
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 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, seven wastewater treatment plants, 5,500 miles of water mains, and 5,400 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 442,000 customer accounts, and treat 214.5 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 Plan that includes one new Montgomery County project as well as funding for six major projects at the Blue Plains Advanced Wastewater Treatment Plant in the District of Columbia, the new 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 15.2 miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains. This program is especially important in view of the recent catastrophic failures of two large PCCP water mains in Montgomery County.***
- ❖ ***Continue to renew WSSC's underground infrastructure through the Water and Sewer Reconstruction Programs. In FY12, the Commission will reconstruct 41 miles of small water mains (five more miles than in FY11) and rehabilitate 22 miles of sewers.***
- ❖ ***Comply with the Sanitary Sewer Overflow Consent Order.***

- ❖ **Fund the fourth year of implementing the Enterprise Resource Planning/Enterprise Asset Management system.**
- ❖ **Fund the fifth 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, and continue to increase the operating reserve from 5% to 10% of water and sewer rate revenues.**
- ❖ **Fund the above activities and initiatives in conjunction with an 8.5% rate increase, consistent with the Spending Control Limits recommended by the County Executive and approved by the County Council.**

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 Montgomery and Prince George's County Councils adopted different FY12 spending control limits for WSSC. The following table shows the FY12 spending control limits adopted by each of the Councils, compared to the spending control results projected under WSSC's Proposed Budget and under the County Executive's Recommended Budget for WSSC. The Commission's Proposed Budget complies with all of the four spending control limits approved by Montgomery County.

FY12 Spending Control Limits Comparison				
SPENDING CONTROL LIMITS	Approved Spending Control Limits		Projected Levels Under:	
	Montgomery County	Prince George's County	WSSC Proposed Budget	County Executive Recommended Budget
Maximum Average Water/Sewer Rate Increase	9.9%	8.0%	8.5%	8.5%
New Debt (\$millions) ^a	\$325.3	\$325.3	\$298.7	\$298.7
Water and Sewer Debt Service (\$millions)	\$196.3	\$196.3	\$185.9	\$185.9
Total Water and Sewer Operating Expenses (\$millions)	\$582.8 ^b	\$573.8 ^b	\$575.0	\$575.0

^aNew debt includes a system completion factor of 80%, except for reconstruction bonds, where the completion factor is 100%.

^bThese limits have each been adjusted to reflect WSSC's decision to show the Reconstruction Debt Service Offset (REDO) and the SDC Debt Service Offset as operating expenditures rather than as revenues. The effect is to increase each limit by \$13.293 million. The increase in expenses is fully offset by the increase in revenue and does not affect the rate increase needed.

FY12 COUNTY EXECUTIVE RECOMMENDATIONS

Capital Budget

The County Executive recommends approval of WSSC's proposed FY12 capital budget of \$565.9 million, including the Commission's mid-cycle update to its proposed FY12-17 CIP. WSSC's budget incorporates the County Executive's January 15, 2011 recommendations on WSSC's FY12-17 CIP to adjust the estimated FY12 costs of the six Blue Plains Advanced Wastewater Treatment Plant projects to align them with the updated amounts shown in the District of Columbia Water and Sewer Authority's Proposed FY10-19 CIP.

WSSC's Proposed FY12 Capital Budget provides funds for reconstruction of 41 miles of small water mains and the rehabilitation of 22 miles of small sewers. The County Executive supports these critical efforts to renew WSSC's aging underground infrastructure.

Operating Budget

The County Executive recommends elimination of the 2% cost of living increase provided to WSSC's represented employees in the Commission's proposed FY12 budget. This increase, which was not provided to the Commission's non-represented employees, would cost \$694,920 in salaries and wages, of which \$564,410 would represent water and sewer operating expenses. Elimination of the 2% cost of living increase for WSSC's represented employees is consistent with the Commission's decision not to provide such increases for its non-represented employees in FY12. (No cost of living increases will be provided to Montgomery County Government employees for FY12.)

The \$694,920 savings in salaries and wages from eliminating the cost of living increase should be used to reinstate critical programs that had to be eliminated or curtailed to achieve the 8.5% rate increase. It is therefore recommended that the total budget for "Salaries and Wages" be reduced by \$694,920 and that the same amount be added to the budget for "All Other" expenses. In addition, the

\$48,400 budgeted under "All Other" expenses for employee benefits (FICA) associated with the cost of living increase should be re-programmed for other uses. WSSC's total proposed operating budget (and the associated 8.5% rate increase) will therefore be unchanged by these recommendations.

The County Executive recommends approval of WSSC's total proposed FY12 operating budget of \$626.1 million with the changes described above. This budget assumes an 8.5% average increase in water and sewer rates. The budget provides for the inspection, repair, and fiber optic cabling of 15.2 miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains, a key priority in view of the recent catastrophic failures of such pipes in Montgomery County.

FY12 fiscal projections for all funds and budgets are shown below. Six-year projections for the Water and Sewer Operating Budget are shown on page 15-4.

Expenditures by Category - FY12 WSSC Proposed and Executive Recommended							
(\$000s)							
Expenditure Categories	WSSC Total	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Chg. (CE Rec. vs. WSSC Proposed)
	Actual FY10	Approved FY11	Proposed FY12	Recommended FY12	Recommended FY12	Recommended FY12	
Salaries and Wages	108,627	116,825	122,371	23,953	97,723	121,676	-0.6%
Heat, Light, & Power	28,187	27,819	25,275	--	25,275	25,275	0.0%
Regional Sewage Disposal	47,013	47,713	49,478	--	49,478	49,478	0.0%
Contract Work	96,384	262,884	270,039	270,039	--	270,039	0.0%
Consulting Engineers	25,096	62,049	61,051	61,051	--	61,051	0.0%
All Other	255,473	349,824	427,990	210,779	217,906	428,685	0.2%
Debt Service	<u>217,656</u>	<u>233,136</u>	<u>235,863</u>	<u>100</u>	<u>235,763</u>	<u>235,863</u>	0.0%
Total Budget	778,436	1,100,250	1,192,067	565,922	626,145	1,192,067	0.0%

Note: Expenditures include water and sewer operating funds, the interest and sinking fund, and the three capital funds.

PROGRAM CONTACTS

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or John Greiner of the Office of Management and Budget at 240.777.2765 for more information regarding this agency's capital and operating budgets.

WSSC PROPOSED: FORECAST FOR WATER AND SEWER OPERATING FUNDS

FISCAL PROJECTIONS	FY11 ESTIMATED	FY12 PROPOSED	FY12 RECOMMENDED	FY13 PROJECTION	FY14 PROJECTION	FY15 PROJECTION	FY16 PROJECTION	FY17 PROJECTION
SPENDING AFFORDABILITY ASSUMPTIONS/RESULTS								
New Water and Sewer Debt (\$millions)	\$249.4	\$298.7	\$298.7	\$389.2	\$348.6	\$292.3	\$316.6	\$322.4
Total Water and Sewer Operating Expenses (\$millions)	\$544.4	\$575.0	\$575.0	\$635.4	\$683.1	\$725.8	\$773.4	\$822.1
Debt Service (\$millions)	\$174.5	\$185.9	\$185.9	\$228.0	\$261.3	\$286.2	\$312.8	\$339.3
Average Water and Sewer Rate Increase	8.5%	8.5%	8.5%	11.3%	8.7%	6.5%	7.0%	6.6%
BEGINNING FUND BALANCE (\$000)	48,075	46,394	46,394	46,394	46,394	46,394	46,394	46,394
REVENUES (\$000)								
Water and Sewer Rate Revenue	469,818	510,506	510,506	569,947	621,149	663,513	711,964	760,892
Interest Income	1,500	4,000	4,000	4,050	4,050	4,100	4,100	4,150
Account Maintenance Fee	22,850	22,850	22,850	22,900	22,900	22,950	22,950	23,000
Miscellaneous	21,628	20,936	20,936	21,247	21,607	22,061	22,182	22,309
Total Revenues	515,796	558,292	558,292	618,144	669,706	712,624	761,196	810,351
SDC Debt Service Offset	2,398	2,293	2,293	2,192	1,428	1,167	728	207
Reconstruction Debt Service Offset (REDO)	11,500	11,000	11,000	11,000	10,500	10,500	10,000	10,000
Use of Prior Year Net Revenue	3,181	3,400	3,400	4,100	1,500	1,500	1,500	1,500
TOTAL FUNDS AVAILABLE	532,875	574,985	574,985	635,436	683,134	725,791	773,424	822,058
EXPENDITURES (\$000)								
Salaries and Wages	93,483	97,922	97,357	102,819	107,961	113,361	119,031	124,984
Heat, Light, and Power	27,819	25,275	25,275	26,297	27,917	29,643	31,473	33,471
Regional Sewage Disposal	47,713	49,478	49,478	51,309	53,207	55,176	57,218	59,335
Debt Service	165,454	185,894	185,894	227,951	261,257	286,225	312,821	339,316
All Other	196,906	213,016	213,581	222,960	231,292	239,886	251,381	263,452
Reserve Contribution	1,500	3,400	3,400	4,100	1,500	1,500	1,500	1,500
TOTAL USE OF RESOURCES	532,875	574,985	574,985	635,436	683,134	725,791	773,424	822,058
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	0	0	0	0	0	0
YEAR END FUND BALANCE w/o additional \$1.5 m reserve	44,894	42,994	42,994	42,294	44,894	44,894	44,894	44,894
Additional Reserve Contribution	1,500	3,400	3,400	4,100	1,500	1,500	1,500	1,500
TOTAL YEAR END FUND BALANCE	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394
Debt Service as a Percentage of Budget	31.0%	32.3%	32.3%	35.9%	38.2%	39.4%	40.4%	41.3%
Estimated Water Production (MGD)	170.0	170.0	170.0	170.5	171.0	171.5	172.0	172.5
Accumulated Add'l Reserve since FY04	12,000	15,400	15,400	19,500	21,000	22,500	24,000	25,500
Total Operating Reserve	28,000	31,400	31,400	35,500	37,000	38,500	40,000	41,500
Total Operating Reserve as a Percentage of Water and Sewer Revenue	6.0%	6.2%	6.2%	6.2%	6.0%	5.8%	5.6%	5.5%
Total Workyears (all funds)	1,476	1,681	1,681	--	--	--	--	--

Assumptions:

1. The County Executive's operating budget recommendation is for FY12 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
2. The FY13-17 projections reflect WSSC's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended budget for WSSC. The projected expenditures, revenues, and fund balances for these years may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed in the County Executive's Recommended FY12 water and sewer operating budget for WSSC.
3. The FY11 adopted and FY11 estimated spending affordability assumptions are the limits for FY11 implied by the budget jointly approved by Montgomery and Prince George's counties. The FY12 Proposed spending affordability figures are the spending affordability assumptions associated with WSSC's proposed FY12 budget. The FY12 recommended spending affordability assumptions are the spending affordability parameters associated with the County Executive's recommended WSSC budget for FY12. The FY13 - FY17 spending affordability figures correspond to the actual results for the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year.
4. The total FY11 estimated workyears shown correspond to the actual workyears as of December, 2010.



