Above Inflation Factor

FY'14 Additional & Reinstated Programs:

New Workyears Impacting Water & Sewer Rates

Plant Operations

- 2 Equipment Operators (Brighton Dam)
- 1 Facility Technician

Maintenance

- 1 Customer Care (Maintenance) Unit Coordinator

Geographic Information Systems

- 2 GIS Technicians
- 1 GIS Specialist

Engineering Records

- 1 Engineering Assistant IV
- 1 Records Specialist

Leak Detection

- 2 Utility Technicians

Consent Decree - Enhanced Preventive Maintenance

- 6 Collection Technicians

Asset Management Program

- 1 Principal Meter Specialist

18 Subtotal Workyears

New Workyears With No Water & Sewer Rate Impact *(outside consultants replaced)*

Water & Sewer Rehabilitation

- 2 Project Managers
- 1 Contract Manager

Civil Engineering Support

- 1 Design Technician I
- 1 Design Technician II
- 1 AutoCAD Technician

24 Total Workyears

	Cost	WS Impact
<i>New Workyears Impact</i>	\$ 1,479,400	\$ 1,042,400
<i>Benefits</i>	443,800	312,700
<i>Miscellaneous Support Equipment</i>	20,500	20,500

Other Additional & Reinstated Programs

Enhanced Preventive Maintenance (1 Jet trucks, 2 CCTV trucks)	861,000	61,500
PCCP Management Program	650,000	500,000
Patuxent Watershed Study	120,000	120,000 *
Corrosion Management Program	700,000	450,000
Process Control	150,000	150,000
Permitting Cycle Time Management	200,000	200,000
E-Permitting	100,000	100,000 *
Call-Back System	150,000	150,000 *
A/E Basic Ordering Agreement	200,000	161,000
WSSC Code of Regulations	100,000	80,800 *
Rate Study	125,000	101,000 *
Supply Chain Transformation	150,000	121,200 *
Total Other Additional & Reinstated Programs	3,506,000	2,195,500
Total Additional & Reinstated Programs	\$ 5,449,700	\$ 3,571,100

*\$673,000 one-time projects funded via use of fund balance.

WSSC
FY 2014 ADDITIONAL & REINSTATED PROGRAM REQUESTS SUMMARY

Program: PLANT OPERATIONS

Brighton Dam

Request: 2 Equipment Operators

Cost including benefits: \$109,200, Water/Sewer Impact: \$109,200

Justification:

WSSC staffing levels were reduced significantly between 1996 and 2006. The current staffing pattern does not provide any depth to cover for absences, training or to adequately address the needs of the watershed. The workyears that were eliminated from the watershed unit decreased the work force to a level that is unsafe. In December 2011, a Patuxent Watershed employee drowned while working alone in a boat. This incident exposed the vulnerability of employees who work on the water or in secluded areas alone.

The additional workyears will provide more flexibility to manage the watershed assets and provide adequate worker safety. It will also allow for more opportunities to take care of the trails, access roads, recreational areas, prevent stream erosion and remove sediment from the incoming tributaries.

Systems Control

Request: 1 Facility Technician

Cost including benefits: \$81,600, Water/Sewer Impact: \$81,600

Justification:

The number of water distribution operating pressure zones has increased. This is a result of better directing of customer complaints, supervisory control and data acquisition (SCADA) analysis and maintenance management information systems (MMIS) data analysis. The improved water system hydraulic model highlights issues with open division valves and closed systems valves. These valve issues make an extensive demand on Systems Control resources and adversely impact the distribution systems control maintenance program.

An additional Facility Technician position would provide more timely responses to customer complaints, more timely reduction to pressure problems, decrease the number of water main breaks, improve water quality and decrease energy consumption.

Program: MAINTENANCE

Request: 1 Maintenance Unit Coordinator

Cost including benefits: \$104,100, Water/Sewer Impact: \$104,000

Justification:

An assessment of the Flexible Worker Program was completed in March 2010. The report indicated the Unit Coordinators are overwhelmed by their workload. Their responsibilities have increased by more participation at the management level of the Commission, training of staff, and oversight of geographically larger field operations. A recommendation from the study was to add one Unit Coordinator to each zone group.

Additionally, the large diameter Prestressed Concrete Cylinder Pipe (PCCP) inspection program, which involves direct Unit Coordinator oversight, has been reinstated. The Transmission Main Inspection/Large Valve Exercising and Water Main Break Best Management Practices, including an expanded Leak Detection Program obtained additional staff in FY'12. FY14 requests again include additional staff for the Leak Detection Program. The potential addition of more Utility Technicians will compound the Unit Coordinator overload.

Note that four (4) Unit Coordinator positions were requested for FY12. Our recommendation was to stage in the positions over 4 years. One (1) was approved in FY12 and one (1) was approved for FY13. If approved, this would be the 3rd position.

Program: GEOGRAPHIC INFORMATION SYSTEMS (GIS)

Request: 2 GIS Technicians, 1 GIS Specialist

Cost including benefits: \$224,900, Water/Sewer Impact: \$224,900

Justification:

The role of GIS and the WSSC GIS Unit is rapidly evolving and expanding. The Unit's primary role has been to update GIS data in order to depict an accurate graphical representation of our distribution and collection system and to maintain synchronicity with other databases such as FileNet and MMIS. Three additional workyears are requested to support the expansion in use of GIS throughout the Commission and to support the Engineering Records function, the Asset Management Plan (AMP) and the developing water hydraulic model.

This is the third year for this request. This item was cut prior to Spending Affordability in FY12 and FY13.

Program: ENGINEERING RECORDS

Technical Services

Request: 1 Records Specialist

Cost including benefits: \$80,000, Water/Sewer Impact: \$40,000

Justification:

The as-built engineering records process is being re-engineered based partly on Project 18 from the Asset Management Program (AMP). This includes new processes and a new platform to store electronic and hard copy records. The function is currently staffed with only a Support Aide. A second position is needed to manage the Engineering Records function as the transition to a new and improved GIS based process for all pipelines and facilities records drawings is completed.

Industrial Assets

Request: 1 Engineering Assistant IV

Cost including benefits: \$70,700, Water/Sewer Impact: \$70,700

Justification:

AMP Project 18 recommendations do not include the responsibility for capturing field modifications and changes made to drawings outside of the engineering projects or contracts. Facility drawings must be kept current to support operations and maintenance needs. An additional workyear is requested to capture the field modifications to all WSSC facilities.

Program: LEAK DETECTION

Request: 2 Utility Technicians

Cost including benefits: \$121,940, Water/Sewer Impact: \$121,940

Justification:

WSSC's current Leak Detection Program consists of two 2-person leak detection crews and coverage is limited. They each survey approximately 100 miles a year. The entire water system has over 5,500 miles of pipe. It would take 27 ½ years to survey the entire system at this rate. WSSC is in the process of preparing a Water Conservation Plan as a condition of the Maryland Water Appropriations Permit. The Plan includes several steps, one of which is to identify and select potential water conservation measures. Maryland Department of Environment (MDE) recommends employing a leak detection program to reduce water loss.

The AMP also recommends having a leak detection program. It would provide valuable information to the Commission that would likely assist in prioritizing major capital work such as pipeline replacement projects.

For FY12, six workyears (as Utility Technicians) were requested to ramp up the leak detection program. This would result in placing a 2-person leak detection crew in each of the remaining depots. Keeping with the goal of 100 miles surveyed per 2 person crew per year, the addition of one crew per zone would reduce the water main distribution

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survey cycle to an estimated 14 years. We recommended staging this expansion over 3 years, thereby adding 2 workyears per year. Two (2) workyears were added in FY12 and none were added in FY13. We recommend adding 2 workyears for FY14.

Program: CONSENT DECREE – ENHANCED PREVENTIVE MAINTENANCE

Request: 6 Collection Technicians, 2 Jet Trucks, 1 CCTV Truck

Cost including benefits: \$1,491,400, Water/Sewer Impact: \$569,320

Justification:

Based on Consent Decree inspection results, increased preventative maintenance is required for future years. It is also likely that the Asset Management Program will require additional preventative maintenance efforts. Due to existing resources needed for Sanitary Sewer Overflows (SSOs) emergency response and increased Consent Decree and Asset Management preventative maintenance efforts, current resources will not be able to maintain or improve level of service. Existing crews only complete an average of 60% of existing preventative maintenance work orders per month. This is due to the increased rate of new preventative maintenance work orders being added to the existing backlog as well as limited staffing and resources, and fleet downtime.

Additional workyears and resources would significantly reduce the preventative maintenance backlog. They would also enable us to continue to respond to SSOs quickly, help address additional preventative maintenance identified by Sewer Basin Repair, Replacement, and Rehabilitation (SR3) Plans, and possibly help address additional preventative maintenance identified by the AMP. Increased maintenance will help to continue a low recurrence rate (1%) of SSOs, complete routine maintenance in a timely manner, and improve SSO emergency response.

Twelve (12) Collections Technicians were requested for this program along with additional specialty trucks. The number of workyears and vehicles was reduced for affordability.

Program: ASSET MANAGEMENT

Request: 1 Principal Meter Specialist

Cost including benefits: \$104,130, Water/Sewer Impact: \$104,130

Justification:

The original vision of the “Center of Excellence” in Technical Services was to establish centralized engineering and technical expertise to support our planning, operational, maintenance and asset management needs. A very important discipline that was left out was a meter specialist. This position will be directly supported by other technical staff to integrate updated design guidelines and specifications and new and emerging technologies as well as support meter asset management.

Program: PCCP Management Program

Request: \$500,000 for Inspections, \$150,000 for repairs

Cost: \$650,000, Water/Sewer Impact: \$500,000

Justification:

The PCCP Program expanded in FY'13 to begin routine robotic inspections and install acoustic fiber optic (AFO) monitoring on 36 and 42-inch PCCP mains as well as continued inspection of mains 48-inch and larger based on the 5 year PCCP Plan. In order to get the 36 and 42-inch mains on an acceptable inspection interval as well as maintain the inspections on 48-inch and larger, the program goal is to achieve an average of 18 miles per year combined for manned and robotic inspections. The PCCP program began a ramp up from 12 miles towards 18 miles+ beginning in FY'12. Also, each year the AFO monitoring mileage increases as the systems are installed which is an added cost.

This expansion will allow for the full execution of the plan for the PCCP Management Program. The PCCP Management Program supports PCCP inspections and condition assessment to inspect, repair and provide permanent monitoring of large diameter PCCP water transmission mains. The condition assessment performed as

part of the program provides invaluable information to determine if major capital improvements projects are needed for these major water assets.

Program: ENVIRONMENTAL STEWARDSHIP

Request: Patuxent Watershed Study

Cost: \$120,000, Water/Sewer Impact: \$120,000

Justification:

The Patuxent reservoirs provide source water for the Patuxent Water Treatment Plant (WTP). The reservoirs are determined by the Maryland Department of Environment (MDE) and Environmental Protection Agency (EPA) to be impaired for their use as a water supply source. To remedy this situation, MDE-EPA has established a Total Maximum Daily Loads (TMDL) which requires significant reduction in phosphorus and sediment loading of the reservoirs. WSSC needs to work with and support its partners to develop a plan for how the required load reduction can be met.

Program: CORROSION MANAGEMENT

Request: \$500,000 increase in BOA, \$200,000 for repairs

Cost: \$700,000, Water/Sewer Impact: \$450,000

Justification:

Under the Corrosion Management Program, corrosion/cathodic protection with test stations are typically installed on major metal water transmission mains, and are read periodically to determine the effectiveness of existing corrosion protection systems. If an existing system is found to need repairs, the repairs could be minor or require a more significant engineering corrosion design. The readings have shown that there is a need to perform numerous corrosion designs and anode replacements to make repairs or upgrade the existing corrosion protection systems.

Program: PROCESS CONTROL

Request: Process Control equipment and hardware and software support

Cost: \$150,000, Water/Sewer Impact: \$150,000

Justification:

WSSC's Process Control System utilizes technology to operate portions of its water and wastewater facilities. The Process Control Group relies on vendor support to maintain and enhance the process control equipment and systems located at WSSC's Production facilities. Over time, the need for more industrial automation equipment has increased as more and more CIP facilities are built and commissioned. However, the funding for the vendor support and the maintenance of the equipment has not increased.

This request is for funding to pay for vendor support and for additional equipment maintenance and replacement. Over the past six years the cost of vendor support has increase substantially due to additional licenses. Also contributing \$59,000 to the cost increase is inflation. Maintenance costs will be increasing due to the recent surge in facility CIP projects at our Water and Wastewater Plants.

Program: PERMITTING

Request: Staff Augmentation

Cost: \$200,000, Water/Sewer Impact: \$200,000

Justification:

The timing of planning and design submittals from private developers cannot be controlled. Yet, the demands for fast turn-around times are constant and can substantially affect the private developer decisions on what locality to invest. One primary method of managing the peaks and valleys in workloads is by using outside contracted services

to fill in the voids as needed. This request is for funds to pay for contract services to perform Development Services functions during workload peaks and other as needed outside services to assure consistent customer service levels. This is the second year of this request.

Program: ELECTRONIC PERMITTING SYSTEM

Request: Staff Augmentation

Cost: \$100,000, Water/Sewer Impact: \$100,000

Justification:

Funding of this request would provide staff augmentation and consulting services for e-Permitting development/implementation and development of new Internal Business Processes and Regulations. As a result of the development and implementation of the new e-Permitting system, many of WSSC's internal business processes and regulations will need to be re written. This funding is necessary to assure customer service levels are maintained and cycle times do not increase causing complaints and project delays for Applicants.

Program: CUSTOMER RELATIONS

Request: Call-Back System

Cost: \$150,000, Water/Sewer Impact: \$150,000

Justification:

WSSC wait times are long and customers have no choice but to wait if they wish to speak to an agent. A "Call-Back" System would give customers the option to avoid long wait times by having the Interactive Voice Response call the customer when their place in queue is reached.

Program: FACILITIES SUPPORT

Request: Basic Ordering Agreement (BOA) for Facilities Architect & Engineering (A/E) Services

Cost: \$200,000, Water/Sewer Impact: \$161,000

Justification:

New regulations (NFPA 70E – Standard for Electrical Safety in the Workplace) requiring engineering analysis after certain repairs that impact arch flash rated equipment currently exceed WSSC internal engineering capacities. Information Technology infrastructure growth has resulted in serious concerns about the facilities' ability to support new equipment requirements safely.

This request is for and A/E BOA to provide general consultant and equipment analysis support as well as specialized structural engineering consultant service that can record and deliver service with documented analysis using industry standards like Autodesk Revit software.

These services would be used to; determine RGH's structure ability to support the loads of heavier/hotter equipment needed by IT and records storage; assist with elevator replacement specification development and construction management; evaluate condition and develop correct specifications for specialized construction material and equipment.

Program: WSSC CODE OF REGULATIONS

Request: Consultant Publisher

Cost: \$100,000, Water/Sewer Impact: \$80,800

Justification:

WSSC has culled its current Regulations and Standard Procedures for the FileNet database but these Regulations and/or Standard Procedures will all need to be reformatted to meet codification and consistency standards. This may require significant changes to the existing language and will need to be coordinated with owners of the various

regulations or standard procedures. WSSC will not know the extent of required changes until the codification process begins but anticipated that it may extend into FY14 or possibly beyond.

This project covers all regulations and standard procedures issued by the Commission. On-line access will also be provided, to both internal and external users.

Program: RATE STUDY

Request: Rate Consultant Services

Cost: \$125,000, Water/Sewer Impact: \$101,100

Justification:

The consultant report to the Bi-County Infrastructure Funding Working Group, which was accepted by the Group, recommended a cost of service and rate development study be conducted in conjunction with the Commission's reconstruction efforts. Commission accepted the Group's report and recommendations on June 20, 2012.

This project will analyze the cost of providing water/sewer services to customers and will develop recommendations as to equitable rate structures to recover the costs. It will also involve analysis of the customer billing systems for data support, accounting data for cost of service information, and budgeting for revenue projection purposes.

Program: CIVIL ENGINEERING SUPPORT

Request: 2 Design Technicians, 1 AutoCAD Technician

Cost including benefits: \$241,930, Water/Sewer Impact: \$0

Justification:

It should be noted that these positions will not impact water and sewer rates as the funding for this work is incorporated as part of the CIP. In addition, these workyears will replace outside consultants as a need for greater in-house design capacity has been identified. The Civil Engineering Support Unit often receives requests to perform designs to support Production, Customer Care and Engineering and Construction but lacks adequate resources to effectively meet the increasing demand. The advantages of an in-house design capability include measurable savings in costs and response time versus consultant prepared designs.

In-House Civil Design will also create a much needed learning center to advise and develop both engineering and project management staff on the fundamentals of water and sewer design, which is a most basic skill in our industry, and is necessary to effectively manage and review water and sewer projects. Ideally, this function could be used to establish a starting point for an engineering intern program.

The increased capacity to perform in-house civil designs will be available to support the varied needs throughout the WSSC such as the expansion of the Systems Enhancement Unit; designs for emergency and miscellaneous pipeline and facility maintenance repairs and designs, design support for the PCCP Inspection Program and both the Water Main Replacement and Sewer Rehabilitation Programs as well other miscellaneous designs as needed.

Program: WATER & SEWER REHABILITATION

Request: 2 Project Managers, 1 Contract Manager

Cost including benefits: \$286,260, Water/Sewer Impact: \$0

Justification:

These positions support water and sewer rehabilitation program and will not impact water and sewer rates as they are part of the CIP. These positions will replace contract positions with permanent employees.