

Washington Suburban Sanitary Commission (WSSC)

AGENCY DESCRIPTION

The Washington Suburban Sanitary Commission (WSSC) is a bi-county agency directed by a board of six commissioners, three each from Prince George's County and Montgomery County. The commissioners are appointed by the respective jurisdiction's Executive and confirmed by its County Council.

The WSSC is responsible for providing water and sanitary sewer service within the Washington Suburban Sanitary District, which includes most of Montgomery and Prince George's counties and which, in Montgomery County, excludes the Town of Poolesville and portions of the City of Rockville.

PROGRAM DESCRIPTION AND OBJECTIVES

The principal objective of the Capital Improvements Program (CIP) is the programming of planning, design, land acquisition, and construction activities on a yearly basis for major water and sewerage facilities. These facilities may be necessary for system improvements and/or service to existing customers, to comply with Federal and/or State environmental mandates, and to support new development in accordance with the counties' approved plans and policies for orderly growth and development.

The CIP submission includes all major projects, defined as extensions, projects, or programs involving water and sewer facilities. Major projects include: sewer lines 15 inches in diameter or larger; sewage pumping stations, storage facilities, and force mains; sewage treatment facilities; water mains 16 inches in diameter or larger; water pumping stations; water storage facilities for raw and potable water; water treatment facilities; and other major facilities.

The section following this narrative shows only the WSSC project description forms (PDFs) for which the Executive recommends changes to the Commission's request. Those PDFs are preceded by project briefs which provide a description of the change and the Executive's rationale. The complete set of PDFs submitted by the Commission can be found on the WSSC web site at: <http://www.wsscwater.com>.

PROGRAM CONTACTS

Contact Mark Brackett of WSSC's Budget Group at 301.206.8179 or Matt Schaeffer of the Office of Management and Budget at 240.777.2751 for more information regarding this agency's capital budget.

CAPITAL PROGRAM REVIEW

This narrative applies only to the Montgomery County and Bi-County water and sewerage projects. Projects that serve only Prince George's County are not included.

Agency Request

The total of \$1,208.0 million in six-year expenditures proposed by the WSSC for FY15-20 is \$402.1 million (25 percent) under the FY14-19 approved total of \$1,610.1 million. The decrease in six-year costs is primarily attributable to a decrease in the Trunk Sewer Reconstruction program necessary to comply with Federal requirements and projects that are moving through construction. These include the Enhanced Nutrient Removal projects and the Blue Plains WWTP Digester projects.

The FY15-20 CIP request includes 46 ongoing, five closeout projects, and four pending closeout projects. There are also three new proposed projects: Anaerobic Digestion Combined Heat and Power, Cabin John Trunk Sewer Relief, and Shady Grove Sewer Augmentation.

The following table compares the six-year expenditures and funding approved for FY14-19, requested by WSSC for FY15-20, and recommended by the County Executive for FY15-20.

WSSC CIP COMPARISON: FY15-20 vs. FY14-19 (\$000)					
(SIX-YEAR DATA)	CURRENT APPROVED FY14-19	AGENCY REQUEST FY15-20	CHANGE FROM APPROVED	CE RECOM- MENDED FY15-20	CHANGE FROM APPROVED
EXPENDITURES					
MONTGOMERY COUNTY SEWERAGE	24,730	23,407	(1,323)	23,407	(1,323)
BI-COUNTY SEWERAGE	1,187,647	738,398	(449,249)	600,396	(587,251)
MONTGOMERY COUNTY WATER	27,270	26,669	(601)	26,669	(601)
BI-COUNTY WATER	370,491	419,542	49,051	419,542	49,051
TOTAL EXPENDITURES	1,610,138	1,208,016	(402,122)	1,070,014	(540,124)
FUNDING					
WSSC BONDS	1,458,194	1,036,642	(421,552)	967,641	(490,553)
SYSTEMS DEVELOPMENT CHARGE	28,424	12,052	(16,372)	12,052	(16,372)
CONTRIBUTIONS	21,589	24,140	2,551	24,140	2,551
ALL OTHER SOURCES	101,931	135,182	33,251	66,181	(35,750)
TOTAL FUNDING	1,610,138	1,208,016	(402,122)	1,070,014	(540,124)

Executive Recommendations

The Executive's recommended FY15-20 CIP is identical to the Commission's proposed CIP with the following exception: The County Executive does not recommend inclusion of the Anaerobic Digestion Combined Heat and Power project in the FY15-20 CIP due to the potential cost savings to the CIP program if DC Water's final assessment indicates the digester facilities at Blue Plains can accommodate WSSC biosolids and the uncertainty of Federal Aid projected by WSSC.

The County Executive further recommends that WSSC delay any plans for a WSSC digester project until the possible use of Blue Plains to process WSSC biosolids can be determined.

HIGHLIGHTS

- Continue construction of improvements to wastewater treatment and solids handling facilities at the regional Blue Plains Advanced Wastewater Treatment Plant in order to achieve environmental goals and improve efficiency.
- Continue construction on the Bi-County Water Tunnel, which is scheduled for completion in July 2015.
- Continue the Large Diameter Water Pipe Rehabilitation Program to repair, replace, monitor, and protect large cast iron and pre-stressed concrete cylinder pipe (PCCP) water mains, and extend these efforts to 36-inch diameter PCCP mains.
- Continue the Trunk Sewer Reconstruction Program to inspect, evaluate and repair sewer mains in environmentally sensitive areas.
- Increase replacement of small diameter water mains from 51 miles in FY14 to 60 miles in FY15.
- Continue to upgrade the Blue Plains, Seneca, and Damascus wastewater treatment plants for enhanced nutrient removal to meet the environmental goals in the Chesapeake 2000 plan.
- Continue the system-wide implementation of automated meter reading technology.

SPENDING CONTROL LIMITS

In order to reduce the magnitude of water and sewer rate increases, the Montgomery and Prince George's County Councils adopted a spending affordability process in April 1994. The process requires the counties to set annual ceilings on WSSC's water and sewer rates and debt (both bonded indebtedness and debt service), and then to adopt corresponding limits on the size of the capital and operating budgets.

While the spending limits technically apply only to the first year of the six-year program, the purpose of the limits includes controlling debt, debt service, and rate increases over the longer term. The FY15 spending control limits adopted by the Montgomery County Council are shown below with their outyear projections. The Prince George's County Council adopted identical FY15 spending control limits for WSSC. The first year of the Commission's proposed CIP is consistent with the approved FY15 spending control limits shown below, as is the County Executive's recommended CIP for WSSC.

FY15 WSSC SPENDING CONTROL LIMITS ADOPTED BY THE MONTGOMERY COUNTY COUNCIL (AND OUTYEAR PROJECTIONS)						
	FY15	FY16	FY17	FY18	FY19	FY20
New Debt Requirement (\$000)	\$384,622	\$364,894	\$335,620	\$310,226	\$241,952	\$162,876
Total W/S Operating Budget (\$000)	\$678,591	\$721,350	\$778,705	\$839,563	\$901,473	\$955,247
Debt Service (\$000)	\$227,042	\$250,013	\$267,835	\$282,596	\$292,612	\$301,014
Average Rate Increase	6.0%	11.2%	8.8%	8.5%	9.1%	6.3%

Source: Montgomery County Council Resolution 17-917 and WSSC Budget Group.

An estimate of the impact on the water or sewer rate (i.e., the charge to users) is calculated for each project for which the estimated annual debt service and operating and maintenance (O&M) costs would result in at least a one cent increase per 1,000 gallons of total consumption. The WSSC Budget Group estimates the relationship between annual debt service and O&M costs and the water and sewer rates. For water projects, approximately \$493,879 of debt service and/or O&M costs equates to a one cent increase in the water rate. For sewer projects, approximately \$449,414 of debt service and/or O&M costs equates to a one cent increase in the sewer rate.

WSSC has cautioned that the calculated impact on water and sewer rates represents only a broad indication of the effect that a particular project has on the rate schedule. The impact on water and sewer rates is influenced by a number of factors, including the actual interest rate on the bonds sold to fund the project, the availability of grants for sewer projects, and fluctuations in water usage (which affect sales revenue).

WSSC'S LEVEL OF BONDED INDEBTEDNESS

Debt Service

The Executive and Council monitor the WSSC's bonded indebtedness and debt service level. Total outstanding water and sewer bond debt has risen 67.5 percent since FY07, and total water and sewer debt service is up 21.1 percent over the same period, as shown in the following table. However debt service as a percentage of water and sewer operating expenditures remained relatively stable between FY07 and FY13, averaging 34.4 percent.

WSSC BONDED INDEBTEDNESS AND DEBT SERVICE								
(\$ in Millions)	ACTUAL FY07	ACTUAL FY08	ACTUAL FY09	ACTUAL FY10	ACTUAL FY11	ACTUAL FY12	ACTUAL FY13	ESTIMATED FY14
End of Fiscal Year - Total Outstanding Bond Debt (includes Storm Water Drainage Bonds)	\$1,342.0	\$1,336.4	\$1,346.7	\$1,366.2	\$1,421.8	\$1,556.8	\$1,878.3	\$2,248.7
Outstanding Water and Sewer Bond Debt	\$768.8	\$829.4	\$890.5	\$954.0	\$1,076.8	\$1,240.1	\$1,595.5	\$1,988.7
Total Debt Service - All Operating Funds	\$218.6	\$212.4	\$214.0	\$217.1	\$239.6	\$223.0	\$227.6	\$264.8
Debt Service as a % of Total Operating Exp.	45.1%	41.8%	40.3%	40.4%	41.8%	39.3%	39.1%	38.5%
Debt Service in Water/Sewer Operating Exp.	\$141.4	\$136.5	\$141.1	\$149.2	\$152.5	\$175.7	\$184.2	\$226.1
Water/Sewer Debt Service as a % of Total Water/Sewer Operating Expenditures	35.6%	33.9%	34.8%	31.7%	31.5%	39.0%	34.2%	35.0%

Source: WSSC Budget Group

The debt service ratio is projected to rise to 33.5 percent in FY15 and is not projected to go over 40 percent during the next six fiscal years. WSSC and the bi-county working group on infrastructure funding is continuing to explore ways to keep the debt service ratio under 40 percent.

PROJECTED WSSC DEBT SERVICE RATIO UNDER THE COUNTY'S APPROVED SPENDING CONTROL LIMITS						
	FY15	FY16	FY17	FY18	FY19	FY20
Debt Service as a % of Total Water and Sewer Operating Expenditures	33.5%	34.7%	34.4%	33.7%	32.5%	31.5%

Source: WSSC Budget Group

Debt Capacity

State law provides for the option of a tax levy against all assessable property in the Washington Suburban Sanitary District by Montgomery and Prince George's Counties to pay for the principal and interest on WSSC bonds. This provision, which would be exercised only if requested by the WSSC,

does not constitute a pledge of the full faith and credit of the two counties. However, WSSC bonds are part of the overlapping debt of County agencies. As of June 30, 2013, WSSC debt represented 59.6 percent of Montgomery County’s gross overlapping debt. The amount of debt that the WSSC issues is therefore a factor in rating agency assessments of the credit worthiness of Montgomery County. In addition, increasing levels of debt service can lead to increases in the combined water and sewer rate.

“INFORMATION ONLY” PROJECTS

The WSSC is obligated by State law to submit for CIP review and approval only major water and sewerage projects. However, the Commission undertakes other kinds of capital projects which are shown separately in the CIP. These “Information Only” projects may be included for a number of reasons, including: fiscal planning purposes; to improve the reader’s understanding of the full scope of a specific set of projects; or in response to a request from one or both of the county governments. “Information Only” projects are subject to review and approval as part of the annual WSSC Operating and Capital Budget, which is acted on by the Council in the spring.

The FY15-20 “Information Only” projects include the Water and Sewer Reconstruction projects, Engineering Support, the Energy Performance Program, Entrepreneurial Projects, the Water Storage Facility Rehabilitation Program, the Asset Management Program, the Pressure Reducing Valve Rehabilitation Program, and the Advanced Metering Infrastructure Program.

The total FY15-20 budget for the Information Only projects is \$1,564.5 million, a 18.2 percent decrease from the \$1,913.7 million approved for the FY14-19 CIP. This decrease is largely due to the Anaerobic Digestion Combined Heat and Power project moving from “Information Only” status to a regular WSSC CIP project.

Total proposed FY15-20 spending on the Water and Sewer Reconstruction “Information Only” projects will decrease by \$244.8 million (16.9 percent). The impacts of this reduction can be seen in the number of miles of Sewer Main Reconstruction decreasing from 12 miles in FY14 to 3 miles in FY15 (see the following table).

SMALL WATER AND SEWER MAIN RECONSTRUCTION INCLUDED IN WSSC'S PROPOSED FY15-20 CIP								
	Approved	Proposed FY15-20						FY15-20
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	Total
Water Main Replacement (mi.)	51	60	60	60	60	60	60	360
Sewer Main Rehabilitation (mi.)	12	3	15	15	20	20	20	93

Source: WSSC Budget Group

PROGRAM FUNDING

The WSSC Capital Improvements Program is funded through a variety of sources described below.

WSSC Bonds

The WSSC raises revenue for CIP projects by issuing water and sewer bonds. These bonds are amortized through periodic charges to the users of water and sewer services. Bond funding for the FY15-20 CIP, as recommended by the Executive, is \$967.6 million.

System Development Charge

The System Development Charge (SDC) is a charge to new development to pay for the part of the CIP which is needed to accommodate growth. The WSSC collects SDC revenue from charges to builders based on the number and type of plumbing fixtures installed in new construction projects. The Executive recommends that \$12.1 million in SDC funds be used to fund growth projects in FY15-20.

State Aid

For the Blue Plains Wastewater Treatment Plant (WWTP) Enhanced Nutrient Removal sewer project, State funds are recommended to cover \$52.0 million of the costs in FY15-20. WSSC asserts that all Commission projects receiving State Aid conform to the requirements of local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

Municipal Financing

The WSSC CIP contains projects in which neighboring jurisdictions such as the District of Columbia and the City of Rockville join the Commission in financing the construction of sewerage facilities serving the metropolitan area. These jurisdictions contribute an agreed-upon share of the project cost. A total of \$14.2 million in project expenditures is recommended to be financed by these jurisdictions during FY15-20.

Contributions

When the actual costs of water and sewerage facilities required to serve new development are estimated to exceed expected revenues, the difference may be financed by developers in the form of contributions. Contributions toward CIP projects are estimated at \$24.1 million for FY15-20.

STATUTORY AUTHORITY

The Montgomery County CIP review process for the WSSC is governed by laws and regulations of the State of Maryland, the Montgomery County Charter, and the Montgomery County Code. Relevant projects authorized for Montgomery County review include only Montgomery and Bi-County water and sewer projects.

The Montgomery County Executive reviews relevant WSSC CIP proposals and includes them, along with comments and recommendations, in the Executive's Recommended Capital Improvements Program. After a public hearing and subsequent committee work sessions, the Montgomery County Council approves by resolution WSSC's six-year capital program and annual operating and capital budgets, with modifications as desired.

Bi-County projects are projects located completely or partially within Montgomery County or Prince George's County that are designed to provide service in whole or in substantial part to the other county. A proposed Bi-County project may be disapproved only with the concurrence of the governing body of the county which is to receive the designated service. However, the county in which the project is to be physically located has the authority to direct modifications in project location and scheduling, provided that such modifications or changes do not prevent the service from being available when needed.

This authority to modify location may only be exercised during the year in which the project is first introduced. Thereafter, the authority to make modifications is limited to those changes that would not result in substantial net additional costs to the WSSC, unless the county directing the modification reimburses the WSSC for any additional net cost increases resulting from the modification.

The WSSC is responsible for constructing approved capital projects on a schedule as close as possible to the schedule set forth in the adopted CIP. The Commission is limited to undertaking only those projects which are scheduled in the first year of the program. However, it is not obligated to implement any project determined to be not financially feasible.

EXECUTIVE RECOMMENDATION

Anaerobic Digestion Combined Heat and Power (P063808)

Project Category	WSSC	Date Last Modified	1/6/14
Project SubCategory	Sewerage Bi-County	Required Adequate Public Facility	No
Project Administering Agency	W.S.S.C. (AAGE23)	Relocation Impact	None
Project Planning Area	Bi-County	Status	Planning Stage

EXPENDITURE SCHEDULE (\$000s)

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
Planning, Design and Supervision	5,750	1,218	4,532	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	228	0	228	0	0	0	0	0	0	0	0
Total	5,978	1,218	4,760	0	0	0	0	0	0	0	0

FUNDING SCHEDULE (\$000s)

Federal Aid	2,951	571	2,380	0	0	0	0	0	0	0	0
WSSC Bonds	3,027	647	2,380	0	0	0	0	0	0	0	0
Total	5,978	1,218	4,760	0	0	0	0	0	0	0	0

COMPARISON (\$000s)

	Total	Thru FY13	Est FY14	6YR Total	FY15	FY16	FY17	FY18	FY19	FY20	Bey 6Yr	Approp.
Current Approved	0	0	0	0	0	0	0	0	0	0	0	0
Agency Request	143,980	1,218	4,760	138,002	7,138	7,138	42,828	42,828	38,070	0	0	0
Recommended	5,978	1,218	4,760	0	0	0	0	0	0	0	0	0

Change

	TOTAL	%	6-YEAR	%	APPROP.	%
Agency Request vs Approved	143,980	0.0%	138,002	0.0%	0	0.0%
Recommended vs Approved	5,978	0.0%	0	0.0%	0	0.0%
Recommended vs Request	(138,002)	(95.8%)	(138,002)	(100.0%)	0	0.0%

Recommendation

DO NOT INCLUDE IN THE CIP

Comments

The County Executive does not recommend inclusion of the Anaerobic Digestion Combined Heat and Power project in the FY15-20 CIP due potential cost savings to the CIP program if DC Water's final assessment indicates the digester facilities at Blue Plains can accommodate WSSC biosolids and the uncertainty of Federal Aid projected by WSSC. The County Executive further recommends that WSSC delay any plans for a WSSC digester project until the possible use of digester facilities at Blue Plains can be determined.

Cost Changes

Project reduced \$138,002,000. This reduction removes all funding for the six-year period.

Anaerobic Digestion Combined Heat and Power (P063808)

Category
Sub Category
Administering Agency
Planning Area

WSSC
Sewerage Bi-County
W.S.S.C. (AAGE23)
Bi-County

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

1/6/14
No
None
Planning Stage

Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
-------	--------------	----------	------------------	-------	-------	-------	-------	-------	-------	-----------------

EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	5,750	1,218	4,532	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0
Other	228	0	228	0	0	0	0	0	0	0
Total	5,978	1,218	4,760	0	0	0	0	0	0	0

FUNDING SCHEDULE (\$000s)

Federal Aid	2,951	571	2,380	0	0	0	0	0	0	0
WSSC Bonds	3,027	647	2,380	0	0	0	0	0	0	0
Total	5,978	1,218	4,760	0	0	0	0	0	0	0

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 15	0
Appropriation Request Est.	FY 16	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		0
Expenditure / Encumbrances		1,218
Unencumbered Balance		-1,218

Date First Appropriation	FY 15
First Cost Estimate	
Current Scope	FY 5,978 5,978
Last FY's Cost Estimate	5,978