

Worksession

MEMORANDUM

April 12, 2021

TO: Transportation and Environment Committee

FROM: Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Worksession: FY22 Operating Budget Washington Suburban Sanitary Commission (WSSCWATER)**¹

PURPOSE: To review the WSSCWATER FY22 Operating Budget and make recommendations to the Full Council

Budget Highlights

- Total FY22 Proposed Operating Budget is \$852.1 million, an increase of \$2.4 million (or 0.3 percent) from the Approved FY21 Operating Budget of \$849.7 million
- Proposed Rate Increase = 5.9 percent (consistent with Approved Spending Control Limits last Fall)
- Major Highlights/Changes:
 - Additional funding for critical information technology projects
 - Funding for maintenance and repairs at critical facilities
 - Funding \$1.2 million for hydraulic dredging at the Triadelphia reservoir
 - Funding \$3 million for water tank rehabilitations
 - •\$1million for a new Drinking Water Treatment Master Plan Study
 - Proposing limited compensation enhancements consistent with tentative agreement with AFSCME Local 2898
 - Four new positions (2 in Customer Service and 2 in Production) (1,786 authorized workyears)

Summary of Council Staff Recommendations

- System Development Charge
 - Concur with WSSCWATER to maintain System Development Charge (SDC) rates for FY22 at current approved levels
 - Concur with WSSCWATER to increase the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment (1.6 percent) as allowed for under State law. *NOTE: Final action on the charge will occur via action on a resolution in mid-May.*
- FY22 WSSCWATER Operating Budget
 - Approve the FY22 WSSCWATER Operating Budget as proposed by WSSCWATER and as recommended by the County Executive.

¹ Key words: #WSSCWATERBudget, Water and Sewer, WSSCWATER.

Attachments to this memorandum include:

- County Executive's Recommended FY22 Operating Budget Excerpt for WSSCWATER (©1-5)
- WSSCWATER FY22 Proposed Budget Excerpt (©6-49)²
- WSSCWATER FY22 Budget Summary Slides (©50-76)

The following officials and staff from WSSCWATER and the Executive Branch are expected to attend this meeting:

- Carla Reid, General Manager/CEO
 - Joe Beach, Deputy General Manager for Administration
 - James Price, Deputy General Manager for Operations
 - Monica Johnson, Deputy General Manager for Strategy and Partnerships
 - Karyn Riley, Director, Intergovernmental Relations
 - Patti Colihan, Chief Financial Officer
 - Letitia Carolina-Powell, Budget Division Manager
 - Mark Brackett, Strategic Financial Advisor
 - Julie Pohutsky, Budget Section Manager
 - Brian Halloran, Acting Capital Budget Section Manager
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- Steve Shofar, Division Chief, Intergovernmental Affairs, Department of Environmental Protection
 - Rafael Murphy, Fiscal & Policy Analyst, Office of Management and Budget

General Information about WSSCWATER

WSSCWATER provides public water and sewer services to 1.8 million residents in a sanitary district covering nearly 1,400 square miles in Montgomery and Prince George's Counties. WSSCWATER has 3 reservoirs and 2 water treatment plants (providing about 163 million gallons per day of drinking water) and maintains 7 wastewater treatment plants (including the Blue Plains Plant in Washington DC). WSSCWATER has approximately 6,000 miles of water mains and over 5,700 miles of sewer mains. WSSCWATER has about 475,000 customer accounts (see ©38 for more statistical information) and is one of the ten largest water and wastewater utilities in the country.

WSSCWATER's governing board consists of six commissioners—three 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 current commissioners are:

Montgomery County

Howard A. Denis, Chair
Fausto R. Bayonet
T. Eloise Foster

Prince George's County

Keith E. Bell, Vice Chair
Chris Lawson
Sandra L. Thompson

The current General Manager, Carla Reid, was appointed by the Commissioners in 2016.

An organizational chart (see ©5), the Chair's budget transmittal letter (©6-11), and other excerpts from the Proposed FY22 Budget are attached.

² WSSC's complete FY22 Proposed Budget is available [here](#).

About two-thirds of all WSSCWATER sewage and four-fifths of Montgomery County’s sewage (generated within the WSSCWATER service area) is treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. This plant is managed by DC Water.³ WSSCWATER makes operating and capital payments each year to DC Water, consistent with the Blue Plains Intermunicipal Agreement (IMA) of 2012. Blue Plains-related costs are a major element of WSSCWATER’s capital sewer program. The projected FY22 operating payment is \$59.2 million (6.9 percent of WSSCWATER’s Proposed Operating Budget).

Racial Equity and Social Justice Considerations

On December 2, 2019, the Council adopted Bill 27-19, Administration -Human Rights - Office of Racial Equity and Social Justice - Racial Equity and Social Justice Committee – Established. Among other provisions, this legislation requires the County Executive to submit a racial equity and social justice (RESJ) impact statement for each bill and each management initiative or program that would be funded in the operating or capital budget.

While the RESJ impact statement process for bills has moved forward, the County is in the very early stages of developing a process to incorporate RESJ considerations into the budgeting process.

While the RESJ law does not cover WSSCWATER, the Council is working to establish its own RESJ review processes and Council Staff asked WSSCWATER to provide information on how RESJ concerns are considered within WSSCWATER’s programs and budget process. Questions that the Office of Management and Budget asked Executive Branch departments this budget cycle were also forwarded to WSSCWATER.

While WSSCWATER does not have formal RESJ processes in place, WSSCWATER staff identified several ongoing programs that touch upon this issue. These include: Supplier Diversity and Inclusion (including implementation of WSSCWATER’s FY21 Disparity study), Workforce Diversity efforts, Customer Service (including WSSCWATER’s Customer Assistance Program), and Utility Services (tracking water main break and sanitary sewer overflow history by geographic areas and the communities they affect).

Council Staff will continue to coordinate with the Office of Racial Equity and Social Justice, OMB, and WSSCWATER on how to consider RESJ issues in the context of the WSSCWATER budget going forward.

Spending Control Limits

Background

In April 1994, the Council adopted Resolution No. 12-1558, which established a spending affordability process for the WSSCWATER budget. Under this process, which stems from the January 1994 report of the Bi-County Working Group on WSSCWATER Spending Controls, each Council appoints

³ The Montgomery and Prince George’s County Governments each have two representatives (with two alternates) on the eleven-member DC Water 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 board members only vote on “joint use” issues (i.e., issues affecting the suburban jurisdictions). These board members do not vote on issues affecting only the District of Columbia.

a Spending Affordability Committee (SAC). For Montgomery County, the SAC is the Transportation and Environment (T&E) Committee.

There are four spending control limits: Maximum Average Rate Increase, Debt Service, New Debt, and Total Water and Sewer Operating Expenses. **The spending control limits provide a ceiling regarding what the Councils direct WSSCWATER to propose in its budget. The limits do not cap what the Councils can ultimately approve each year.**

FY22 Spending Control Limits

Last fall, the two Councils came to agreement on FY22 spending control limits. Both Councils supported a rate increase limit of 5.9 percent, along with agreed-upon ceilings for New Water and Sewer Debt, Total Water and Sewer Debt Service, and Total Water/Sewer Operating Expenses. For additional information, please see the [Council Staff Report](#) from the Council’s worksession/action on FY22 Spending Control Limits.

The table below, shows how WSSCWATER’s Proposed FY22 Budget compares to the approved limits and to the County Executive’s FY22 budget recommendations. The FY22 Proposed WSSCWATER Budget is within each of the limits for New Debt, Water and Sewer Debt Service, and the Maximum Average Rate Increase. Water/Sewer Operating Expenses are up slightly (+\$900,000) but offset by revised revenue assumptions. Proposed new debt is substantially below the approved limit because of WSSCWATER’s suspension of the advanced metering infrastructure program and the debt assumed in this project. The County Executive’s assumptions reflect his support of the WSSCWATER budget as proposed.

**FY22 Spending Control Limits Approved by Each Council
versus the FY22 Proposed WSSC Budget and CE Recommendation**

Spending Control Limit Categories	Recommended Limits		WSSC	CE
	MC	PG	Proposed	Rec
New Debt (in \$000s)	427.9	427.9	409.7	409.7
Water and Sewer Debt Service (in \$000s)	309.7	309.7	309.0	309.0
Water/Sewer Operating Expenses (in \$000s)	841.4	841.4	842.3	842.3
Maximum Avg. Rate Increase	5.9%	5.9%	5.9%	5.9%

Long-Range Financial Plan

As it has done the past several years, WSSCWATER has included a financial forecast summary in its Proposed Operating Budget (see ©39). A similar chart is included in the Executive’s Recommended Operating Budget (see ©4). This forecast includes similar assumptions to those used in the spending control limits process each fall. Like Montgomery County’s fiscal plan, this forecast presents a scenario that assumes a balanced budget across the six-year period and meets WSSCWATER’s fund balance, cash-on-hand, and debt service coverage and debt service as a percentage of total expenditures targets.

This plan assumes no “additional and reinstated” items until FY25. The plan also assumes a substantial ramping up of PAYGO over the six-year period to help keep debt service at manageable levels.

The current pandemic has resulted in reduced revenue from increased bill delinquencies (up 135 percent during FY21; see ©55). Also, WSSC suspended late fees and turnoffs. There was also a significant reduction in nonresidential water consumption. WSSC instituted savings plans for FY20 and FY21 (one-time reductions) to address this revenue dip. Projected revenues for FY22 and beyond do not assume this

continued revenue shortfall. If delinquencies continue to rise, WSSC will need to institute another savings plan.

Under the above assumptions, the plan assumes a 5.9 percent rate increase in FY22 (as proposed) and 8.0 percent rate increases in FY23 and FY24, followed by 7.0 percent increases in FY25 and FY26. These rate increases are similar to those shown last year, with the exception that the FY22 rate increase in last year’s model was 8.0 percent and the FY23 and FY24 increases were 7.0 percent. Some rate increase history and comparisons to other jurisdictions is discussed in the next section of this memorandum.

WSSCWATER continues to face some substantial fiscal challenges, including ongoing capital responsibilities that are keeping debt service as a high percentage of the WSSCWATER budget (36 to 40 percent). At the same time, water usage by WSSCWATER’s customers is flat or declining. However, WSSCWATER has also been identifying productivity improvements in its operations over time (some of which are noted in the Commission Chair’s letter in the Proposed Budget (see ©8-9) and on ©58, such as WSSCWATER’s Supply Chain Management Transformation project, group insurance and Workers Compensation savings, and overtime reductions. WSSCWATER has had no net increase in positions since FY17. WSSCWATER also commissioned a benchmarking study several years ago, described in more detail later in this report.

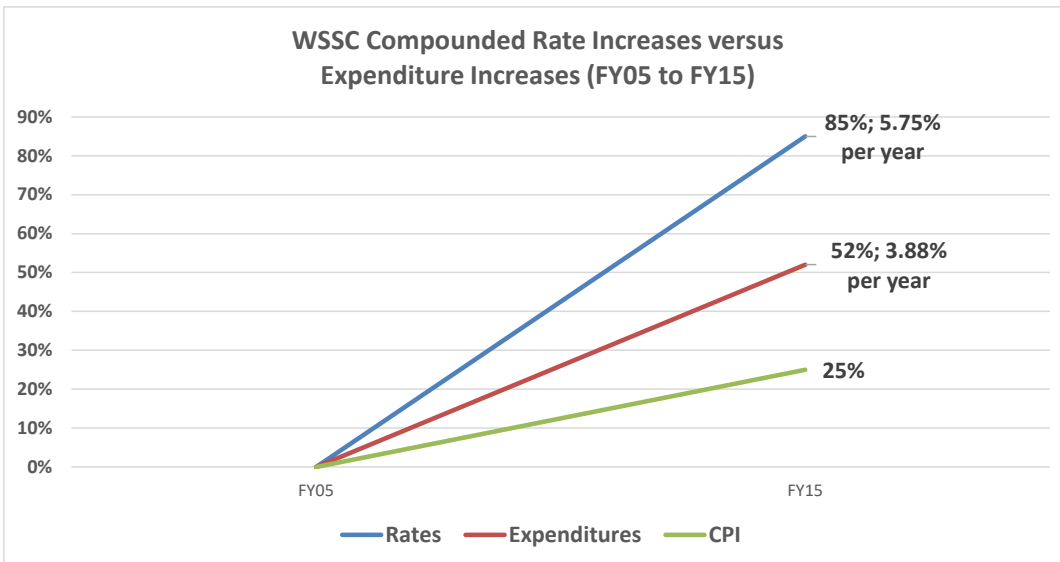
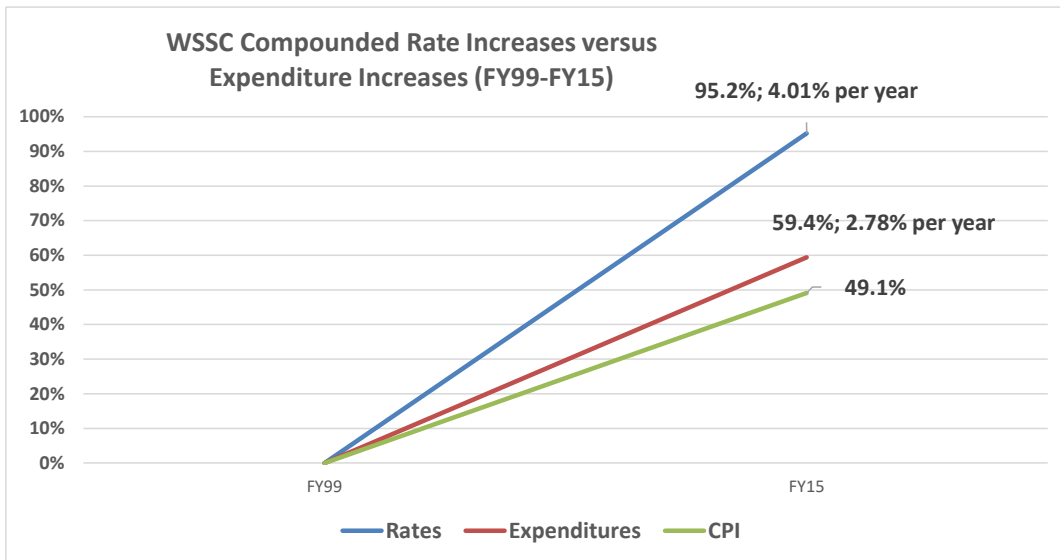
Rate Increase History

WSSCWATER Rate Increases Since FY99

The following table presents WSSCWATER’s rate increase history going back over 20 years and compares those increases to WSSCWATER’s Budget over that same period.

Rate Increase and Budget Increase Percentages		
Fiscal Year	Approved Rate Increase	Approved Budget in (000s)
FY99	0.0%	443,575
FY00	0.0%	445,946
FY01	0.0%	457,488
FY02	0.0%	463,921
FY03	0.0%	465,835
FY04	0.0%	448,580
FY05	3.0%	465,253
FY06	2.5%	494,347
FY07	3.0%	502,090
FY08	6.5%	525,874
FY09	8.0%	556,035
FY10	9.0%	590,531
FY11	8.5%	605,550
FY12	8.5%	626,145
FY13	7.5%	661,733
FY14	7.25%	698,773
FY15	5.50%	707,190
Cumulative Increase (FY99-15):	95.2%	59.4%
Cumulative Increase (FY05-15):	85.0%	52.0%

The following line graphs more starkly show the overall trends since FY99 and FY05.



These graphs highlight several key points about WSSCWATER rate increases since FY99 and since FY05.

- Rates increased 95.2 percent from FY99 through FY15 (prior to the change in the Account Maintenance Fee in FY16 and the phase-in of the Infrastructure Investment Fee in FY16 and FY17).
- The equivalent annual rate increase (to achieve the same 95.2 percent increase over that period) is 4.01 percent.
- Expenditures increased far less during that same period (59.4 percent; equivalent to a 2.78 percent increase per year).⁴

⁴ The rate of increase in water and sewer expenditures over time has been substantially lower than the rate of increase in water and sewer rates. This is because WSSCWATER's primary source of funding is from volumetric water and sewer fees. Water production has been flat over the past 20 years, despite increases in the population served, due to declining per capita water usage. Water conservation has a negative impact on WSSCWATER's rate revenue. This impact was exacerbated by WSSCWATER's billing structure during that time, which billed all water used at the average daily consumption tier reached during a billing period. Therefore, rate increases were needed to offset revenue shortfalls in addition to covering increased expenditures.

- The change in the consumer price index (CPI) from 1999 to 2015 was 49.1 percent.
- A similar analysis from FY05 to FY15 is shown in the second table. This comparison does not include the earlier five straight years of no rate increase, so the equivalent annual rate increase is higher. Expenditure increase percentages are also higher during this same period, but still well below the rate increases.

Finally, over the last 20 years, water and sewer utilities nationwide have experienced higher increases than other sectors (see ©56); likely the result of aging infrastructure (as WSSC is experiencing).

Rate Comparisons

The Proposed Operating Budget includes two charts (see ©32-33) showing residential bill comparisons for large water utilities across the country and a bill comparison for these same large water utilities as a percentage of median income. WSSCWATER is in the lower half for residential bill comparisons and near the bottom for the bill comparison as a percentage of median income.

WSSCWATER Fees and Charges

System Development Charge (SDC)

WSSCWATER’s Proposed CIP and draft Operating Budget assume no change in the SDC rate. However, WSSCWATER supports increasing the maximum rate the charge could be increased in future years by a CPI adjustment (1.6 percent) for FY22, as permitted under State law. The proposed charge and the maximum allowable charge are presented below.

Proposed SDC Charges

Item	FY22 Charge	Max. Allowable Charge
Apartment		
- Water	\$896	\$1,368
- Sewer	\$1,140	\$1,741
1-2 toilets/residential		
- Water	\$1,344	\$2,054
- Sewer	\$1,710	\$2,609
3-4 toilets/residential		
- Water	\$2,240	\$3,422
- Sewer	\$2,850	\$4,354
5 toilets/residential		
- Water	\$3,135	\$4,789
- Sewer	\$3,991	\$6,096
6+ toilets/residential*		
- Water	\$88	\$136
- Sewer	\$115	\$178
Non-residential*		
- Water	\$88	\$136
- Sewer	\$115	\$178

*costs shown are per fixture unit

The SDC fund itself is discussed in more detail in the Council Staff Report for the Proposed FY22-27 WSSCWATER CIP from April 13 (Agenda Item #8), available at the Council website [here](#).

Council Staff is supportive of WSSCWATER’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 to be approved in mid-May.*

At the Council’s discussion of the WSSCWATER CIP last year, Councilmembers Hucker and Riemer expressed support for revisiting WSSCWATER’s current process for providing SDC credits and reimbursements to developers who build large scale water/sewer infrastructure needed to gain serve for their project but which also provide benefits to other properties in the service area. The issue came up regarding a hotel project in downtown Silver Spring.

As a result of these concerns, WSSCWATER assembled a Bi-County workgroup consisting of staff from the County Council and Executive Branches of both Montgomery and Prince George’s Counties to review these issues. Currently, developers are eligible to be paid back for these improvements over 20 years. However, the payback is not guaranteed. It is contingent upon sufficient SDC revenues being collected by WSSCWATER from properties within the same sewer basin being received during that time. WSSCWATER is looking at eliminating the geographic requirement for the revenue reimbursement and guaranteeing the payback over a set period. However, these changes would require increases in the SDC rates to cover this increased liability to WSSCWATER. **This issue is still under development and will likely be discussed through a joint Council T&E/TIEE Committee briefing later this year.**

Account Maintenance Fee and Infrastructure Investment Fee

For FY16, the Councils approved a recalibrated account maintenance fee (AMF) and a new Infrastructure Investment Fee (IIF) (phased in over two years). The Approved FY17 WSSCWATER Budget reflected the full phase-in. No changes were made to either fee for FY18 through FY21. WSSCWATER is not recommending changes to either fee for FY22. Fee schedules for both are based on meter size. Most residential customers pay an AMF of \$16 per quarter and an IIF of \$12 per quarter. Ratepayers eligible for the customer assistance program have these fixed charges waived.

Given these fees have not been revised since FY16 and that WSSCWATER’s fixed fees are relatively low compared to other utilities (see ©34), Council Staff believes the level of these fees should be reviewed in the near future.

Customer Assistance Program

A customer assistance program was begun during FY16 after the State General Assembly passed the necessary enabling legislation during the 2015 legislative session. Under this program, WSSCWATER provides a substantial ongoing benefit to eligible residential customer accounts across the WSSCWATER service area (based on current Maryland Office of Home Energy Program eligibility in the two counties). The benefit includes waivers of the full Account Maintenance Fee (typically \$16 per quarter), the Infrastructure Investment Fee (\$12 per quarter), and the Bay Restoration Fee (\$15 per quarter). The monthly benefit (not counting the Bay Restoration Fee waiver) for most eligible residential customers is \$9.33 per month (\$112 per year). WSSCWATER is seeing growth in program participation, with 14,566 customers enrolled as of April 2021. The FY22 budget assumes \$1.2 million in fixed fee waivers which would cover up to 18,750 customers.

WSSCWATER has been seeking to expand the program to include tenants in multi-unit homes. In many of these situations, the tenant is an “indirect” WSSCWATER customer, receiving WSSCWATER

water and discharging into WSSCWATER’s sewer system but paying for water/sewer through monthly rent payments or through apartment/condo association fees.⁵

WSSCWATER plans to begin this fall to determine criteria and draft a strategic plan to develop an Indirect Customer Assistance Program. Multi-family master-metered accounts are also currently eligible to receive assistance through bill adjustments, under certain circumstances, and flexible payment plans.

As mentioned earlier, the current pandemic has resulted in a substantial increase in WSSC’s delinquent accounts (up 135 percent during FY21). WSSC continues to offer payment plans to these customers as well as encouraging participation in the Customer Assistance Program (CAP).

Other Fees

A list of WSSCWATER fees (and proposed revenue changes) is attached on ©19-28. Most of these fees have to do with construction activity and not with general customer activities.

WSSCWATER staff meet regularly with representatives from the Maryland Building Industry Association (MBIA) to go over issues of concern as well as the cost basis for proposed fee increases and WSSCWATER’s annual process and methodology. The Council has not received any correspondence or public hearing testimony from MBIA or others on the FY22 fee increases to date.

FY22 Revenue Projections and Funds Available

WSSC Water and Sewer Operating Funds Revenue and Expenditure Trends: FY21 to FY22

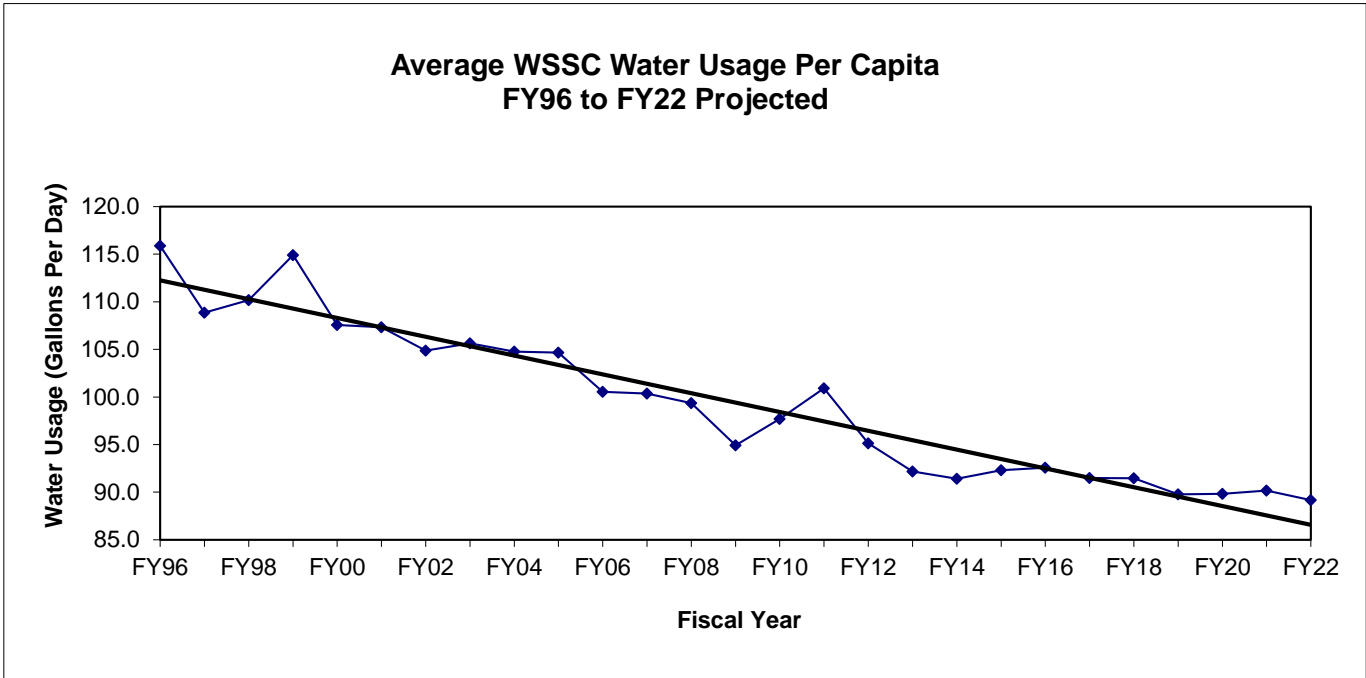
Combined Revenue	Approved FY21	Proposed FY22	change	% change	Impact on Rate (%)
Water and Sewer Rate Revenue (FY21 rates)	689,210,000	677,812,000	(11,398,000)	-1.7%	1.68
Customer Affordability Program			-	n/a	-
Account Maintenance Fee	32,360,000	31,866,000	(494,000)	-1.5%	0.07
Infrastructure Renewal Fee	39,410,000	38,808,000	(602,000)	-1.5%	0.09
Rockville Sewer Use	3,000,000	3,100,000	100,000	3.3%	(0.01)
Plumbing and Inspection Fees	14,470,000	14,350,000	(120,000)	-0.8%	0.02
Interest Income	10,000,000	1,000,000	(9,000,000)	-90.0%	1.33
Miscellaneous	20,801,000	21,600,000	799,000	3.8%	(0.12)
Total Revenues	809,251,000	788,536,000	(20,715,000)	-2.6%	3.06
Use of Fund Balance	8,000,000	-	(8,000,000)	-100.0%	1.18
Premium Transfer	1,500,000	-	(1,500,000)	-100.0%	0.22
Underwriters Discount Transfer	2,000,000	2,000,000	-	0.0%	-
Adjustments for REDO and SDC Debt Service Offset	15,272,000	11,772,000	(3,500,000)	-22.9%	0.52
Funds Available	836,023,000	802,308,000	(33,715,000)	-4.0%	4.97

Revenue trends were discussed in detail during last fall's spending control limits process. The above chart compares WSSCWATER's FY22 revenue assumptions (assuming no water/sewer rate increase) with FY21 approved revenues. The chart shows that water/sewer volumetric rate revenue (WSSCWATER's dominant source of revenue) is expected to drop about \$11.4 million. According to WSSCWATER, this deficit is related to it writing down revenue from sewer charges based on an analysis of revenue trends over the past several years. This reduced revenue results in a rate impact of about 1.68 percent. Interest income is also written down based on recent history, resulting in a rate impact of 1.33 percent. Overall revenue is projected to be down by \$20.7 million (with a rate impact of 3.1 percent).

⁵ During the 2019 legislative session, State legislation was passed (HB325 “WSSCWATER – Indirect Customer Assistance Program”) which gives WSSCWATER the enabling authority to provide assistance to “indirect” customers.

WSSCWATER is also zeroing out its use of fund balance in FY22. This is an \$8.0 million drop from FY21. The FY21 use of fund balance covered some one-time FY21 IT expenditures. The use of REDO and SDC Debt Service Offset is also down \$3.5 million. Therefore, overall, funds available are down by about \$33.5 million (equivalent to a 4.94 percent rate increase). However, the impacts from the changes in use of fund balance, REDO, and SDC Debt Service Offset are one-time.

This trend of flat to declining revenues is not new and is the result of overall water consumption in the WSSCWATER service area being essentially unchanged from 25 years ago, despite 26.3 percent growth in the WSSCWATER customer base over that same time. Per capita water usage is down 23.1 percent since FY96. While water conservation is a good thing from an environmental standpoint, it means WSSCWATER's dominant revenue source has been stagnant, putting more pressure on rates. WSSCWATER's unique rate structure in place until FY21 (where customers were billed at the highest tier into which their water usage fell) exacerbated this revenue decline as per capita usage went down. The new rate structure put in place for FY21, results in less revenue volatility as per capita usage changes.



FY22 WSSCWATER Proposed Budget Expenditures

Summary Charts

The following chart presents summary budget data for WSSCWATER for the FY21 Approved and FY22 Proposed Budgets.

WSSC Expenditures by Fund (in \$000s)

	Approved	Proposed	Change	
	FY21	FY22	\$\$	%
Capital				
Water Supply	256,499	291,667	35,168	13.7%
Sewage Disposal	308,014	384,600	76,586	24.9%
General Construction	40,869	27,478	(13,391)	-32.8%
Total Capital	605,382	703,745	98,363	16.2%
Operating				
Water Operating	365,190	380,565	15,375	4.2%
Sewer Operating	470,833	461,734	(9,099)	-1.9%
Subtotal W&S Operating	836,023	842,299	6,276	0.8%
Interest and Sinking	13,633	9,794	(3,839)	-28.2%
Total Operating	849,656	852,093	2,437	0.3%
Grand Total	1,455,038	1,555,838	100,800	6.9%

The combined total of the FY22 Capital and Operating Budgets is \$1.56 billion, an increase of \$100.8 million (or 6.9 percent) from the Approved FY21 amount of \$1.46 billion.

The total proposed FY22 Operating Budget is \$852.1 million, an increase of \$2.4 million (or 0.3 percent) from the Approved FY21 Operating Budget of \$849.7 million.

The following chart summarizes the Approved and Proposed operating expenditures by major category.

Total Operating Expenditures by Category

Expense Categories	Approved	Proposed	Change	
	FY21	FY22	\$\$	%
Salaries and Wages	128,369	133,730	5,361	4.2%
Heat, Light, and Power	20,431	18,501	(1,930)	-9.4%
Regional Sewage Disposal	58,000	59,160	1,160	2.0%
All Other	317,263	323,875	6,612	2.1%
Debt Service	325,593	316,827	(8,766)	-2.7%
Total	849,656	852,093	2,437	0.3%

Regional sewage disposal costs are paid by WSSCWATER to DC Water to cover WSSCWATER's portion of costs for the Blue Plains Wastewater Treatment Plant's operations. The costs are based on actual flows. For FY22, the amount is proposed at \$59.2 million, an increase of \$1.1 million from FY21.

The heat, light, and power category is down by about \$1.93 million from FY21 (-9.4 percent). This decrease is mainly due to the lower projected electricity consumption (1.7% decrease) and a decreased Unit Energy Price (8.7% decrease)

Over the past decade, WSSCWATER has pursued a number of electricity retrofit initiatives, funded mostly through a large performance contract with Constellation Energy, that have helped offset operational changes increasing WSSCWATER’s energy requirements (such as installation of ultraviolet disinfection processes). Also, reduced infiltration and inflow into WSSCWATER’s sewer lines (thanks to sewer line rehabilitation efforts) has resulted in reduced flows to wastewater treatment plants and thereby reduced energy requirements as well.

WSSCWATER also had made a major long-term investment in wind power through wholesale purchases from a wind farm in Pennsylvania. The current contract covers approximately 30 percent of WSSCWATER’s power needs at fixed kWh rates.

Total debt service is down \$8.8 million (2.7 percent) in FY22. Rate-supported debt service is down about \$4.8 million. Much of this savings was already assumed as part of the Spending Control Limits process last Fall. WSSCWATER has done bond refundings, experienced lower than expected interest rates, and secured some additional bond premiums which required less new project debt. However, as noted earlier, the AMI project costs were removed which also added some savings in FY22 and beyond.

“All Other” Costs

The “All Other” category includes all operating costs not otherwise broken out above. The following table breaks out the major categories in the “All Other” category.

"All Other" Category Breakout

Categories	Approved	Proposed	Change	
	FY21	FY22	\$	%
Services by Others & Prof. Serv.	105,934	120,407	14,473	13.7%
Employee Benefits	60,250	64,689	4,439	7.4%
Outside Engineering	19,326	19,890	564	2.9%
Contract Work	22,446	21,337	(1,109)	-4.9%
Materials	14,128	14,311	183	1.3%
Contract Restoration	14,400	13,784	(616)	-4.3%
Chemicals	14,039	13,103	(936)	-6.7%
Miscellaneous Items	34,470	27,457	(7,013)	-20.3%
Total	284,993	294,978	9,985	3.5%

In total, “All Other” costs are \$295 million in FY22 which is an increase of 3,5 percent from FY21.

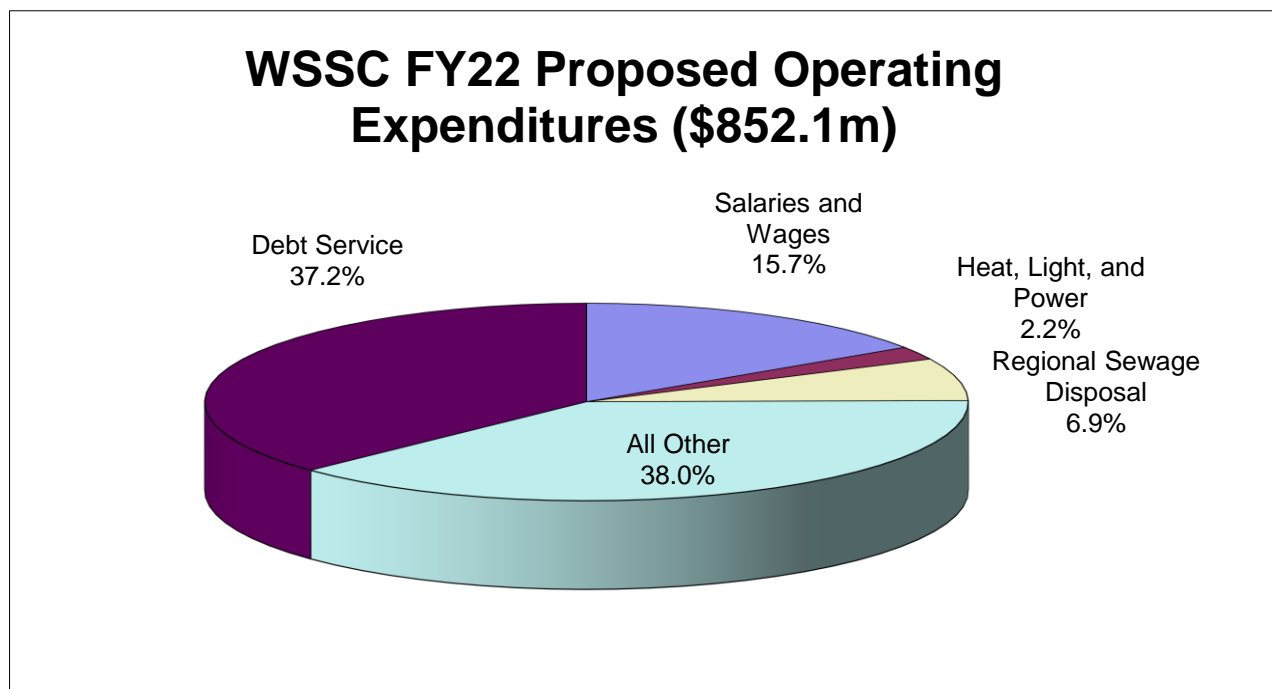
The largest increase in the “All Other” category is in the Services by Others & Professional Services category (+\$14.5 million). WSSCWATER has noted that these increases are for:

- *\$4.0M for several IT projects includes continuing Project Cornerstone post-production, enhancing our cybersecurity program, adding a new paving tracking system and adding new asset management/work management software for the Utility Services Department.*
- *\$3M for Water Tank Rehabilitation. Although it was not part of the FY2021 budget, it was initiated in FY 2021 to address needed tank rehabilitations going forward. The FY22 budget provides for recoating the three 1.5 million-gallon Water Storage Facilities. The coating systems have a life expectancy of 15 years and the facilities have been in service for 26 years. Internal bowl inspection shows corroded roof beams in all three.*
- *\$2.6M for Paving, Roofs, HVAC, and Storm Water Pollution Prevention provides additional funding for enhanced maintenance and repairs that have been under funded in past budgets.*

- *\$1.3M for Triadelphia Reservoir hydraulic dredging which is a one-time cost for Brighton Dam maintenance.*
- *\$2.5M for Cornerstone Organizational Development including technology enhancements, documentation and operational support, and additional employee support on new processes and data reporting.*
- *\$1M for a new Drinking Water Treatment Master Plan Study. A comprehensive treatment study would position WSSC Water to safely and reliably meet demand and water quality standards 30 years into the future. The most recent treatment study evaluating both capacity and water quality objectives was completed about 20 years ago in 2002. Besides the impacts on water supply reliability, climate change also presents new water quality challenges not considered in past studies. With the reverse of acid rain comes higher environmental levels of total organic carbon, affecting disinfection byproducts. Unpredictable winter weather and salt runoff is here to stay, affecting corrosivity. Algal toxins may be more prevalent in the future. The study will span over several years.*

Salary and Wages and Compensation

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



WSSCWATER’s personnel costs (and increases) are a small part of WSSCWATER’s budget. The ratepayer impact of all salary changes from FY21 to FY22 (not just enhancements) is \$5.3 million (4.2 percent), which equates to about a 0.78 percent rate increase.

Even adding employee benefits⁶ (which are included in the “All Other” category), personnel costs for FY22 make up less than 24 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County Government, where personnel costs are 52 percent of County Government expenditures in

⁶ Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other” expense category and total about \$64.7 million for FY22.

the FY22 Recommended Budget. MCPS's personnel costs have historically represented about 90 percent of its budget.

Four new positions are requested:

- Two positions in the Production unit related to the overall long-term operation and maintenance of the Anaerobic Digestion/Combined Heat & Power (AD/CHP) facility at the Piscataway Water Resource Recovery Facility (WRRF) and to manage the contractual and regulatory issues related to biosolids and residuals (Total cost = \$201,000) and
- Two supervisor positions in the Customer Service Department (CSD) dedicated to addressing WSSC Water's delinquencies (Total cost = \$252,800. In addition to the 10 new positions noted earlier, about \$826,000 of this increase is for bonus pay in lieu of COLAs and merit pay.

In addition, WSSC is proposing to fill six positions in the Customer Service Division (already in the budget but previously frozen) to address the growth in delinquencies.

Compensation: The Approved FY21 WSSCWATER Budget assumes no merit pay or COLAs for employees. This month, Commissioners will take up a negotiated Union agreement which includes \$1,250 payments in FY21 for WSSC employees who worked 50% or more on-site during FY21 or FY21. For FY22, the agreement includes \$750 payments to all employees in lieu of merit pay or COLAs in FY22.

Note: since WSSCWATER's budget is funded by ratepayers rather than by tax dollars, WSSCWATER's compensation increases do not directly compete for the same tax-supported funding that covers other County agency employees. However, in past years 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. Once decisions are finalized regarding County Government employee compensation, the WSSCWATER employee compensation can be revisited if necessary.

Balancing Revenues and Expenditures

Each 1.0 percent of rate increase provides an estimated \$6.8 million in revenue. WSSCWATER's Proposed Budget assumes a 5.9 percent rate increase with no changes assumed for its Account Maintenance Fee or Infrastructure Investment Fee. The following chart presents all the elements (plus and minus) that go into the rate increase request for FY22.

WSSC Water and Sewer Operating Funds Revenue and Expenditure Trends: FY21 to FY22

Combined Revenue	Approved FY21	Proposed FY22	change	% change	Impact on Rate (%)
Water and Sewer Rate Revenue (FY21 rates)	689,210,000	677,812,000	(11,398,000)	-1.7%	1.68
Customer Affordability Program			-	n/a	-
Account Maintenance Fee	32,360,000	31,866,000	(494,000)	-1.5%	0.07
Infrastructure Renewal Fee	39,410,000	38,808,000	(602,000)	-1.5%	0.09
Rockville Sewer Use	3,000,000	3,100,000	100,000	3.3%	(0.01)
Plumbing and Inspection Fees	14,470,000	14,350,000	(120,000)	-0.8%	0.02
Interest Income	10,000,000	1,000,000	(9,000,000)	-90.0%	1.33
Miscellaneous	20,801,000	21,600,000	799,000	3.8%	(0.12)
Total Revenues	809,251,000	788,536,000	(20,715,000)	-2.6%	3.06
Use of Fund Balance	8,000,000	-	(8,000,000)	-100.0%	1.18
Premium Transfer	1,500,000	-	(1,500,000)	-100.0%	0.22
Underwriters Discount Transfer	2,000,000	2,000,000	-	0.0%	-
Adjustments for REDO and SDC Debt Service Offset	15,272,000	11,772,000	(3,500,000)	-22.9%	0.52
Funds Available	836,023,000	802,308,000	(33,715,000)	-4.0%	4.97
Expenditures					
Salaries & Wages	127,726,000	133,039,000	5,313,000	4.2%	0.78
Heat, Light & Power	20,423,000	18,493,000	(1,930,000)	-9.5%	(0.28)
Regional Sewage Disposal	58,000,000	59,160,000	1,160,000	2.0%	0.17
All Other	284,993,000	294,977,000	9,984,000	3.5%	1.47
Debt Service	313,865,000	309,045,000	(4,820,000)	-1.5%	(0.71)
PAYGO	31,016,000	27,585,000	(3,431,000)	-11.1%	(0.51)
Total Expenditures	836,023,000	842,299,000	6,276,000	0.8%	0.93
Gap	-	39,991,000			-
Rate Increase Requirement		5.9%			

Overall, the gap at current volumetric rates is \$39.99 million; equivalent to the 5.9 percent rate increase . Of this gap, the change in expenditures from FY21 to FY22 is a very small piece of the rate increase (\$6.3 million or an equivalent rate increase of 0.93 percent). As noted earlier, debt service is down slightly in FY22 because of the suspension of the advanced metering infrastructure project. The Heat, light, and power category is also down. Salary and wage increases add about a 0.78 percent rate increase. However, the bulk of the rate increase impact from expenditures is in the “All Other category (\$9.98 million, 1.47 percent rate increase impact) discussed earlier.

However, WSSC had to make reductions during its internal budget process to meet the 5.9 percent rate increase requirement. These reductions are summarized on ©61.

Also, as in past years, WSSCWATER has identified service improvements it supports but that could not fit within the Proposed Budget including:

- a unidirectional flushing program of the water distribution pipe network to reduce discolored water complaints and improve water quality
- Large Valve Repair & Replacement Inspections – Backlog of repairs for 16 to 24-inch valves
- Testing all 43,000 fire hydrants on a ten-year cycle as recommended by the American Waterworks Association to improve firefighting capabilities and reduce contamination of public water supplies by backflow.
- Adding Plumbing & Gasfitting Inspectors to protect public health, safety, and welfare
- Implement the WSSCWATER Water Right-of-Ways maintenance program to address routine and emergency access issues to WSSCWATER Water assets

As recommended in past years, Council Staff suggests that these issues (as well as WSSCWATER's overall fiscal constraints going forward be revisited as part of next fall's spending control limits process.

Summary of Council Staff Recommendations

Council Staff concurs with WSSCWATER to maintain System Development Charge (SDC) rates for FY22 at current approved levels and to increase the maximum chargeable rate (the rate the charge could be increased in the future) by a CPI adjustment (1.6 percent) as allowed for under State law. *NOTE: Final action on the charge will occur via action on a resolution in mid-May.*

Council Staff recommends approval of the FY22 WSSCWATER Operating Budget as proposed by WSSCWATER and as recommended by the County Executive.

Attachments

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WSSC Water

MISSION STATEMENT

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

WSSC WATER'S PROPOSED BUDGET

WSSC Water's proposed budget is not detailed in this document. The Commission's full budget can be obtained from WSSC Water's Budget Group at the WSSC Water Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707 (telephone: 301.206.8000) or from their website at <https://www.wsscwater.com/budget>.

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 Water 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 Water to their respective County Councils.

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

Accomplishments and Initiatives

- Operating and maintaining a system of three reservoirs impounding 14 billion gallons of water, two water filtration plants, six water resource recovery facilities, 6,000 miles of water mains, and over 5,700 miles of sewer mains, 24 hours a day, seven days a week.
- Treating or delivering 163 Million Gallons per Day (MGD) of water to over 475,000 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards.
- Replacing 37.5 miles of water main and 45.4 miles of sewer main and lateral lines.
- Restoring normal service within 24 hours from when the agency is notified of an emergency, and to limit time a customer is

without water service to less than 6 hours.

- More than doubling the Customer Assistance Program (CAP) from \$900,000 in FY21 to \$2.1 million in FY22 to help those economically impacted by the COVID pandemic.

Spending Control Limits

The spending control limits process requires that the two counties set annual ceilings on WSSC Water'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 FY22 spending control limits adopted by the Montgomery and Prince George's County Councils, compared to the spending control results projected under WSSC Water's Proposed FY22 Budget and under the County Executive's Recommended Budget for WSSC Water. The Commission's Proposed Budget complies with all of the spending control limits approved by the two County Councils except for the Total Water and Sewer Operating Expenses which are slightly higher than the approved ceiling. These additional operating costs will be recouped with additional miscellaneous fee income.

FY22 Spending Control Limits Comparison				
SPENDING CONTROL LIMITS	Approved Spending Control Limits		Projected Levels Under	
	Montgomery	Prince George's	WSSC's	County Executive
	County	County	Proposed Budget	Recommended Budget
Maximum Average Water/Sewer Rate Increase	5.9%	5.9%	5.9%	5.9%
New Debt (\$millions)	\$427.9	\$427.9	\$409.7	\$409.7
Water and Sewer Debt Service (\$millions)	\$309.7	\$309.7	\$309.0	\$309.0
Total Water and Sewer Operating Expenses (\$millions)*	\$841.4	\$841.4	\$842.3	\$842.3

* Covered by offsetting non rate related funding sources.

Source: WSSC Water FY22 Proposed Budget

County Executive Recommendations

Operating Budget

The County Executive recommends that WSSC Water's proposed FY22 budget be approved with a water and sewer rate increase of 5.9 percent in FY22 consistent with the Commission's resource needs outlined in their proposed budget.

Capital Budget

The County Executive recommended the WSSC Water FY22-27 Capital Improvements Program (CIP) budget be approved as submitted by the Commission.

Expenditures by Category - FY22 WSSC Water Proposed and Executive Recommended
(\$000s)

Expenditure Categories	WSSC Water	WSSC Water	CE	CE	CE	% Change (CE Rec. vs. WSSC Water Proposed)
	Total	Total	Capital	Operating	Total	
	Approved FY21	Proposed FY22	Recommended FY22	Recommended FY22	Recommended FY22	
Salaries and Wages	155,552	160,488	27,449	133,039	160,488	0.0%
Heat, Light, & Power	20,700	18,715	222	18,493	18,715	0.0%
Regional Sewage Disposal	58,000	59,160	--	59,160	59,160	0.0%
Contract Work	353,066	444,405	444,405	--	444,405	0.0%
Consulting Engineers	77,183	79,614	79,614	--	79,614	0.0%
All Other	432,023	447,032	152,055	294,977	447,032	0.0%
PAYGO	31,016	27,585	--	27,585	27,585	0.0%
Reserve Contribution	--	--	--	--	--	--
Debt Service	<u>319,883</u>	<u>309,045</u>	--	<u>309,045</u>	<u>309,045</u>	0.0%
Total Budget	1,447,423	1,546,044	703,745	842,299	1,546,044	0.0%

Note: Total expenditures include the water and sewer operating funds and the three capital funds.

Source: WSSC Water FY22 Proposed Operating Budget

FY22 fiscal projections for all funds and budgets are shown below.

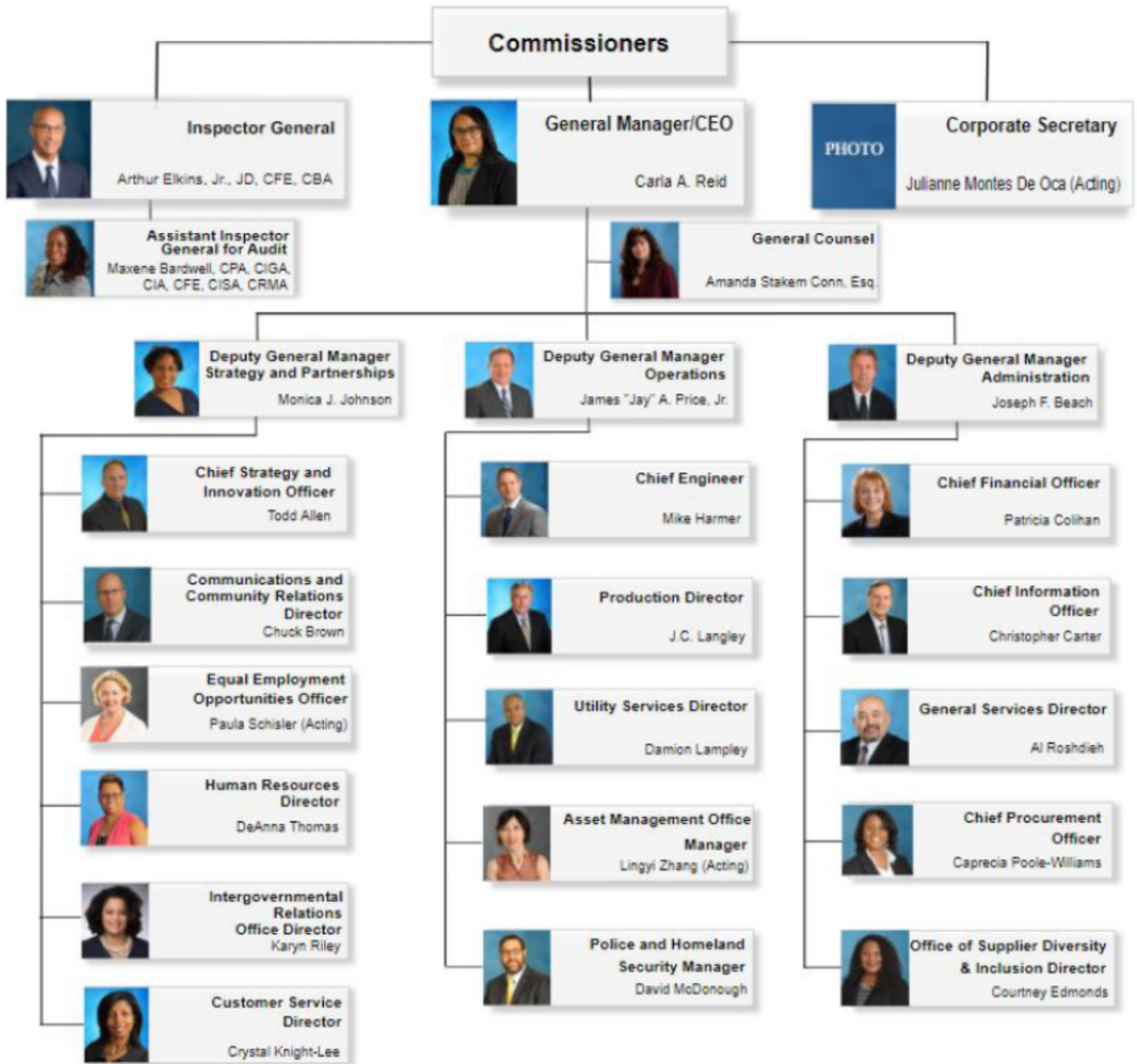
PROGRAM CONTACTS

Contact Letitia Carolina-Powell of the WSSC Water at 301.206.8379 or Rafael Pumarejo Murphy of the Office of Management and Budget at 240.777.2775 for more information regarding this agency's operating budget.

WSSC Water PROPOSED BUDGET: SIX-YEAR FORECAST FOR WATER AND SEWER OPERATING FUNDS

FISCAL PROJECTIONS	FY21 APPROVED	FY22 CE REC	FY23 PROJECTION	FY24 PROJECTION	FY25 PROJECTION	FY26 PROJECTION	FY27 PROJECTION
SPENDING AFFORDABILITY RESULTS							
New Water and Sewer Debt (\$millions)	\$409.9	\$409.7	\$415.6	\$356.4	\$350.0	\$350.0	\$350.0
Total Water and Sewer Operating Expenses (\$millions)	\$836.0	\$842.3	\$879.0	\$929.9	\$994.3	\$1,043.8	\$1,094.5
Debt Service (\$millions)	\$313.9	\$309.0	\$328.5	\$352.2	\$377.5	\$398.4	\$418.5
Average Water and Sewer Rate Increase	6.0%	5.9%	8.0%	8.0%	7.0%	6.5%	6.0%
BEGINNING FUND BALANCE (\$000)	147,605	162,291	162,291	171,665	191,711	205,715	230,353
REVENUES (\$000)							
Water and Sewer Rate Revenue	689,210	717,803	765,097	827,329	886,354	945,173	1,003,177
Interest Income	10,000	1,000	1,000	1,500	2,000	2,500	3,000
Account Maintenance Fee	32,360	31,866	31,930	31,994	32,058	32,122	32,186
Infrastructure Investment Fee	39,410	38,808	38,886	38,963	39,041	39,119	39,198
Miscellaneous	38,271	39,050	39,697	40,358	41,036	41,728	42,438
Total Revenues	809,251	828,527	876,610	940,144	1,000,489	1,060,642	1,119,999
SDC Debt Service Offset	5,772	5,772	5,772	5,772	5,772	5,772	5,748
Reconstruction Debt Service Offset (REDO)	9,500	6,000	4,000	2,000			
Use of Fund Balance	8,000						
Premium Transfer	1,500						
Underwriters Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Miscellaneous Offset							
TOTAL FUNDS AVAILABLE	836,023	842,299	888,382	949,916	1,008,261	1,068,414	1,127,747
EXPENDITURES (\$000)							
Salaries and Wages	127,726	133,039	138,813	145,059	151,587	158,408	165,537
Heat, Light, and Power	20,423	18,493	19,233	20,003	19,191	18,413	19,278
Regional Sewage Disposal	58,000	59,160	60,343	61,550	62,781	64,037	65,317
Debt Service	313,865	309,045	328,519	352,154	377,451	398,406	418,476
PAYGO	31,016	27,585	31,016	44,000	65,000	80,000	80,000
All Other	284,993	294,977	301,084	307,105	313,247	319,512	325,903
Reserve Contribution							
Unspecified Expenditure Reductions					5,000	5,000	20,000
TOTAL USE OF RESOURCES	836,023	842,299	879,008	929,870	994,257	1,043,776	1,094,511
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	9,374	20,046	14,004	24,638	33,236
YEAR END FUND BALANCE w/o additional reserve contribution	147,605	162,291	171,665	191,711	205,715	230,353	263,589
Additional Reserve Contribution	14,686						
TOTAL YEAR END FUND BALANCE	162,291	162,291	171,665	191,711	205,715	230,353	263,589
Debt Service as a Percentage of Water and Sewer Operating Budget	37.5%	36.7%	37.4%	37.9%	38.0%	38.2%	38.2%
Total End of Fiscal Year Operating Reserve	162,291	162,291	171,665	191,711	205,715	230,353	263,589
Total Operating Reserve as a Percentage of Water and Sewer Rate Revenue	20.1%	19.6%	19.6%	20.4%	20.6%	21.7%	23.5%
Total Workyears (all funds)	1,776	1,786	1,786	1,786	1,786	1,786	1,786

- Assumptions:**
- The County Executive's operating budget recommendation is for FY22 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
 - The FY23-27 projections reflect WSSC Water's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended budget for WSSC Water. 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 FY22 water and sewer operating budget for WSSC Water.
 - The FY22 estimated spending affordability results are the values for the four spending affordability parameters implied by the FY21 budget jointly approved by Montgomery and Prince George's counties. The FY22 Proposed spending affordability results are the values of the spending affordability parameters associated with WSSC Water's proposed FY21 budget. The FY22 recommended spending affordability results are the spending affordability parameters associated with the County Executive's recommended WSSC Water budget for FY22. The FY23-27 spending affordability figures correspond to the values of the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year and are provided by WSSC Water.
 - The total FY21 estimated workyears shown correspond to the actual workyears as of December, 2020.
 - Estimates of revenue in FY23-27 assume the rate increases projected by WSSC Water in the Average Water and Sewer Rate Increase line.
 - In the projection for FY23-27 additional unspecified expenditure reductions are included to close WSSC Water's projected revenue shortfall in these years.
 - Totals in this chart and WSSC Water's FY22 Proposed Long-Range Fiscal Plan for Water and Sewer Operating Funds may not match due to rounding.





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GENERAL MANAGER
Carla A. Reid

March 1, 2021

The Honorable Angela D. Alsobrooks, Prince George's County Executive
The Honorable Marc Elrich, Montgomery County Executive
The Honorable Calvin S. Hawkins, Chair, Prince George's County Council
The Honorable Tom Hucker, President, Montgomery County Council

Dear Ms. Alsobrooks, Mr. Elrich, Mr. Hawkins, and Mr. Hucker:

We are hereby transmitting WSSC Water's Proposed Fiscal Year 2022 (FY 2022) Capital and Operating Budget document. This document is released and distributed on this date for review by interested customers, citizens and elected officials.

This Proposed Budget reflects our continued mission to our customers to provide safe and reliable water, life's most precious resource, and return clean water to the environment, all in an ethical, sustainable, and financially responsible manner. The programs, goals, and objectives included in this budget seek to achieve WSSC Water's mission through the following strategic priorities:

- Enhance Customer Experience
- Optimize Infrastructure
- Spend Customer Dollars Wisely
- Transform Employee Engagement
- Protect Our Resources

FY 2022 PROPOSED CAPITAL AND OPERATING BUDGETS

The FY 2022 Proposed Budget for all operating and capital funds totals \$1.556 billion or \$100.8 million (6.9%) more than the Approved FY 2021 Budget. The Proposed Operating Budget of \$852.1 million represents an increase of \$2.4 million (0.3%) over the FY 2021 Approved Operating Budget of \$849.7 million. This is basically a same service level budget with modest increases to fund essential improvements, including much needed repairs at our facilities, Triadelphia Reservoir dredging to remove accumulated sediment, and cybersecurity enhancements to protect customer information. Funding is also included for organizational development to enable successful transitions to new and

upgraded systems and a Drinking Water Treatment Master Plan Study. The costs of these improvements are partially offset by reduced debt service expenses.

The Proposed Capital Budget of \$703.7 million represents an increase of \$98.3 million (16.2%) from the FY 2021 Approved Capital Budget of \$605.4 million. This increase is due to the ramping up of construction on the Piscataway Bioenergy Project and the addition of five new wastewater pumping stations and force main replacement projects to address aging assets that are at or beyond their useful life. All costs and related increased revenues associated with the Advanced Metering Infrastructure Project have been removed from the Proposed FY 2022 operating and capital budgets.

The Proposed Budget calls for a combined 5.9% average increase in water and sewer consumption revenue. This proposed increase meets the Spending Affordability Guidelines as recommended by both Prince George's and Montgomery counties. Of the increase, 5.1% is driven by an expected decrease in sewer revenue based on historic trends, lower projected interest income and a reduced reliance on fund balance. Even with this change, WSSC Water rates continue to be favorable when compared to many similar sized water and sewer utilities. The average WSSC Water customer's residential bill is approximately 1.0% of the median household income (see Section 3). As the account maintenance and infrastructure investment fees remain flat for the sixth year, the rate increase will add approximately \$11.83 (5.2% bill increase) per quarter to the bill of a customer using 165 gallons per day, based upon an average per person consumption of 55 gallons per day for a three-person household.

It is important to point out that WSSC Water's budget is capital intensive and driven by changes in the construction market, commodity prices and tariffs, rather than the more commonplace consumer price index. Other investments drive our budget, including: compliance with the Sanitary Sewer Overflow (SSO) and the Potomac Plant Consent Decrees; environmental regulation directives; maintaining the security of our water infrastructure and for our employees working in the field; and, Information Technology improvements to streamline our business processes and safeguard our networks. Many of these costs are legally mandated and not easily deferred or reduced.

FINANCIAL ASSISTANCE PROGRAMS

Like many utilities across the country, WSSC Water continues to face the challenge of balancing increasing costs for infrastructure and operations with affordability considerations for our customers. While the average costs to ensure access to safe, clean drinking water and efficient wastewater treatment compares favorably to other household utilities and expenses, more residents are struggling to meet their monthly expenses during these unprecedented and uncertain times. The Customer Assistance Program (CAP), created in FY 2016 to help financially struggling customers by providing assistance with water and sewer bills, has provided relief to thousands of our customers this year. The CAP will continue in FY 2022 and is proposed to increase by \$1.2 million from the FY 2021 budgeted revenue offset of \$888,000 to \$2.1 million.

In addition, in accordance with House Bill 408, enacted in the FY 2018 legislative session, the Proposed Budget includes \$100,000 to fund the third year of the Pipe Emergency Replacement Loan Program (PipeER), which provides loans of up to \$5,000 per eligible residential customer to finance the replacement of leaking on-property water service lines. The remaining balance in the loan fund is

returned to WSSC Water. Beginning in FY 2021, WSSC Water will transfer those available funds to the Water Fund.

SPENDING AFFORDABILITY GUIDELINE LIMITATIONS

To reconcile our departments' initial FY 2022 requests with the counties' Spending Affordability Guidelines, a funding gap of \$14 million was closed. Actions included limiting growth for certain programs and the very difficult decision not to reinstate important programs and functions that were removed in previous fiscal years.

Although we are not able to reinstate several programs, this budget funds essential maintenance that supports our strategic priorities. It should be noted that we must continue to defer implementing some important improvements that would support and advance our strategic priorities including:

- Implementing a system-wide flushing program of our water distribution pipe network to reduce discolored water complaints;
- Testing all 43,000 fire hydrants in our service area on a 10-year cycle, a best practice recommended by the American Water Works Association;
- Increasing the number of regulatory inspectors allowing more time per inspection to perform gas-fitting and plumbing inspection. This ensures installations are not rushed due to staffing shortages that are a result of a steady increase in the number of inspections requested from applicants; and
- Increasing workyears and funding to adequately support the pipe relocations required for projects such as the I-495/I-270 widening and the MAGLEV High Speed Rail from Baltimore to DC.

COST-SAVING MEASURES

This budget reflects WSSC Water's continuing commitment to maintaining affordability through the active pursuit and implementation of cost-saving measures. In addition to the reductions in the operating and capital budgets noted above, we have several ongoing strategies to identify more cost-effective ways of providing clean water to our customers including the following:

- Our efforts in the Supply Chain Management Transformation Project, which has been supported by the Commission and both counties since FY 2013, have produced cost reductions in excess of \$41 million in the operating and capital budgets since the inception of this program and cost avoidance savings of nearly \$37 million during the same period. If not for these intensive efforts in contract negotiation and cost management, additional rate increases, or service reductions, would have been necessary;
- For the first time since FY 2017, this budget includes funding for additional positions. After a thorough analysis of departmental work backlogs, WSSC Water is proposing two positions in Production, two positions in Customer Service and unfreezing six CIP funded positions in Engineering and Construction to meet mission-critical needs. Twenty-four positions remained frozen.

- Our Innovation Program has identified promising methods for locating and remediating water system leakages and extending pipe life, as well as developing new approaches to wastewater treatment that have the potential to significantly reduce processing costs while also improving our environmental stewardship efforts; and
- Changes made in monitoring and supervision of overtime costs have reduced these expenses by \$4.7 million since FY 2017.

OPTIMIZE INFRASTRUCTURE

The proposed budget includes the rehabilitation of 31 miles of smaller water mains (<16-inches in diameter), as we begin to ramp back up toward our asset management plan goal of 55 miles per year, continued development of our enhanced pipe condition assessment program, and evaluation of new water main rehabilitation technologies to help control costs while also minimizing disruption for our customers.

For large diameter water mains, the Pre-stressed Concrete Cylinder Pipe (PCCP) Program provides for the ongoing acoustic fiber optic (AFO) monitoring of more than 118 miles of pipe, ongoing inspection, and rehabilitation and replacement of large diameter pipes. The program will replace one-half mile of pipe in FY 2022, eventually building up to two miles per year. Inspection, rehabilitation, and replacement of large valves continues at a pace of two per year. Replacement of ferrous pipes is projected at six miles. Funding is also included for the continued compliance with all requirements of the SSO and Potomac Water Filtration Plant (WFP) Consent Decrees.

INFORMATION TECHNOLOGY MODERNIZATION

In addition to our ongoing investments in WSSC Water's physical infrastructure, the FY 2022 budget invests in our organizational infrastructure. Funding is included to enhance our cybersecurity program to efficiently and effectively mitigate risks by ensuring our electronic data and computer systems and networks are protected from theft, attack or unauthorized access. Cybersecurity program initiatives include artificial intelligence threat detection, new end-user security awareness training and risk reduction of identity theft through two-step authentication.

The budget also provides for an Enterprise Asset Management/Work Management system. This comprehensive solution provides applications, modules, tools and supporting data for managing and monitoring all activities required for operations, maintenance, repair and capital planning for water/wastewater underground infrastructure.

SPENDING AFFORDABILITY

WSSC Water, in cooperation with the Montgomery and Prince George's County governments, continues to participate in the spending affordability process. This process focuses debate, analysis and evaluation on balancing affordability considerations against the provision of resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates, maintain affordable rates, and maintain operating and capital budgets and debt service at prudent and sustainable levels. Last fall, the Montgomery and Prince George's county councils approved resolutions establishing four limits on WSSC Water's FY 2022 budget. As indicated in the following table, the proposed budget meets the spending affordability limits for New Water and Sewer

Debt, Debt Service and Average Water/Sewer Rate Increase. The Water/Sewer Operating Expenses meet the intent of the limit as the excess is covered by non-rate-related revenues.

WSSC WATER FY 2022 PROPOSED BUDGET VS. SPENDING AFFORDABILITY LIMITS
 (\$ in Millions)

	<u>FY 2022 Proposed Budget</u>	<u>Prince George's County Limit</u>	<u>Montgomery County Limit</u>
New Water and Sewer Debt	\$409.7	\$427.9	\$427.9
Total Water and Sewer Debt Service	\$309.0	\$309.7	\$309.7
Total Water/Sewer Operating Expenses	\$842.3*	\$841.4	\$841.4
Water/Sewer Rate Revenue Increase	5.9%	5.9%	5.9%

*Exceedance covered by offsetting funding sources

The Proposed Budget provides for:

- Implementing the first year of the FYs 2022-2027 Capital Improvement Program (CIP);
- Paying WSSC Water's share of operating (\$59 million in FY 2022) and capital costs (\$55 million in FY 2022; \$392 million in FYs 2022-2027) for the District of Columbia Water and Sewer Authority's (DC Water) Blue Plains Wastewater Treatment Plant;
- Paying debt service of \$316.8 million - of which \$309.0 million is in the Water and Sewer Operating Funds;
- Holistically rehabilitating the Piscataway basin to reduce infiltration and inflow;
- Funding additional operating costs at the Piscataway Water Resource Recovery Facility (WRRF) due to increased flows;
- Funding maintenance and repairs at critical facilities;
- Replacing 31 miles of small diameter and 6.5 miles of large diameter water mains
- Rehabilitating 31 miles of small diameter sewer mains and lateral lines and 14.4 miles of large diameter sewer mains;
- Funding \$5.3 million for water meter replacements;
- Funding \$71.1 million for large diameter pipe rehabilitation. This includes \$35.3 million for PCCP inspection, repair, and acoustic fiber optic monitoring of the pipes' condition; \$32.4 million for large diameter repairs and cathodic protection; \$3.4 million for large valve inspections, replacement, and repairs;
- Complying with the SSO and the Potomac WFP Consent Orders;

- Operating and maintaining a system of three reservoirs impounding 14 billion gallons of water, two water filtration plants, six WRRF's, 6,000 miles of water main, and over 5,700 miles of sewer main 24 hours a day, seven days a week; and
- Proposing limited compensation enhancements considering the very challenging fiscal environment.

In addition to reviewing expenses and revenues for water and sewer services, we have analyzed the cost and current fee levels for other WSSC Water services. Based upon these analyses, and to better align fees with program costs, adjustments to current fees are recommended (Section 2).

SYSTEM DEVELOPMENT CHARGE

State law provides that the System Development Charge (SDC), a charge to new applicants for WSSC Water service, which is intended to recover growth costs, may be adjusted annually by the change in the Consumer Price Index for the Urban Wage Earners and Clerical Workers (CPI-W) in the Washington, D.C. metropolitan area. Historically, we have adjusted the maximum allowable charge based on the change in the November CPI-W. We plan to do the same this year. An increase to the SDC for FY 2022 is currently being evaluated by the Bi-County SDC Policy and Rates Workgroup.

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, of the Annotated Code of Maryland, before the final budget is adopted for the fiscal year beginning July 1, 2021.

Sincerely,

DocuSigned by:

Howard Denis

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Howard A. Denis
Commission, Chair

cc:

Members of Prince George's County Council
Members of Montgomery County Council
Members of the Maryland General Assembly

REVENUE AND EXPENSE TRENDS

Water & Sewer Operating Funds - Combined

(\$ in thousands)	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Approved	FY 2022 Proposed
Revenues					
Water Consumption Charges	\$ 271,735	\$ 273,753	\$ 271,173	\$ 295,512	\$ 318,941
Sewer Use Charges	325,879	341,496	346,985	393,698	398,862
Account Maintenance Fees	32,473	32,116	35,922	32,360	31,866
Infrastructure Investment Fees	39,847	39,278	42,781	39,410	38,808
Plumbing and Inspection Fees	12,141	13,594	14,425	14,470	14,350
Rockville Sewer Use	3,223	3,106	3,147	3,000	3,100
Miscellaneous	19,117	20,913	21,053	20,801	21,600
Interest Income	5,478	9,306	4,881	10,000	1,000
Total Operating Revenues	\$ 709,893	\$ 733,562	\$ 740,367	\$ 809,251	\$ 828,527
Other Credits and Transfers					
Use of Fund Balance	227	11,580	11,341	8,000	-
Reconstruction Debt Service Offset	7,700	12,500	11,600	9,500	6,000
SDC Debt Service Offset	2,396	5,551	6,695	5,772	5,772
Premium Transfer	-	-	7,904	1,500	-
Underwriters Discount Transfer	-	-	-	2,000	2,000
Total Funds Available	\$ 720,216	\$ 763,193	\$ 777,907	\$ 836,023	\$ 842,299
Expenses					
Salaries & Wages	117,144	125,100	131,711	127,726	133,039
Heat, Light & Power	20,033	19,683	15,534	20,423	18,493
Regional Sewage Disposal	58,331	54,809	56,414	58,000	59,160
Debt Service					
Principal Payments	151,057	153,565	154,238	177,022	170,902
Interest Payments	106,445	121,819	125,507	136,843	138,143
PAYGO	10,065	15,754	-	31,016	27,585
All Other	242,540	268,103	268,488	284,993	294,977
Total Expenses	\$ 705,615	\$ 758,833	\$ 751,892	\$ 836,023	\$ 842,299

PROPOSED RATES, FEES AND CHARGES

Presented in this section are the Fiscal Year (FY) 2022 proposed variable and fixed rates, as well as fees and charges that will be effective July 1, 2021. The majority of WSSC Water’s revenue is derived from user charges for high-quality water and sewer services provided to customers. WSSC Water assessed these rates through an in-depth process ensuring revenue stability, cost recovery, conservation management and affordability.

COMBINED WATER AND SEWER OPERATING FUNDS - PROPOSED RATE IMPACT

5.9% Average Water and Sewer Rate Increase

	FY 2022 Proposed (\$ in thousands)
FUNDING SOURCES	
<u>Revenues at Current Rates</u>	
Consumption Charges	\$ 677,812
Account Maintenance Fees	31,866
Infrastructure Investment Fees	38,808
Miscellaneous Revenues	40,050
Subtotal	\$ 788,536
<u>Other Credits and Transfers</u>	
Reconstruction Debt Service Offset	6,000
Systems Development Charges (SDC) Debt Service Offset	5,772
Underwriters Discount Transfer	2,000
Total Funding Sources	\$ 802,308
EXPENSES	
Operating, Maintenance & Support Services Expenses	505,669
Debt Service	309,045
Pay-As-You-GO (PAYGO)	27,585
Total Expenses	\$ 842,299
Shortfall to be Covered by Rate Increase	<u>\$ (39,991)</u>
Proposed Average Water and Sewer Rate Increase (Shortfall divided by Consumption Charges)	<u>5.9 %</u>

The FY 2022 Proposed Budget calls for a combined 5.9% average increase in water consumption and sewer use revenue. This proposed increase meets the 5.9% Spending Affordability Guidelines (SAG) limit recommended by both Prince George’s and Montgomery Counties. Even with this increase, WSSC Water rates remain favorable when compared to many other comparable water and sewer utilities as shown on page 3-10.

WATER AND SEWER RATE SCHEDULES

Proposed Rate Schedule Effective July 1, 2021

Average Daily Consumption During Billing Period	FY 2022 July 1, 2021 Proposed		Total Combined
	Water Rates	Sewer Rates	
(Gallons Per Day)	Per 1,000 Gallons		
0 - 80.9999	\$ 5.76	\$ 7.58	\$ 13.34
81 - 165.9999	6.51	8.42	14.93
166 - 275.9999	7.50	10.57	18.07
276 & Greater	8.79	13.96	22.75

Proposed Flat Rate Sewer Charge - \$142.00 per quarter.

Current Rate Schedule

Average Daily Consumption During Billing Period	FY 2021 July 1, 2020 Approved		Total Combined
	Water Rates	Sewer Rates	
(Gallons Per Day)	Per 1,000 Gallons		
0 - 80.9999	\$ 5.35	\$ 7.25	\$ 12.60
81 - 165.9999	6.04	8.06	14.10
166 - 275.9999	6.96	10.10	17.06
276 & Greater	8.15	13.33	21.48

Approved Flat Rate Sewer Charge - \$135.00 per quarter.

QUARTERLY CUSTOMER BILLS AT VARIOUS CONSUMPTION LEVELS

Meter Size	Average Daily Consumption (Gallons Per Quarter)	Approved FY 2018	Approved FY 2019	Approved FY 2020	Approved FY 2021	Proposed FY 2022
3/4" Residential Meter	100 (9,125 gal/qtr)	\$ 122.72	\$ 127.01	\$ 138.94	\$ 145.58	\$ 152.48
3/4" Residential Meter	165 (15,056 gal/qtr)	206.12	213.95	217.83	229.21	241.04
3/4" Residential Meter	500 (45,625 gal/qtr)	816.40	851.99	794.66	840.78	888.79
2" Meter	1,000 (91,250 gal/qtr)	1,878.23	1,952.14	1,903.02	2,004.81	2,110.76
3" Meter	5,000 (456,250 gal/qtr)	9,169.19	9,552.44	9,736.92	10,284.01	10,853.51
6" Meter	10,000 (912,500 gal/qtr)	19,085.00	19,878.88	19,748.55	20,852.26	22,001.19

Amounts include the Account Maintenance Fees and Infrastructure Investment Fees shown on pages 2-4 and 2-5.

ACCOUNT MAINTENANCE FEES

Proposed For Implementation July 1, 2021

Meter Size	FY 2021 Current		FY 2022 Proposed	
	Quarterly Charges		Quarterly Charges	
<u>Small Meters</u>				
5/8" to 1"	\$	16.00	\$	16.00
<u>Large Meters</u>				
1-1/2"		16.00		16.00
2"		27.00		27.00
3"		66.00		66.00
4"		142.00		142.00
6"		154.00		154.00
8"		200.00		200.00
10"		246.00		246.00
<u>Detector Check</u>				
2"		33.00		33.00
4"		177.00		177.00
6"		255.00		255.00
8"		461.00		461.00
10"		633.00		633.00
<u>Fire Service Meters</u>				
4"		182.00		182.00
6"		293.00		293.00
8"		452.00		452.00
10"		682.00		682.00
12"		989.00		989.00

This quarterly fee is prorated based on the number of days in the billing cycle.

INFRASTRUCTURE INVESTMENT FEES

Proposed For Implementation July 1, 2021

Meter Size	FY 2021 Current Quarterly Charges	FY 2022 Proposed Quarterly Charges
<u>Small Meters</u>		
5/8"	\$ 11.00	\$ 11.00
3/4"	12.00	12.00
1"	14.00	14.00
<u>Large Meters</u>		
1-1/2"	90.00	90.00
2"	185.00	185.00
3"	585.00	585.00
4"	813.00	813.00
6"	1,265.00	1,265.00
8"	2,845.00	2,845.00
10"	4,425.00	4,425.00
<u>Fire Service Meters</u>		
4"	499.00	499.00
6"	616.00	616.00
8"	2,524.00	2,524.00
10"	2,714.00	2,714.00
12"	5,214.00	5,214.00

This quarterly fee is prorated based on the number of days in the billing cycle.

SYSTEM DEVELOPMENT CHARGES

Proposed For Implementation July 1, 2021

SDC Category	FY 2021 Current Charges	FY 2022 Proposed Charges	Current Maximum Allowable	Proposed Maximum Allowable
Apartment				
Water	\$ 896	\$ 896	\$ 1,346	\$ 1,368
Sewer	1,140	1,140	1,714	1,741
1-2 toilets/residential				
Water	1,344	1,344	2,022	2,054
Sewer	1,710	1,710	2,568	2,609
3-4 toilets/residential				
Water	2,240	2,240	3,368	3,422
Sewer	2,850	2,850	4,285	4,354
5 toilets/residential				
Water	3,135	3,135	4,714	4,789
Sewer	3,991	3,991	6,000	6,096
6+ toilets/residential (per fixture unit)				
Water	88	88	134	136
Sewer	115	115	175	178
Non-residential (per fixture unit)				
Water	88	88	134	136
Sewer	115	115	175	178

No increase is proposed for the System Development Charges for FY 2022 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 1.6% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for all items in the Washington, D.C. metropolitan area from November 2019 to November 2020.

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

WSSC Water 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, 2021.

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
INSPECTIONS, LICENSES AND PERMITS			
I Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gas-fitting Inspections			
<u>Plumbing and Gas-fitting Inspections</u>			
New Single Family Detached Dwellings and Townhouses	\$ 1,011	\$ 1,112	Yes
New Attached Dwellings (townhouses/multiplex excluding apartments)	1,011	1,112	Yes
<u>All Other Residential</u>			
Water/Well Hookup	132	145	Yes
Meter Yoke Inspection (meter only installation)	132	145	Yes
Water Hookup Converting from Well (includes 2 inspections)	264	290	Yes
Sewer/Septic Hookup	132	145	Yes
First Plumbing Fixture	132	145	Yes
Each Additional Fixture	53	61	Yes
SDC Credit Fixture Inspection (per fixture)	48	53	Yes
Minimum Permit Fee	242	263	Yes
Permit Reprocessing Fee	73	75	Yes
Long Form Permit Refund Fee	242	263	Yes
Long Form Permit Re-Issue Fee	242	263	Yes
<u>All Non-Residential</u>			
<u>Plan Review without Permit Application</u>			
25 Fixtures or Less	534	550	Yes
26-200 Fixtures	2,038	2,344	Yes
Over 200 Fixtures	4,061	4,670	Yes
<u>2nd or 3rd Review (with or without permit application)</u>			
25 Fixtures or Less	187	202	Yes
26-200 Fixtures	457	526	Yes
Over 200 Fixtures	973	1,119	Yes
Water/Well Hookup	235	259	Yes
Meter Yoke Inspection (meter only installation)	235	259	Yes
Sewer/Septic Hookup	235	259	Yes
FOG Interceptor	235	259	Yes
First Plumbing Fixture	235	259	Yes
Each Additional Fixture	59	64	Yes
SDC Credit Fixture Inspection (per fixture)	48	53	Yes
Minimum Permit Fee	337	371	Yes
Permit Reprocessing Fee	73	75	Yes
Long Form Permit Refund Fee	352	383	Yes
Long Form Permit Re-Issue Fee	352	383	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
INSPECTIONS, LICENSES AND PERMITS (Continued)			
2 License Fees for the Regulated Trades			
<u>Reciprocal Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 2 years)	\$ 123	\$ 135	Yes
Registration Renewal all types (for 2 years)	106	117	Yes
Late Registration Renewal	63	69	Yes
<u>Examined Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 4 years)	130	143	Yes
Registration Renewal all types (for 4 years)	130	143	Yes
Late Registration Renewal	63	69	Yes
Cross-connection Technician Registration	32	35	Yes
Sewer and Drain Registration and Renewal (for 2 years)	53	61	Yes
Sewer and Drain Late Renewal Fee	24	26	Yes
<u>Journeyman License Registration</u>			
Initial Registration per type (for 2 years)	37	41	Yes
Registration Renewal (for 2 years)	37	41	Yes
Late Registration Renewal	25	27	Yes
License Transfer Fee	31	31	-
License Replacement Fee	18	19	Yes
Apprentice License Registration Renewal	13	14	Yes
3 Short Form Permit Fee (up to 3 fixtures) - Non-Refundable	113	124	Yes
4 Long Form Permit Transfer Fee (with inspection)	194	213	Yes
5 Tapper License Fees			
Permit Fee	363	363	-
Duplicate	36	36	-
6 Watershed Use Permit Fees			
<u>Boat Removal and Impoundment Fees</u>			
Boat/Craft Removal and Impoundment Fee	103	105	Yes
Removed Boat/Craft Storage Fee (Monthly)	82	80	Yes
<u>Watershed Use Permit Fees</u>			
Watershed Use Permit (January 1-December 31)	72	70	Yes
Watershed Use Permit (Single Day)	6	5	Yes
Open Season Boat Mooring (March 15 - November 30)	82	80	Yes
Winter Boat Mooring (December 1 - March 14)	57	60	Yes
Azalea Garden Rental (4 hours)	77	75	Yes
Bio-Brick Pavilion Rental (4 hours)	77	80	Yes
Boarding Stable Entrance Permit (Single Day)	258	260	Yes
Adjacent Landowner Entrance Permit (Single Day)	82	80	Yes
<u>Picnic Permit</u>			
Picnic Permit - Groups of 1-5 Persons (Single Day)	6	5	Yes
Picnic Permit - Groups of 6-10 Persons (Single Day)	12	10	Yes
Picnic Permit - Groups of 11-15 Persons (Single Day)	18	15	Yes
7 Site Utility Inspection Fees (Non-Minor)			
Base Fee	1,133	1,133	-
Pipeline (per foot)	6	6	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
DISCHARGE AND WATER PROTECTION			
8 Septic Hauler Discharge Permit Fees			
<u>Category I - Residential & Septic Waste & Grease</u>			
1-49 gallons (per vehicle)	\$ 257	\$ 257	-
50-799 gallons (per vehicle)	5,578	6,136	Yes
800-2,999 gallons (per vehicle)	15,910	17,501	Yes
3,000 gallons & up (per vehicle)	34,754	38,229	Yes
January thru June (50% of fee)	50% of fee	50% of fee	-
Transfer and/or Replacement Permit Sticker	130	143	Yes
Industrial/Special Waste Disposal Fee (per 1,000 gallons)	366	377	Yes
Zero Discharge Permit Fee	130	143	Yes
Temporary Discharge Permit Fee plus sewer rate per 1,000 gallons	130	156	Yes
Sewer Rate - Hauled Waste (1,000 gallons of truck capacity)	47	48	Yes
9 Industrial Discharge Control Program Fees By Category			
<u>Industrial Users Subject to Categorical Pretreatment Standards</u>			
Less than 5,000 gpd (double visit)	5,594	6,153	Yes
Greater than 5,000 gpd (double visit)	8,571	9,428	Yes
Non-Discharging Categorical Industries (zero discharge)	1,507	1,658	Yes
<u>Significant Industrial Users</u>			
Less than 25,000 gpd (single visit - priority pollutant sampling)	5,594	6,153	Yes
Greater than 25,000 gpd (double visit - priority pollutant sampling)	8,571	9,428	Yes
Penalty Charge for Late Fee Payment	5% of fee	5% of fee	-
10 Discharge Authorization Permit Fees			
Significant Industrial User - Initial Permit (for 4 years)	6,651	7,316	Yes
Significant Industrial User - Renewal (for 4 years)	3,259	3,585	Yes
Initial Zero-Discharge CIU Permit (for 4 years)	2,526	2,779	Yes
Reissued Zero-Discharge CIU Permit (for 4 years)	1,684	1,852	Yes
Temporary Discharge Permit (non-SIU)	6,651	7,316	Yes
11 Discharge Fees - Food Service Establishment			
Full Permit FSE	537	537	-
BMP Permit FSE	152	152	-
12 Cross Connection Fees			
Test Report Fee (per report)	42	46	Yes
Base Fee for High Hazard Commercial Water Customer (per month)	18	20	Yes
Base Fee for All Other Commercial Water Customer (per month)	9	10	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
METERS AND RELATED SERVICES			
13 Small Meter Replacement Fee (at Customer Request)	\$ 215	\$ 215	-
14 Meter Replacement Fees (Damaged or Stolen Meter)			
5/8" w/ touch pad (inside w/remote)	152	157	Yes
5/8" w/ pit pad (outside w/o remote)	150	150	-
5/8 Meter - pad encoder	127	131	Yes
5/8" x 3/4" w/ touch pad (inside w/ remote)	129	133	Yes
3/4" w/ touch pad (inside w/ remote)	160	160	-
3/4" w/ pit pad (outside w/o remote)	157	162	Yes
1" w/ touch pad (inside w/ remote)	202	202	-
1" w/ pit pad (outside w/o remote)	199	205	Yes
1" Kamstrup Meter, UT	319	329	Yes
1 1/2" Badger Flanged Meter	567	584	Yes
1 1/2" Flanged Meter	750	750	-
1 1/2" Nipple Meter	739	761	Yes
2" Flanged Meter	1,100	1,100	-
2" 15 1/4 Flanged Meter	1,207	1,243	Yes
3" Compound Meter	3,190	3,190	-
4" Compound Meter	3,960	3,960	-
6" Compound Meter	5,830	5,830	-
Turbine, Horizontal 3" Neptune w/ pit pad	1,475	1,519	Yes
Turbine, Horizontal 4" Neptune w/ pit pad	1,975	2,034	Yes
2" Hersey MVR Turbine	1,210	1,210	-
3" Hersey MVR Turbine	2,296	2,296	-
4" Hersey MVR Turbine	3,216	3,216	-
6" Hersey MVR Turbine	4,970	4,970	-
2" Detector Check	4,615	4,753	Yes
4" Detector Check	3,275	3,373	Yes
6" Detector Check	3,850	3,966	Yes
8" Detector Check	4,986	5,136	Yes
10" Detector Check	6,350	6,541	Yes
12" Detector Check	22,211	22,877	Yes
4" Fire Service Meter	8,239	8,239	-
6" Fire Service Meter	10,037	10,338	Yes
8" Fire Service Meter	12,502	12,877	Yes
10" Fire Service Meter	14,389	14,821	Yes
12" Fire Service Meter	20,403	21,015	Yes
3" Octave UT L=24	3,095	3,188	Yes
4" Octave UT L=29/ L=33	4,095	4,218	Yes
6" Octave UT L=45	6,026	6,207	Yes
8" Octave UT L=53	9,677	9,967	Yes
10" Octave UT L=68	13,080	13,472	Yes
15 Meter Testing Fees			
5/8" to 1"	261	261	-
1-1/2"	424	424	-
2" and up	473	473	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
METERS AND RELATED SERVICES (Continued)			
16 Sub-Meter Installation Fees			
One-time Sub-Meter Charge - Small	\$ 261	\$ 261	-
One-time Sub-Meter Charge - Large	528	528	-
One-time Inspection Fee	66	76	Yes
Minimum Permit Inspection fee	220	242	Yes
17 Water Turn-Off, Turn-On Fees*			
Small Meter Turn-Off	80	80	-
Small Meter Turn-On	100	100	-
Large Meter Turn-Off	203	203	-
Large Meter Turn-On	241	241	-
18 Call Back Fee (small meters, plumbers)	93	93	-
19 Call Back Fee (large meters, plumbers)	301	346	Yes
20 Missed Appointment Fees			
First Missed Appointment or Restoration of Service Turn-On	97	97	-
Each Additional Missed Appointment	110	110	-
21 Meter Reinstallation Correction Fee	388	388	-
22 Sewer Meter Maintenance Fee (per year)	13,803	15,873	Yes
Quarterly Calibrations (per quarter)	3,451	3,969	Yes
23 Property Inspection Fee	119	119	-
24 Warehouse Restocking Fee	47	56	Yes

* Currently under review.

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
FIRE HYDRANT SERVICES			
25 Temporary Fire Hydrant Connection Fees			
<u>3/4" Meter - Deposit</u>			
2 Weeks or Less with/Approved Payment Record	No fee	Delete	Yes
3/4" Meter Deposit	\$ 379	\$ 379	-
<u>3" Meter - Deposit</u>			
2 Weeks or Less with/Approved Payment Record	No fee	Delete	Yes
3" Meter Deposit	2,420	2,420	-
<u>Service Charge</u>			
2 Weeks or Less (3/4" meter)	68	75	Yes
2 Weeks or Less (3" meter)	130	130	-
Over 2 Weeks (3/4" and 3" meters)	175	175	-
Water Consumption - 3/4" meter (Minimum charge or Tier 4 rate per 1,000 gallons flat rate)	36	37	Yes
Water Consumption - 3" meter (Minimum charge or Tier 4 rate per 1,000 gallons flat rate)	229	242	Yes
Late Fee for Return of Meter (per day)	10	10	-
Fee on Unpaid Temporary Fire Hydrant Billings	1.5% per month	1.5% per month	-
Loss/Destruction of Meter	Replacement cost	Replacement cost	-
Loss/Destruction of Wrench	40	40	-
26 Truck Inspection Fee with Attached Fire Hydrant Meter (for 2 years)	52	52	-
27 Fire Hydrant Inspection Fee (per hydrant)	158	Delete	Yes
Controlled Access Surcharge Fee	30	Delete	Yes
28 Fire Hydrant Flow Test Fees			
No Current Test	693	693	-
Current Test	83	83	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
DEVELOPMENT SERVICES			
29 Feasibility Review Fees (WSSC Water Built)			
Feasibility Submission Fee (non-refundable)	\$ 1,956	\$ 1,956	-
Feasibility Review & Report Fee Deposit (can be deferred as deficit when extension is completed)	13,048	14,353	Yes
30 Construction Services Fee			
	9.3% of WSSC Water's unit cost estimate or 12% of contractor's cost estimate	9.3% of WSSC Water's unit cost estimate or 12% of contractor's cost estimate	-
31 Design Review			
Development is More than 10 Residential Units or Commercial	6,500	6,500	-
Development is 10 Residential Units or Less	3,250	3,250	-
32 Extra Review Fees			
<u>Per SEP Plan Review</u>			
Minor Additional Reviews of Unsigned or Signed Plans (per review)	1,322	1,454	Yes
Major/Splitting Additional Reviews of Unsigned or Signed Plans (per review)	2,698	2,968	Yes
<u>Per Site Utility/Minor Utility Additional Unsigned or Signed Plan Review</u>			
Site Utility (per review)	1,604	1,764	Yes
Minor Site Utility (per review)	417	459	Yes
Additional Review of Required Data (per application)	904	994	Yes
33 Hydraulic Planning Analysis and System Planning Forecast			
Modeling and Re-Modeling Fee - Up to 3 parts	2,116	2,433	Yes
Modeling and Re-Modeling Fee - per part over 3	765	842	Yes
Pressure Sewer System Review Fee (per system)	404	444	Yes
34 In-House Design Deposit			
	Deposit	Deposit	-
35 Partial Release Fee			
	1,468	1,541	Yes
36 Off-Property Service Connection Reimbursement			
	Reimbursement	Reimbursement	-
37 Service Connection Application and Inspection Fee (per permit)			
	2,434 water and/or sewer connection	2,434 water and/or sewer connection	-
38 Government Referred Plan Review			
Major Development - Over 10 Units	1,693	1,693	-
Minor Development - 10 or Less Units	791	791	-
Re-Review Fee for Major Development	791	791	-
Re-Review Fee for Minor Development	396	396	-
39 Pre-Screen Fee All Plan Types			
	394	404	Yes
40 Site Utility (On-site) Review Fees			
Base Fee	3,631	3,921	Yes
Additional Fee per 100 feet	352	380	Yes
Minor (Waived) Site Utility (On-Site) Fee	1,217	1,314	Yes
41 Name/Transfer of Ownership Change Fee			
	275	303	Yes
42 Variance Review Fee			
	1,362	1,498	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
PIPELINE, ENGINEERING AND ENVIRONMENTAL SERVICES			
43 Shutdown/Charge Water Main Fee	\$ 1,177	\$ 1,177	-
Shutdown Complex Water Main Fee	2,144	2,144	-
44 Review and Inspection Fees for Site Work Potentially Impacting WSSC			
Water Pipelines			
Simple Review	399	399	-
Complex Review / Non-DR Developer Review	3,138	3,766	Yes
Inspection for Minor Adjustment / Non-DR Developer (per inspection)	266	266	-
45 Relocation Fee			
Inspection for MOU project (minimum charge up to 4 hours)	600	600	-
46 Connection Abandonment Fees			
County Roads (except Arterial Roads) - Water	1,474	1,474	-
County Roads (except Arterial Roads) - Sewer	1,873	1,873	-
State Roads and County Arterial Roads - Water	1,778	1,778	-
State Roads and County Arterial Roads- Sewer	2,200	2,200	-
47 Chlorination Confirmation Test Fee (per first test)	247	247	-
Re-Test or Additional Tests (per hour)	173	182	Yes
48 Re-Test or Additional Tests Chlorination and Pressure Test (per test)	173	182	Yes
Inspector Overtime (per hour)	206	206	-
49 Review Fee for Additional Reviews of Contract Documents As-Builts (per hour)	206	206	-
50 Residential Outside Meter Housing Upgrade/Pipe Alteration	6,805	6,805	-
51 Utility Erosion and Sediment Control Permit Fees (per linear foot)			
Minor Projects (<125 linear foot OR less than 42 inch deep and 20 inch width)	0.26	0.30	Yes
Major Projects	0.39	0.45	Yes
Minimum Charge for Major Projects	124	124	-
52 Right-of Way Release (or Subordination) Review Fee (per document)	1,335	1,442	Yes
53 Right-of Way Acquisition and Condemnation for SEP Projects	Reimbursement	Reimbursement	-
54 Environmental Site Review Fee			
With Database Search Submitted by Applicant	381	438	Yes
55 Feasibility Report and Committee Review Fee for On-Site Takeover Projects	1,288	1,481	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
PUBLICATIONS AND ADMINISTRATIVE			
56 Plans, Plats and 200' Reference Maps Copies			
Xerographic bond paper copy (per sheet)	\$ 6	\$ 6	-
57 WSSC Water Plumbing and Fuel Gas Code (Plumbing Code)			
Sale of Plumbing Regulation (per book)	46	51	Yes
58 Contract Specifications, Contract Specification Books, Drawings, Design Manuals, Standard Details and General Conditions			
<u>Construction Specifications/Drawings</u>			
Utility Contracts (up to \$20)	11-20	11 - 20	-
Facility Contracts (up to \$450)	40 - 450	40 - 450	-
Construction Standard Details	66	73	Yes
Construction General Conditions & Standard Specifications	61	70	Yes
SEP Construction General Conditions & Standard Specifications	61	70	Yes
<u>Procurement Specifications/Drawings/General Conditions</u>			
With Routine Specifications	No charge	No charge	-
With Complex/Voluminous Specifications (up to \$200)	40 - 200	40 - 200	-
59 Photocopies of WSSC Water Documents Charges			
Readily Available Source Material (per single sided page)	0.30	0.30	-
Certified Copy of Readily Available Source Material (per single sided page)	0.60	0.60	-
Scanning Documents (per single sided page)	0.30	0.30	-
(A reasonable fee may be charged for time in excess of two hours expended by WSSC Water in searching for requested records or preparing such records for inspection and copying)			
60 WSSC Water Pipeline Design Manual Fee	90	90	-
61 WSSD Laws			
Bound Volume	83	83	-
Supplements	45	45	-
62 Transcribed Tape of a Hearing or Meeting Fee	Prevailing fee charged by vendor	Prevailing fee charged by vendor	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2021

Fee/Charge Number and Name	Current	FY 2022 Proposed	Charge Change
OTHER FEES AND CHARGES			
63 Patuxent Watershed Civil Citation Fees (State Mandated)			
First Offense	\$ 150	\$ 150	-
Each Additional Offense within Calendar Year	300	300	-
64 Civil Citation Fees - Sediment Control, Theft of Service and Plumbing			
Civil Citations (State Mandated)			
First Offense	250	250	-
Second Offense	500	500	-
Third Offense	750	750	-
Each Violation in Excess of Three	1,000	1,000	-
65 Lobbyist Registration Fee (Code of Ethics)	110	121	Yes
66 Dishonored Check Fee & Electronic Payment Fee (applies to all dishonored checks and dishonored electronic payments)	46	35	Yes
67 Credit Card Surcharge (Applies to customer payment of any fee/charge by credit card other than water and sewer billing)	2% of amount charged	2% of amount charged	-
68 Protest Filing Fee	847	857	Yes
69 Preparation of Hold Harmless Agreement Fee	1,351	1,486	Yes
70 Connection Redemption Fee	44	22	Yes

WSSC WATER BILL AFFORDABILITY

Federal Affordability Standard

The U.S. Environmental Protection Agency (EPA) has established affordability criteria for residential water and wastewater services. The EPA criteria establishes an overall affordability standard of 4.5% of median household income. This overall standard is comprised of individual thresholds of 2.5% for potable water and 2.0% for wastewater and combined sewer overflow controls that were set by the EPA. Therefore, given the EPA’s role as the federal agency responsible for regulating drinking water systems, WSSC Water has adopted the EPA standard of 4.5% of median household income as the measure it uses to determine the affordability of its services for its customers.

Median Household Income

Based on 5-year data from the U.S. Census Bureau’s American Community Survey, the median household income for Montgomery and Prince George’s Counties was \$97,914 in calendar year 2019, which is the latest year for which data is available. Based on the FY 2022 proposed rates, WSSC Water’s average annual residential bill for water and sewer services at 165 gallons per day is approximately \$964. The consumption level of 165 gallons per day is used because it represents the average household in WSSC Water’s service area, a 3-person household using 55 gallons of water per person per day. Therefore, it is estimated that the annual cost of water and sewer services from WSSC Water for the average customer will be 1.0% of the median household income in FY 2022, absent any changes in household income between 2019 and 2022. This level is well below the 4.5% standard set by the EPA.

Median Household Income	Average WSSC Water Bill	Share of Median Income
\$ 97,914	\$ 964	1.0%

Median household income figures (in 2019 dollars) from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2015-2019.

Looking more in-depth, the table below shows the share of median household income for the average WSSC Water bill by household size over the FY 2016 to FY 2019 time period. The average WSSC Water bill for each size household is based on consumption of 55 gallons of water per person per day. Over the four-year period analyzed, the share of WSSC Water’s bill to median household income remained steady for all seven household sizes. This means that while WSSC Water’s rates have been going up, they have been increasing in proportion with the changes to median household incomes in Montgomery and Prince George’s Counties.

Household Size	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual
1-person Household	0.5%	0.5%	0.5%	0.5%
2-person Household	0.5%	0.5%	0.5%	0.5%
3-person Household	0.7%	0.7%	0.7%	0.7%
4-person Household	0.9%	0.9%	0.9%	0.9%
5-person Household	1.3%	1.3%	1.3%	1.3%
6-person Household	1.7%	1.7%	1.6%	1.7%
7-or-more Person Household [†]	2.0%	2.0%	2.0%	2.0%

Median household income figures from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2012-2016, 2013-2017, 2014-2018 and 2015-2019.

[†]The average WSSC Water bill for the 7-or-more person household size was calculated based on a 7-person household.

WSSC WATER BILL AFFORDABILITY (Continued)

Household Income Quintiles

The table below compares the average household income by income quintile to the average WSSC Water bill for a three-person household. Each income quintile contains 20% of the population of Montgomery and Prince George’s County based on where their household income falls on the spectrum for all households. As shown in the table, the average household income for the first quintile is \$23,806 per year. At this level of income, a three-person household would spend about 4.1% of their annual income on water and sewer services, which is below the 4.5% EPA affordability threshold. Therefore, WSSC Water’s average bill for water and sewer services is affordable for the average customer at the lower end of the household income distribution in Montgomery and Prince George’s Counties.

Quintile	Average Household Income	Average WSSC Water Bill*	Share of Average Income
First	\$ 23,806	\$ 964	4.1%
Second	61,318	964	1.6%
Third	98,399	964	1.0%
Fourth	149,591	964	0.6%
Fifth	307,194	964	0.3%

Average household income figures (in 2019 dollars) from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2015-2019.

*The average WSSC Water bill is based on a 3-person household using 55 gallons of water per person per day.

Household Income Brackets

The table below shows a more detailed breakdown of household incomes in Montgomery and Prince George’s Counties and how the average WSSC Water bill for a three-person household compares to each income level. Looking at this more detailed breakdown, the average WSSC Water bill begins to exceed the EPA affordability threshold towards the lower bound of the fourth income bracket (\$20,000-\$24,999 per year). The income at which the 4.5% threshold is crossed for a three-person household is about \$21,426 per year. The first through third income brackets contain approximately 7.6% of households and the fourth contains about 2.3%, so the average bill for a three-person household would exceed the EPA threshold for fewer than 9.9% of households in Montgomery and Prince George’s Counties without any financial assistance from the agency.

Income Bracket Lower Bound	Income Bracket Upper Bound	Number of Households	Share of Households	Average WSSC Water Bill*	Share of Lower Bound	Share of Upper Bound
\$ -	\$ 9,999	24,601	3.6%	\$ 964	N/A	9.6%
10,000	14,999	13,415	2.0%	964	9.6%	6.4%
15,000	19,999	13,945	2.0%	964	6.4%	4.8%
20,000	24,999	15,365	2.3%	964	4.8%	3.9%
25,000	29,999	17,367	2.5%	964	3.9%	3.2%
30,000	34,999	20,075	2.9%	964	3.2%	2.8%
35,000	39,999	18,736	2.7%	964	2.8%	2.4%
40,000	44,999	19,382	2.8%	964	2.4%	2.1%
45,000	49,999	18,558	2.7%	964	2.1%	1.9%
50,000	59,999	42,137	6.2%	964	1.9%	1.6%
60,000	74,999	58,748	8.6%	964	1.6%	1.3%
75,000	99,999	91,221	13.4%	964	1.3%	1.0%
100,000	124,999	75,834	11.1%	964	1.0%	0.8%
125,000	149,999	56,645	8.3%	964	0.8%	0.6%
150,000	199,999	80,870	11.9%	964	0.6%	0.5%
200,000	N/A	115,394	16.9%	964	0.5%	N/A
Total		682,293	100.0%			

Income bracket information from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2015-2019.

*The average WSSC Water bill is based on a 3-person household using 55 gallons of water per person per day.

WSSC WATER BILL AFFORDABILITY (Continued)

Household Income Brackets (Continued)

WSSC Water’s income-based financial assistance programs, CAP and the Water Fund, would provide help to most of the customers in the four lowest income brackets, even if they are in single-person households. CAP provides assistance for single-person households with annual incomes of up to \$22,330 and the Water Fund provides assistance to single-person households with up to \$25,520 in annual income. For a three-person household, those income limits increase to \$38,010 and \$43,440, respectively. Therefore, WSSC Water’s financial assistance programs can help keep the costs of water and sewer services affordable for many of those who are most likely to struggle to pay their bills.

The table below shows how WSSC Water’s CAP can increase bill affordability for our lowest income customers. As previously mentioned, CAP provides up to \$112 per year in financial assistance to approved residential customers via credits for WSSC Water’s fixed fees (the Account Maintenance Fee and the Infrastructure Investment Fee). This would lower the average WSSC Water bill, which is based on a three-person household with a 3/4” meter, from approximately \$964 per year to \$852 per year. The income at which the 4.5% threshold is crossed for a three-person household would similarly decrease from about \$21,426 per year to \$18,937 per year. Consequently, the percentage of households for which the average three-person bill would exceed the EPA threshold would drop to less than 7.6%, from the previous figure of less than 9.9%. The Water Fund, which provides up to \$500 in financial assistance per year for eligible residential customers, can further help those customers facing affordability concerns even after the CAP assistance is taken into account.

Income Bracket Lower Bound	Income Bracket Upper Bound	Number of Households	Share of Households	Average WSSC Water Bill (w/ CAP)*†	Share of Lower Bound	Share of Upper Bound
\$ -	\$ 9,999	24,601	3.6%	\$ 852	N/A	8.5%
10,000	14,999	13,415	2.0%	852	8.5%	5.7%
15,000	19,999	13,945	2.0%	852	5.7%	4.3%
20,000	24,999	15,365	2.3%	852	4.3%	3.4%
25,000	29,999	17,367	2.5%	852	3.4%	2.8%
30,000	34,999	20,075	2.9%	852	2.8%	2.4%
35,000	39,999	18,736	2.7%	852	2.4%	N/A

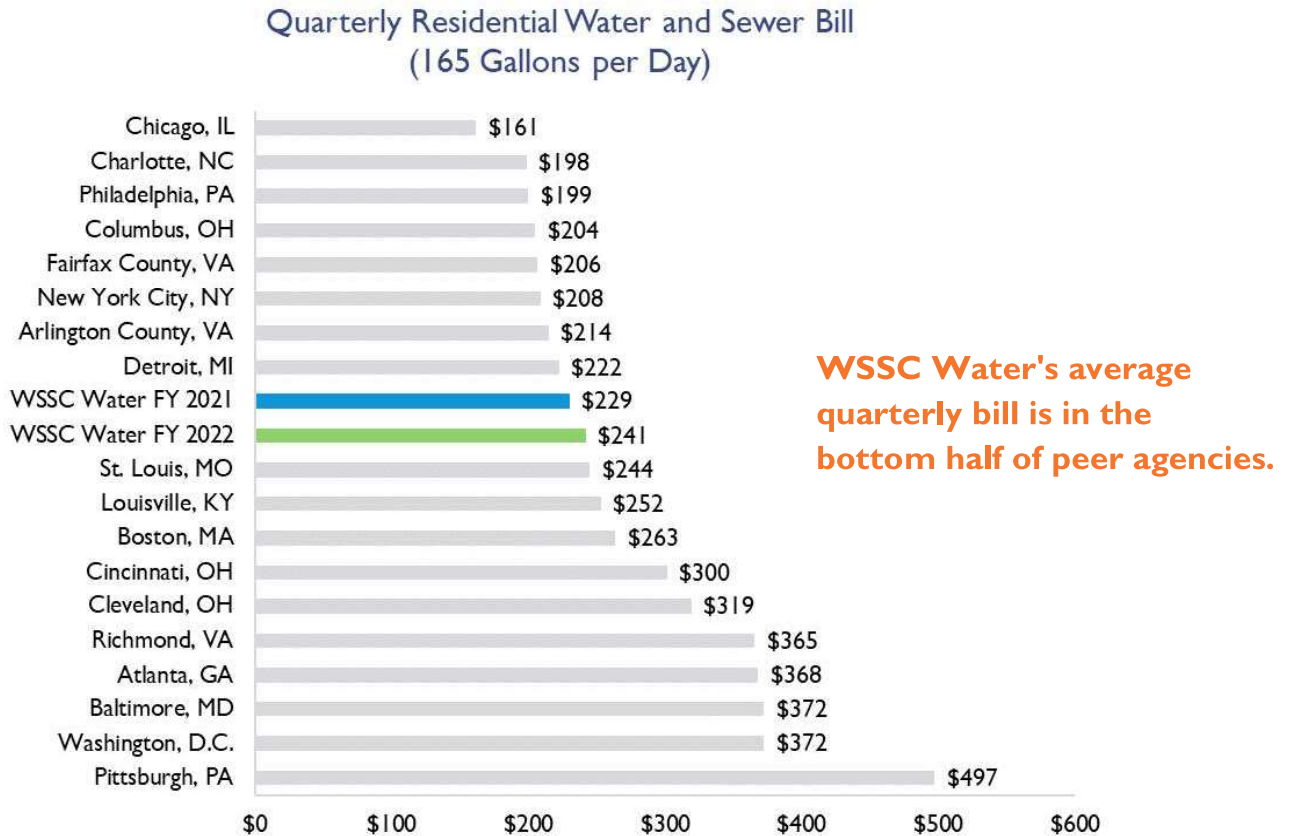
Income bracket information from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2015-2019.

*The average WSSC Water bill is based on a 3-person household using 55 gallons of water per person per day.

WATER AND SEWER BILL COMPARISONS

Quarterly Bill Comparison

Presented below is a comparison of WSSC Water’s average quarterly residential bill for water and sewer services at 165 gallons per day to the equivalent bill from 18 other cities and communities, both locally and nationally. The consumption level of 165 gallons per day represents the average household in WSSC Water’s service area, a 3-person household using 55 gallons of water per person per day. The rates and fees used in this comparison were in effect as of December 2020. The chart includes WSSC Water bills at FY 2021 approved and FY 2022 proposed rates. As shown in the chart, the quarterly bills in the other communities range from a low of \$161 in Chicago, Illinois to a high of \$497 in Pittsburgh, Pennsylvania. WSSC Water ranks in the bottom half of the peer agencies, with quarterly bills of \$229 in FY 2021 and \$241 in FY 2022. This shows that WSSC Water’s rates and fees are competitive both locally and nationally.

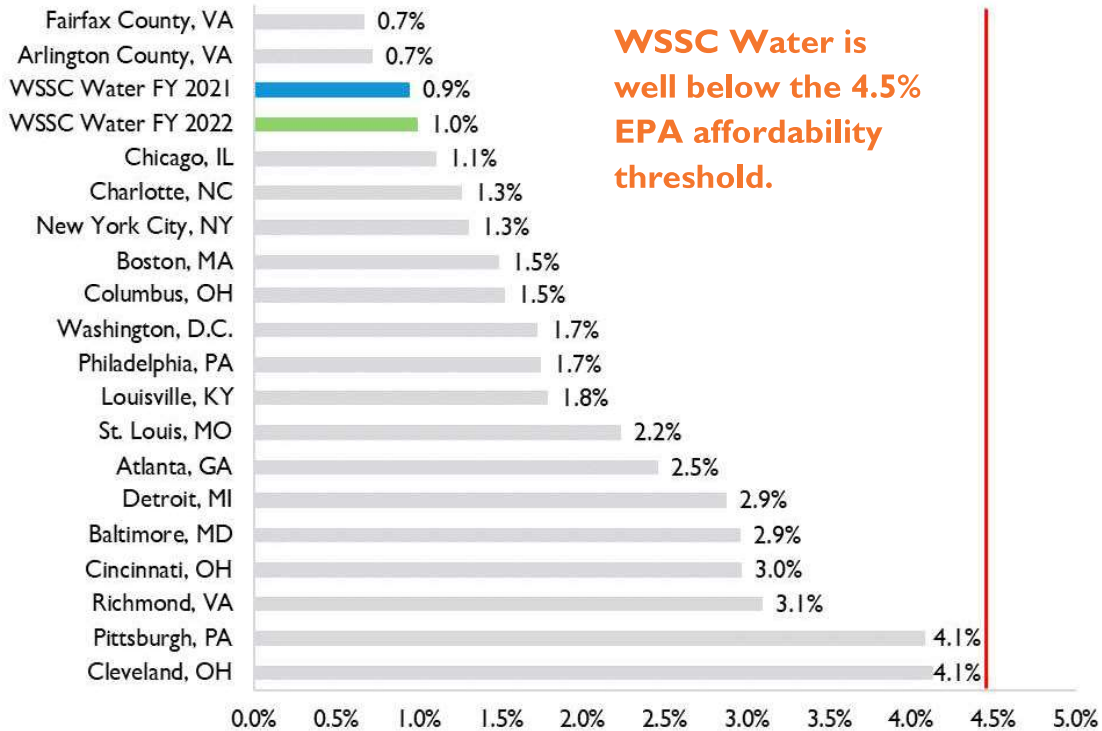


WATER AND SEWER BILL COMPARISONS (Continued)

Bill as a Percentage of Median Household Income Comparison

The chart below shows a comparison of the average residential bills as a percentage of median household income for WSSC Water and the 18 other cities and communities analyzed for customers using 165 gallons of water per day. The average annual bill from WSSC Water in FY 2022 is only 1.0% of the median household income of its customers, a slight increase from the 0.9% in FY 2021. This places WSSC Water among the most affordable of its peer agencies, with only two agencies (Fairfax County and Arlington County in Virginia) having lower percentages. Additionally, WSSC Water is well below the 4.5% threshold that the EPA considers to be affordable for customers.

**Average Residential Bill as a Percentage of Median Household Income
(165 Gallons per Day)**



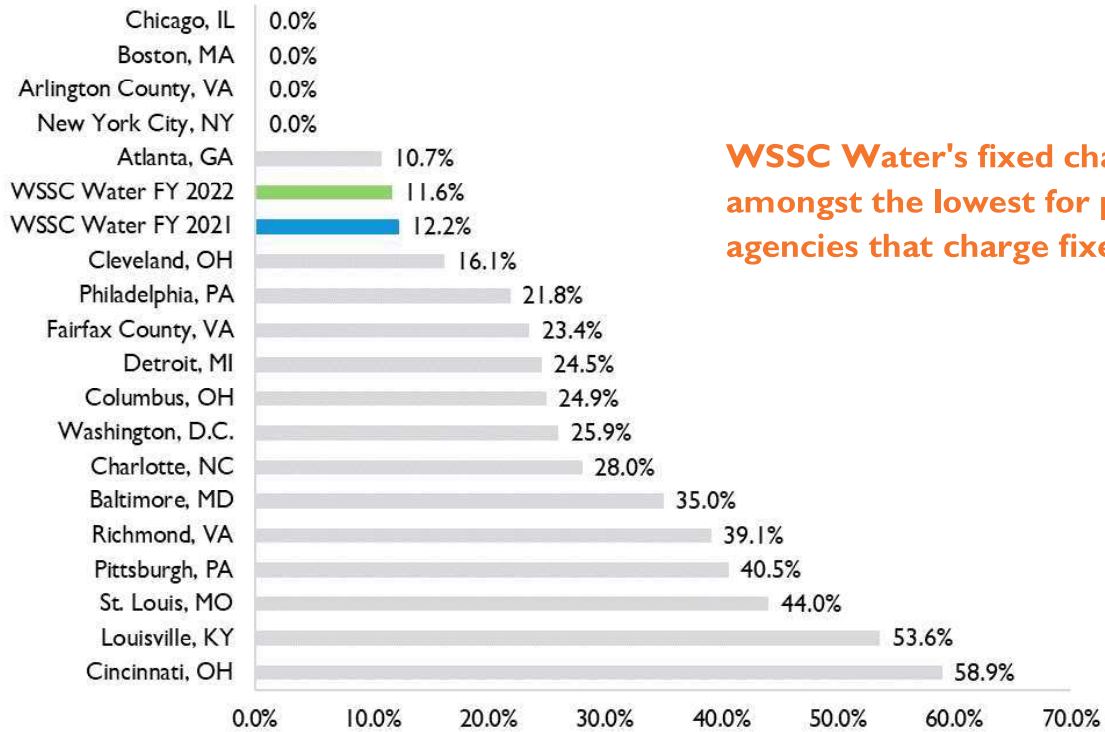
Median household income figures (in 2019 dollars) from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2015-2019.

WATER AND SEWER BILL COMPARISONS (Continued)

Percentage of Bill from Fixed Charges Comparison

The chart below compares fixed charges as a portion of the average residential bill for WSSC Water and the 18 other cities and communities reviewed. Four of the peer agencies (Chicago, Illinois; Boston, Massachusetts; Arlington County, Virginia; and New York City, New York) do not have any fixed fees as part of their water and sewer bills. Of the agencies that do charge fixed fees, WSSC Water’s fixed charges are the second lowest as a percentage of the average bill. In FY 2021, 12.2% of the average residential bill from WSSC Water was attributable to fixed fees. In FY 2022, that percentage will drop to 11.6%, as the water and sewer rates increase but the fixed fees remain the same. WSSC Water’s CAP focuses on limiting the impact of these fixed fees on those who are most likely to struggle to pay their bills.

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

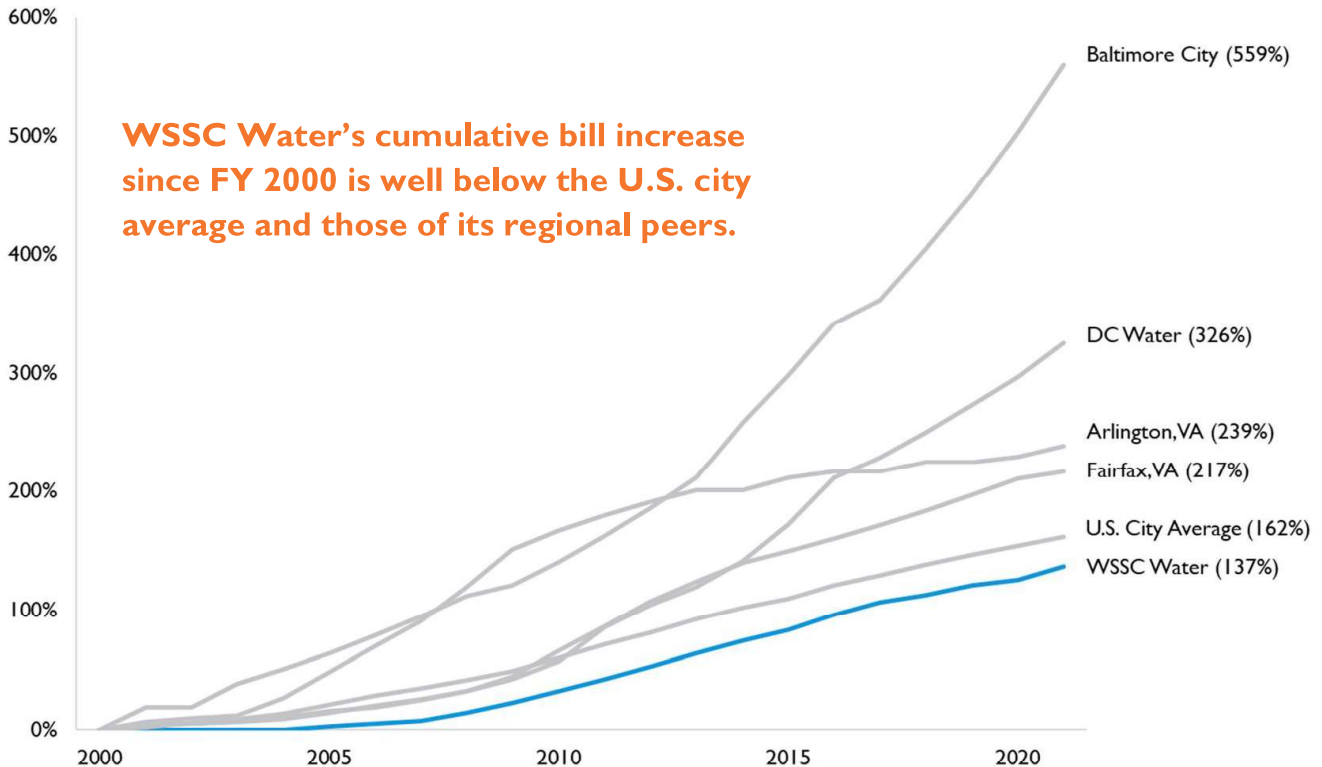


WATER AND SEWER BILL COMPARISONS (Continued)

Bill Increases Over Time Comparison

The chart below shows a comparison of the cumulative bill increases for comparable water and sewer providers in the greater Washington-Baltimore-Arlington combined statistical area and the U.S. city average for FYs 2000-2021. As with the previous comparisons, the consumption level used is 165 gallons per day to represent the average 3-person household using 55 gallons of water per person per day. The chart shows that the cumulative increase in the average WSSC Water bill was about 137% over the last 21 years, which is lower than the increases for all of the peer agencies and the U.S. city average over the same time period. The increases for the comparable regional providers range from a low of 217% for Fairfax, Virginia to a high of 559% for Baltimore City, Maryland. The U.S. city average increased by 162% over the 21-year analysis period.

FYs 2000-2021 Bill Increase Comparison
(165 Gallons per Day)



Assumes a 5/8" residential meter for purposes of determining the appropriate fees.

The U.S. city average is based on the water and sewerage maintenance component of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, from the U.S. Bureau of Labor Statistics (www.bls.gov). Values for July of each fiscal year (i.e., July 2020 = FY 2021 value).

WATER AND SEWER BILL COMPARISONS (Continued)

Electric and Cell Phone Service Bill Comparison

Another useful comparison is looking at the cost of other utility or utility-like services. Two such services for which there is readily available data from government sources are electric services and cell phone service. The most recent year for which data are available for all three services (electricity, cell phone and WSSC Water services) is 2019. The data show that in 2019 the average cost of electricity from the two primary providers in Montgomery and Prince George's Counties, Baltimore Gas and Electric Company (BGE) and Potomac Electric Power Company (PEPCO), was approximately \$116 per month. For cell phone service, the 2019 data for the South Census Region, which includes the State of Maryland, has a monthly cost of about \$103. The average monthly cost of water and sewer services from WSSC Water, based on a three-person household using FY 2019 rates and fees, was only about \$71 in comparison. This means that the monthly cost of water and sewer was only around 61% of the cost of electricity and 69% of the cost of cell phone service in 2019.

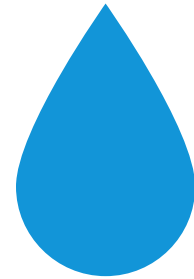
In 2019, the average household spent per month...



\$116
on electricity from
BGE and PEPCO



\$103
on cell phone
service



\$71
on water and sewer
services from **WSSC**
Water

Electric sales, revenue and average price data from the U.S. Energy Information Administration (www.eia.gov), 2019 Electricity Reports.

Cellular phone service expenditures from the U.S. Bureau of Labor Statistics (www.bls.gov), Consumer Expenditure Survey, September 2020.

The average WSSC Water bill is based on a three-person household with consumption of 55 gallons of water per person per day.

SPENDING AFFORDABILITY AND LONG-RANGE FINANCIAL PLAN

In May 1993, the Montgomery and Prince George's County Councils created the Bi-County Working Group on WSSC Spending Controls (Working Group) to review WSSC Water's finances and recommend spending control limits. The Working Group's January 1994 report recommended "the creation of a spending affordability process that requires the Counties to set annual ceilings on the WSSC's rates and debt (debt in this context means both bonded indebtedness and debt service), and then place corresponding limits on the size of the capital and operating budgets of the Commission."

Each year, the spending affordability process focuses debate, analysis and evaluation on balancing affordability considerations against the provision of resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates and maintain operating and capital budgets and debt service at prudent and sustainable levels.

The agency has submitted an annual budget which generally conforms to the Spending Affordability Guidelines (SAG) established by both County governments every year since 1994.

A long-range financial plan complements the spending affordability process by utilizing approved SAG limits to forecast outer year implications and strategize potential problems and opportunities which may impact WSSC Water's work program. The plan is the agency's roadmap and reflects financial strategic intent, as well as imposing discipline by highlighting the cumulative effects of decisions. Addressing issues earlier not only protects WSSC Water's long-term financial condition but also ensures that necessary actions and/or changes are properly communicated to our customers, County Councils and other stakeholders.

MAJOR ASSUMPTIONS, WORKLOAD INDICES AND DEMAND PROJECTIONS

Below is a summary of the budget outcomes from the FY 2022 SAG process.

- Fund Balance – It was assumed for the purpose of preparing the FY 2022 Proposed Budget that, at the end of FY 2021, accumulated net revenues for the water and sewer operating funds would total \$162.3 million. For FY 2022, the total water and sewer operating revenues are \$828.5 million; therefore, at least \$124.3 million will be held in accumulated net revenues in adherence to WSSC Water's 15% reserve policy (see Fiscal Guidelines page 6-1).
- Revenues – The estimated FY 2022 revenues from water consumption and sewer use charges are \$318.9 million and \$398.9 million, respectively. Water production is assumed to be 163.0 million gallons per day (MGD) in FY 2022 and water consumption is projected to increase from 122.1 MGD in FY 2021 to 126.4 MGD in FY 2022.
- Capital Budget – The capital budget includes expenditure estimates for all projects for which work is reasonably expected to be accomplished. This provides management with maximum flexibility to proceed on the many and diverse projects approved each year in the budget. The FY 2022 Capital Budget is \$703.8 million.
- Debt Service – The debt service estimates for FY 2022 assume that \$208.5 million in Water Supply bonds and \$201.2 million in Sewage Disposal bonds will be issued in FY 2022, in addition to repayment of existing debt. The water and sewer issues will be 30-year bonds with an estimated 4.0% average interest rate.
- Reconstruction Debt Service Offset (REDO) – For FY 2022, \$6.0 million will be transferred from the General Bond Debt Service Fund to the Water and Sewer Operating Funds. The transfer is made to help defray the debt service on funds borrowed to finance water and sewer systems reconstruction activities.
- Workforce and Compensation – Four additional authorized workyears are included. Funding for compensation enhancements is limited due to the very challenging fiscal environment.

MAJOR ASSUMPTIONS, WORKLOAD INDICES AND DEMAND PROJECTIONS (Continued)

The following table presents data used during the SAG process to develop the FY 2022 Proposed Budget.

Workload Data	Actual					Projected	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Water and Sewer Combined Rate Increase (%)	1.0	3.0	3.5	4.5	5.0	6.0	5.9
Population to be Served (000s)	1,774	1,785	1,777	1,801	1,810	1,819	1,828
Customer Accounts (000s): *	N/A	460	460	461	464	475	475
Residential (%)	N/A	95.6	95.7	95.5	95.4	95.4	95.4
Commercial and Industrial (%)	N/A	3.7	3.7	3.7	3.8	3.8	3.8
Government and Other (%)	N/A	0.7	0.6	0.8	0.8	0.8	0.8
Water Program:							
Water Production (Average MGD)	164.2	163.1	163.9	161.7	162.6	164.0	163.0
Water Consumption (Average MGD)	123.3	130.5	126.6	123.2	128.6	122.1	126.4
Water Mains Maintained (Miles)	5,586	5,647	5,768	5,816	5,844	5,939	6,000
Water House Connections Maintained (000s)	457	461	465	469	471	474	476
Sewer Program:							
Sewage Treated (Average MGD)	184.8	179.0	172.8	218.7	188.3	197.2	192.1
Sewer Use (Average MGD)	113.3	118.6	116.3	113.3	116.0	116.7	117.5
Sewer Mains Maintained (Miles)	5,451	5,549	5,578	5,604	5,624	5,687	5,728
Sewer House Connections Maintained (000s)	432	435	438	441	443	445	447
House Connections added:							
Water	4,389	3,498	2,931	3,480	2,410	2,600	2,800
Sewer	3,310	2,997	2,500	3,152	1,868	2,200	2,400
New Water & Sewer Bond & Notes Debt Issues (\$ in millions)	535	455	459	390	234	410	410
Average Annual Interest Rate for New Bond Issuance (%)	3.3	4.3	4.0	4.2	3.2	5.0	4.0

* Beginning with the FY 2022 budget, the data source was changed to WSSC Water's new Customer-to-Meter (C2M) customer billing system and prior fiscal years have been restated.

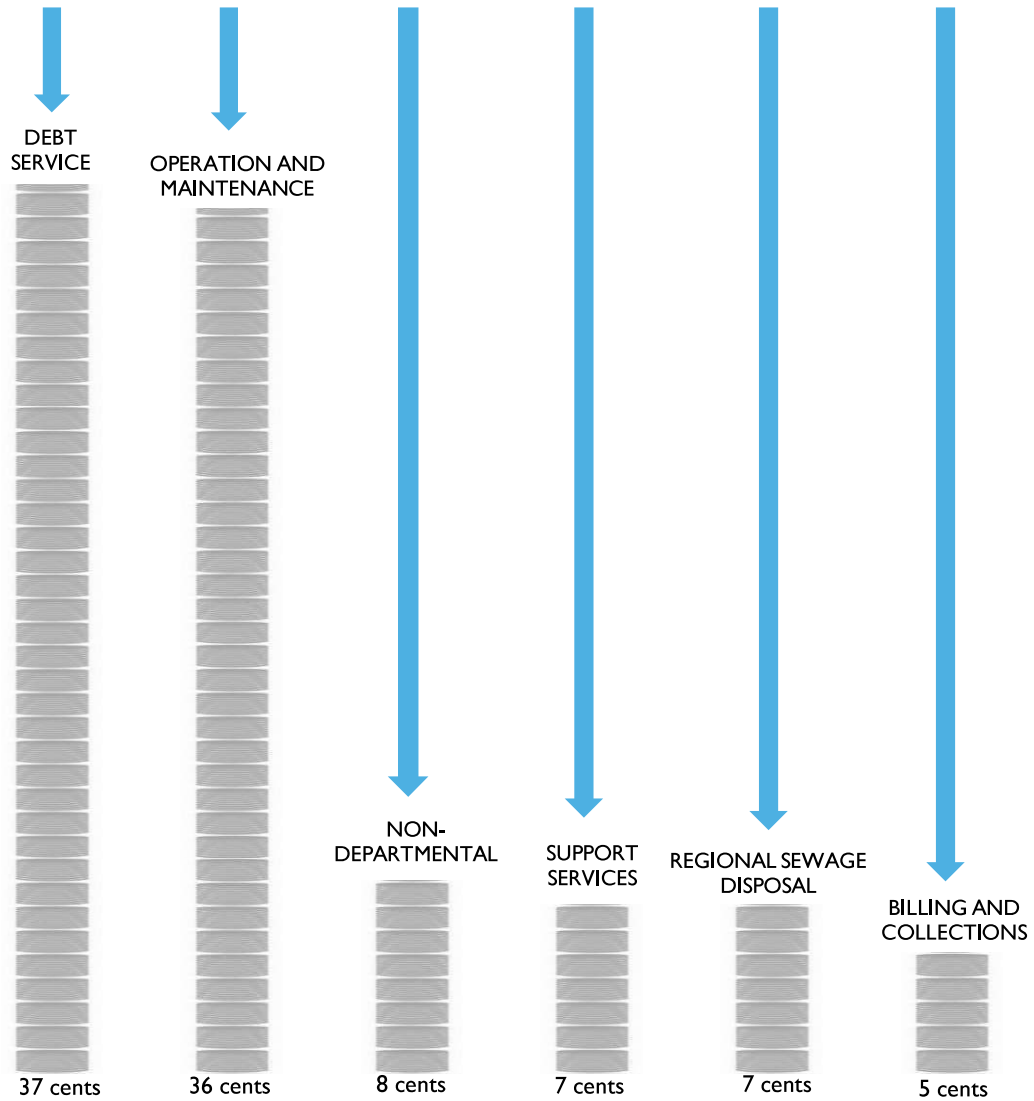
LONG-RANGE FINANCIAL PLAN FOR WATER AND SEWER OPERATING FUNDS

(\$ in thousands)	FY 2021 Approved	FY 2022 Proposed	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
New Water and Sewer Debt Issues	\$ 409,922	\$ 409,704	\$ 415,548	\$ 356,388	\$ 350,000	\$ 350,000	\$ 350,000
Water and Sewer Combined Rate Increase (Average)	6.0 %	5.9 %	8.0 %	8.0 %	7.0 %	6.5 %	6.0 %
Operating Revenues							
Consumption Charges	\$ 689,210	\$ 717,803	\$ 765,097	\$ 827,329	\$ 886,354	\$ 945,173	\$ 1,003,177
Account Maintenance Fees	32,360	31,866	31,930	31,994	32,058	32,122	32,186
Infrastructure Investment Fees	39,410	38,808	38,886	38,963	39,041	39,119	39,198
Plumbing and Inspection Fees	14,470	14,350	14,781	15,224	15,681	16,151	16,636
Rockville Sewer Use	3,000	3,100	3,100	3,100	3,100	3,100	3,100
Miscellaneous	20,801	21,600	21,816	22,034	22,255	22,477	22,702
Interest Income	10,000	1,000	1,000	1,500	2,000	2,500	3,000
Total Operating Revenues	\$ 809,251	\$ 828,527	\$ 876,610	\$ 940,144	\$ 1,000,489	\$ 1,060,642	\$ 1,119,999
Other Credits and Transfers							
Use of Fund Balance	8,000	-	-	-	-	-	-
Reconstruction Debt Service Offset	9,500	6,000	4,000	2,000	-	-	-
SDC Debt Service Offset	5,772	5,772	5,772	5,772	5,772	5,772	5,748
Premium Transfer	1,500	-	-	-	-	-	-
Underwriters Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Total Funds Available	\$ 836,023	\$ 842,299	\$ 888,382	\$ 949,916	\$ 1,008,261	\$ 1,068,414	\$ 1,127,747
Operating Expenses							
Salaries & Wages	127,726	133,039	138,813	145,059	151,587	158,408	165,537
Heat, Light & Power	20,423	18,493	19,233	20,002	19,191	18,413	19,278
Regional Sewage Disposal	58,000	59,160	60,343	61,550	62,781	64,037	65,317
All Other	284,993	294,977	301,084	307,105	313,247	319,512	325,903
Total Operating Expenses	\$ 491,142	\$ 505,669	\$ 519,473	\$ 533,716	\$ 546,806	\$ 560,370	\$ 576,035
Debt Service							
Bonds and Notes Principal and Interest	313,865	309,045	328,519	352,154	377,451	398,406	418,476
Other Transfers and Adjustments							
Additional and Reinstated	-	-	-	-	5,000	5,000	20,000
PAYGO	31,016	27,585	31,016	44,000	65,000	80,000	80,000
Total Expenses	\$ 836,023	\$ 842,299	\$ 879,008	\$ 929,870	\$ 994,257	\$ 1,043,776	\$ 1,094,511
Net Revenue (Loss)	\$ -	\$ -	\$ 9,374	\$ 20,046	\$ 14,004	\$ 24,638	\$ 33,236
Beginning Fund Balance - July 1							
Net Increase (Decrease) in Fund Balance	\$ 147,605	\$ 162,291	\$ 162,291	\$ 171,665	\$ 191,711	\$ 205,715	\$ 230,353
Adjustments	-	-	9,374	20,046	14,004	24,638	33,236
Ending Fund Balance - June 30	\$ 147,605	\$ 162,291	\$ 171,665	\$ 191,711	\$ 205,715	\$ 230,353	\$ 263,589
Debt Service Coverage (1.10 - 1.25 is Target)	1.01	1.04	1.09	1.15	1.19	1.24	1.25
Debt Service as a % of Total Expenses (< 40% is Target)	37.5 %	36.7 %	37.4 %	37.9 %	38.0 %	38.2 %	38.2 %
End Fund Balance as a % of Operating Revenue (min. 15%)	20.1 %	19.6 %	19.6 %	20.4 %	20.6 %	21.7 %	23.5 %
Days Operating Reserve-on-Hand (75-105 Days is Target)	70.9	70.3	71.3	75.3	75.5	80.6	87.9
Total Workyears (All Funds)	1,776	1,786	1,786	1,786	1,786	1,786	1,786

Assumptions:

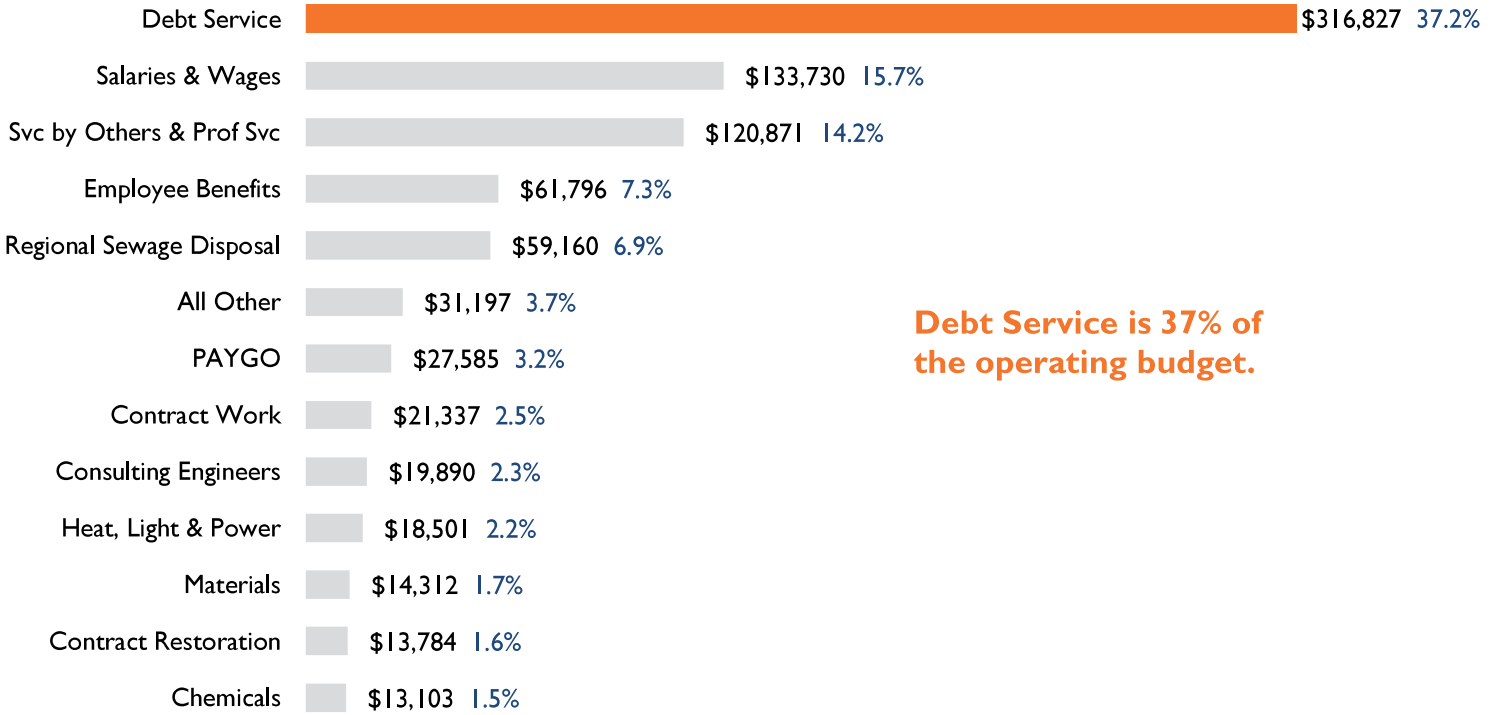
- The FYs 2023-2027 projections reflect WSSC Water's multi-year forecast and assumptions. The projected expenditures, revenues and fund balances for these years may be based on changes to rates, fees, usage, inflation, future labor agreements and other factors not assumed in the FY 2022 Proposed Budget. Data excludes General Construction Debt Service and General Construction Bonds.
- Debt service for bonds and notes includes Maryland Water Quality Bonds and interfund debt service transfers.
- Adjustments to Consumption Charges for Water and Sewer Combined Rate Increase assumes rate increase is in effect for 12 months.
- Debt Service Coverage is Operating Revenues less Operating Expenses (excluding Debt Service and PAYGO) divided by the debt service on bonds and notes.
- Adjustments shown for FY 2021 reflect prior period adjustment and the COVID-19 savings plan.

HOW EACH DOLLAR OF A WATER AND SEWER BILL IS SPENT



FY 2022 PROPOSED BUDGET – BY MAJOR EXPENSE CATEGORIES

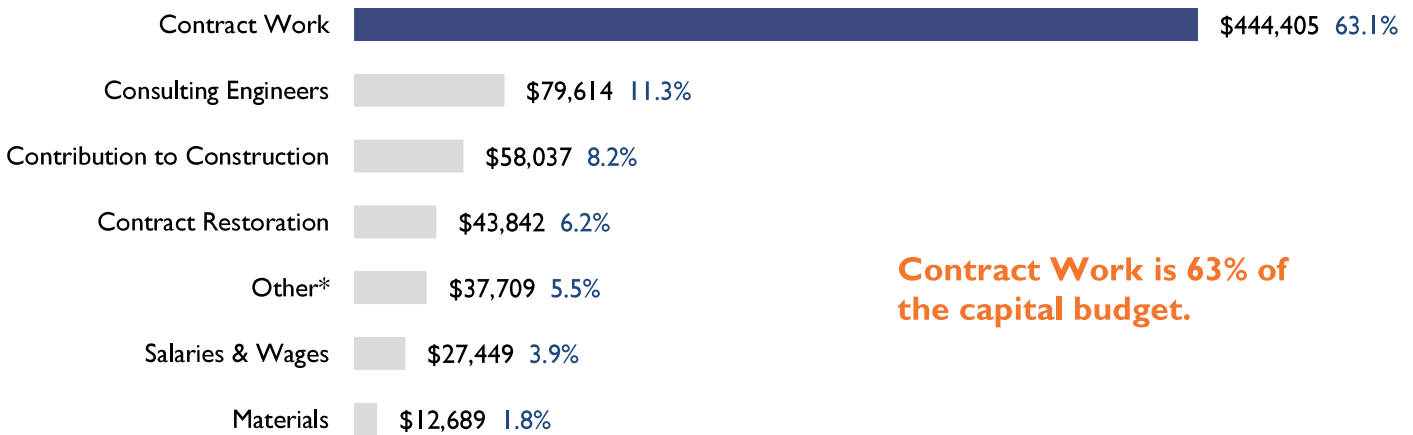
Total Operating Budget = \$852,093 (\$ in thousands)



Debt Service is 37% of the operating budget.

Includes Water Operating, Sewer Operating and General Bond Debt Service

Total Capital Budget = \$703,745 (\$ in thousands)

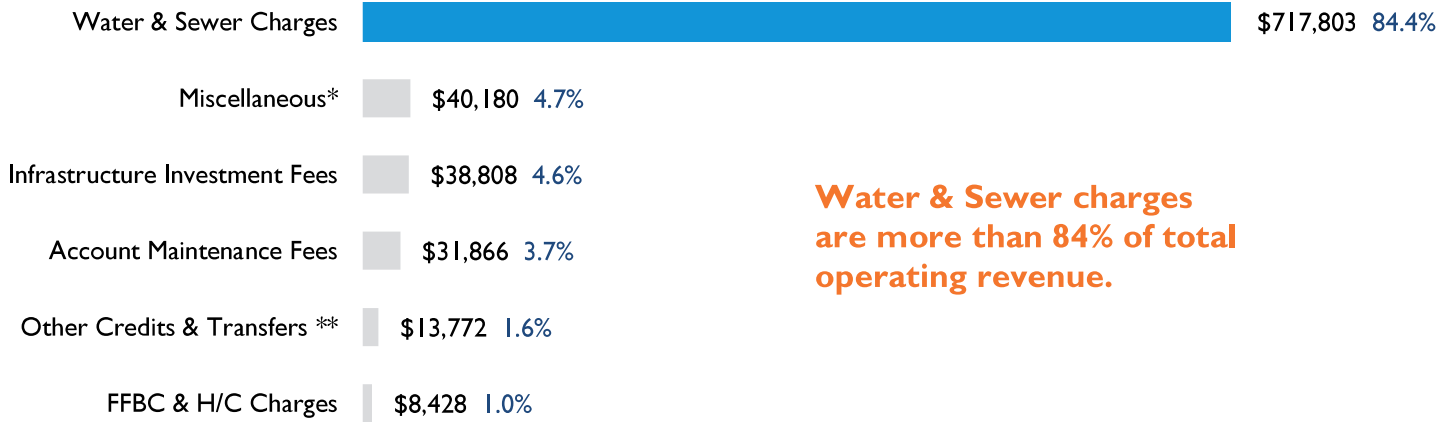


Contract Work is 63% of the capital budget.

(*) Includes Land, Professional Services, Water Meters and Non-Departmental Accounts
Includes Water Supply, Sewage Disposal and General Construction Bond

FY 2022 PROPOSED BUDGET – BY SOURCES

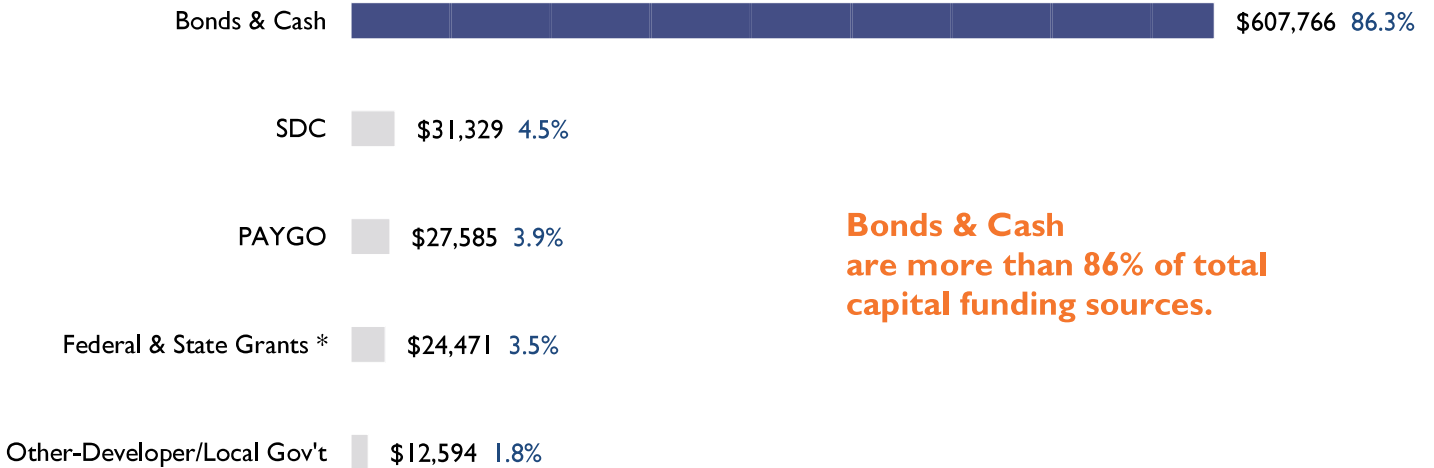
Total Operating Revenue = \$850,857 (\$ in thousands)



(*) Plumbing and inspection fees, Rockville sewer use, interest income and other miscellaneous fees

(**) Includes Reconstruction Debt Service Offset (REDO), SDC Debt Service Offset and Underwriter's Discount Transfer

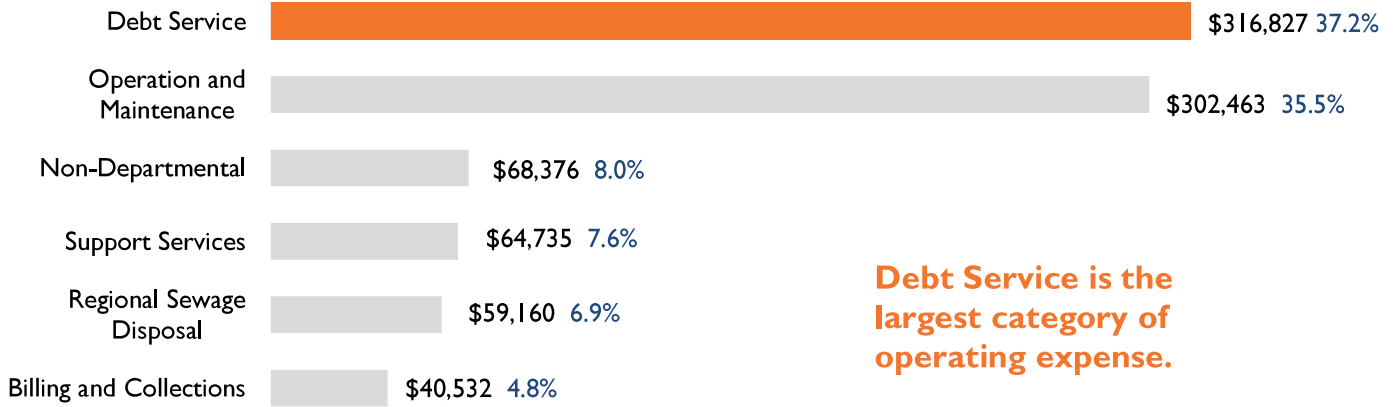
Total Capital Funding Sources = \$703,745 (\$ in thousands)



(*) Includes funding from Maryland's Bay Restoration Fund.

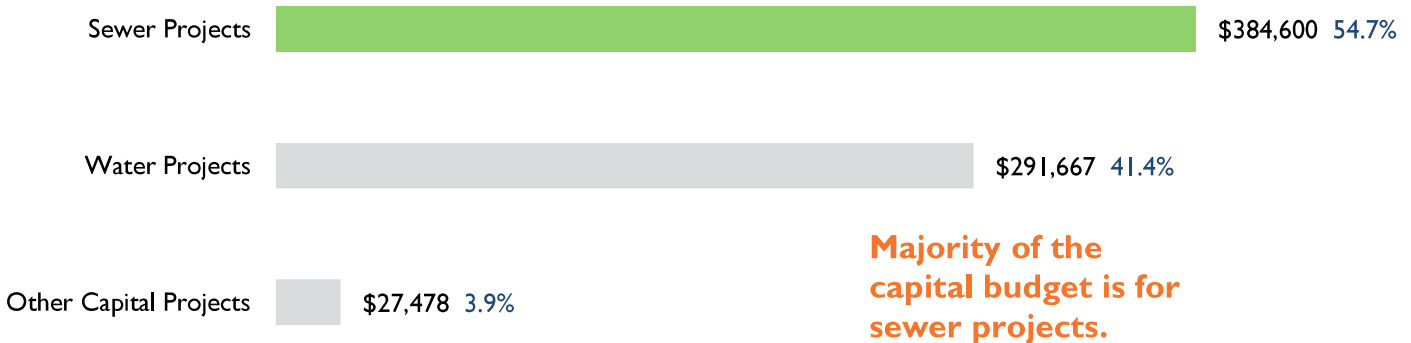
FY 2022 PROPOSED BUDGET – BY FUND USES

Total Operating Uses = \$852,093 (\$ in thousands)



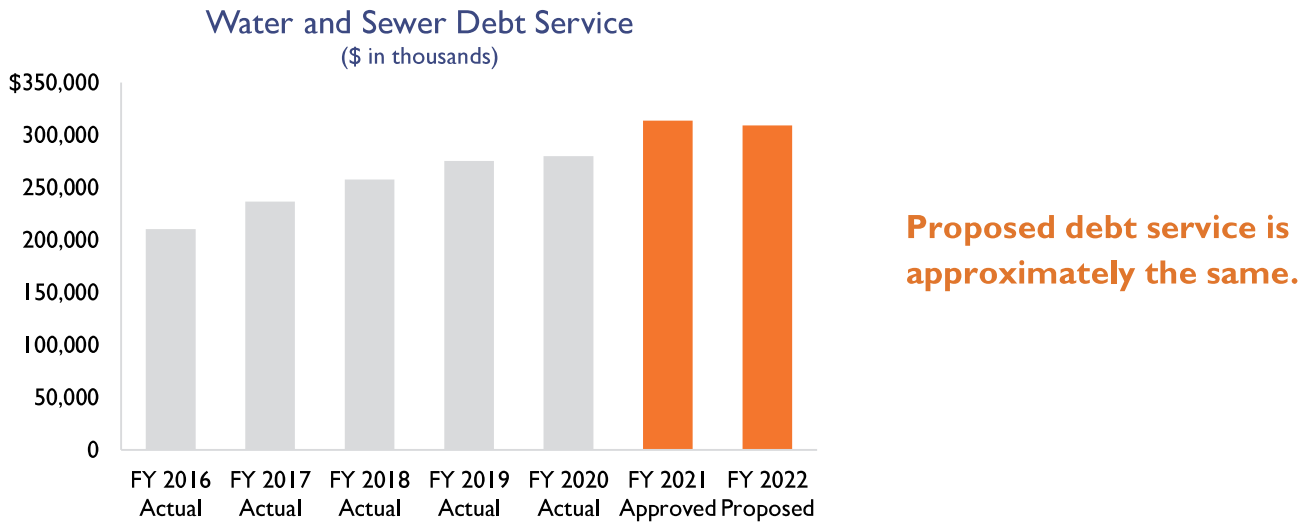
Includes Water Operating, Sewer Operating and General Bond Debt Service

Total Capital Uses = \$703,475 (\$ in thousands)

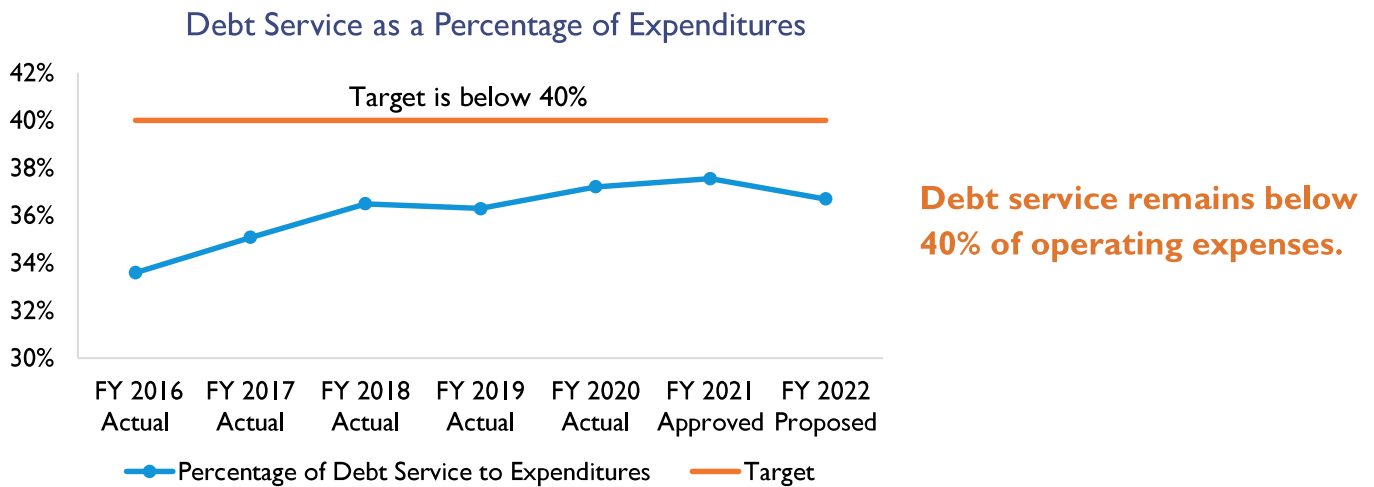


Includes Water Supply, Sewage Disposal and General Construction Bond

WATER AND SEWER DEBT SERVICE GUIDELINES

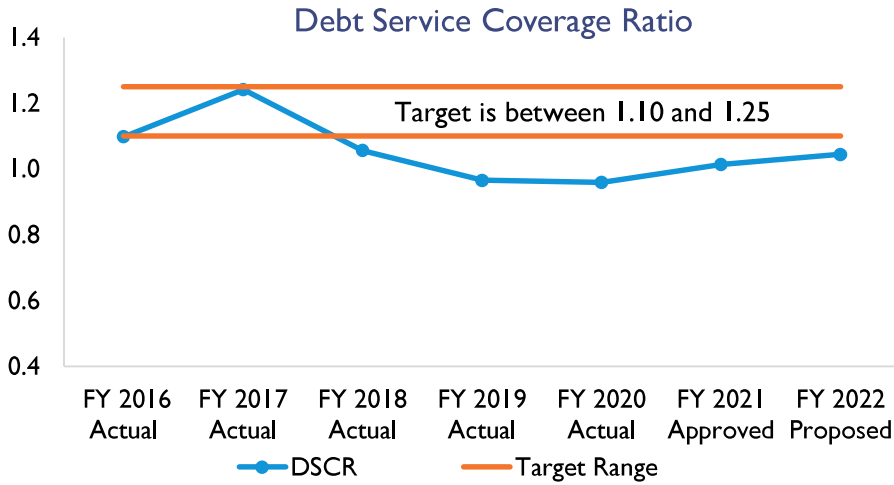


The largest expenditure in the FY 2022 proposed water and sewer operating budget is debt service. Debt service decreased slightly in FY 2022 due to lower interest rate projections and bond refunding. Ongoing water and sewer rehabilitation programs aimed at addressing WSSC Water’s aging infrastructure continue to be a major contributing factor to debt service. Rehabilitation programs make up over 37% of the FY 2022 Proposed CIP and highlights can be found in the FY 2022 to FY 2027 Proposed CIP at <https://www.wsscwater.com/fin>.



As part of the long-term financial plan, WSSC Water has a target benchmark of keeping water and sewer debt service below 40% of total water and sewer expenditures. The above chart shows the agency continues to be fiscally responsible in meeting this target. For FY 2022, the proposed debt service percentage is 36.7% of operating costs.

WATER AND SEWER DEBT SERVICE GUIDELINES (Continued)



Projected FY 2022 debt service coverage ratio is 1.04.

The DSCR is an important benchmark used in the measurement of the cash flow available to pay current debt obligations. WSSC Water’s target DSCR is 1.10 – 1.25. The projected ratio for FY 2022 is 1.04, but it is anticipated to be on target at 1.15 in FY 2024.

Below is the formula for calculating DSCR where Net Operating Income equals Operating Revenue minus Operating Expenses, excluding Debt Service and PAYGO.

$$\text{DSCR} = \frac{\text{Net Operating Income}}{\text{Total Debt Service}}$$

ORGANIZATIONAL BUDGET AND MEASURES

This section discusses expenses by organizational unit, assumptions related to WSSC Water's workforce and compensation, including retiree benefits. In addition, this section highlights the role, mission and core activities of each organization within the agency. It also provides goals, outcomes and measures for key performance metrics measures by the agency.

COMPARATIVE EXPENSES BY ORGANIZATIONAL UNIT ALL OPERATING AND CAPITAL FUNDS

Organization	FY 2020 Actual		FY 2021 Approved		FY 2022 Proposed		Change
	Work	Amount	Work	Amount	Work	Amount	
	Years		Years		Years		
Governance & General							
Manager's Office							
Commissioners'/Corporate Secretary's Office*	2.0	\$ 260,613	2.0	\$ 389,067	2.0	\$ 410,432	\$ 21,365
Office of the Inspector General*	7.4	1,289,752	10.0	1,569,853	10.0	1,628,871	59,018
General Manager's Office	8.2	1,529,607	8.0	1,428,515	8.0	1,480,154	51,639
General Counsel's Office	25.6	10,813,481	28.0	10,553,926	28.0	10,481,323	(72,603)
Strategy & Partnerships							
Intergovernmental Relations Office	3.8	631,405	4.0	761,095	4.0	778,837	17,742
Strategy & Innovation Office	17.4	3,000,446	19.0	3,156,740	19.0	5,830,574	2,673,834
Communications & Community Relations Office	16.0	2,595,793	19.0	3,062,240	19.0	2,957,801	(104,439)
Human Resources Office	34.4	6,337,223	36.0	7,955,917	36.0	8,049,422	93,505
Equal Employment Opportunities Office	1.0	242,977	1.0	233,664	1.0	237,823	4,159
Customer Service Department	115.1	14,061,223	86.0	13,338,210	94.0	14,197,482	859,272
Operations							
Asset Management Office	4.7	1,634,023	6.0	1,828,820	6.0	1,794,247	(34,573)
Police & Homeland Security Office	33.8	4,959,794	40.0	5,951,654	40.0	5,951,878	224
Engineering & Construction Department	349.2	397,930,450	376.0	571,491,507	376.0	685,173,258	113,681,751
Production Department	311.1	141,838,990	330.0	143,843,456	332.0	152,791,839	8,948,383
Utility Services Department	477.7	94,476,940	512.0	137,722,473	512.0	122,030,861	(15,691,612)
Administration							
Office of Supplier Diversity & Inclusion	8.5	903,320	9.0	1,519,383	9.0	1,292,695	(226,688)
Procurement Office	24.2	2,631,687	27.0	2,691,204	27.0	2,717,721	26,517
General Services Department	88.9	34,123,740	96.0	42,457,998	96.0	41,149,538	(1,308,460)
Finance Department	63.1	7,832,219	64.0	8,167,790	64.0	8,271,660	103,870
Information Technology Department	91.8	66,093,393	103.0	56,460,627	103.0	61,389,484	4,928,857
Other							
Human Resources Non-Departmental	-	24,460,411	-	31,456,610	-	31,665,326	208,716
Finance Non-Departmental							
Debt Service	-	293,268,854	-	325,593,000	-	316,827,000	(8,766,000)
PAYGO	-	-	-	31,016,000	-	27,585,000	(3,431,000)
Other (Social Security, Retirement, etc.)	-	50,409,447	-	53,138,404	-	51,914,428	(1,223,976)
Retirement Trust Chargeback	-	(756,355)	-	(750,042)	-	(769,300)	(19,258)
Total	1,683.9	\$1,160,569,433	1,776.0	\$1,455,038,111	1,786.0	\$1,555,838,354	\$ 100,800,243

(*) Commissioners (6) and Inspector General (1) not included in totals for workyears. However, funds shown in table do provide for associated workyear expenses.

WORKFORCE AND COMPENSATION

The workforce and compensation assumptions proposed for Fiscal Year (FY) 2022 incorporate the policy and guideline recommendations discussed in the Section 5.

Salaries & Wages Summary

	<u>FY 2022 Proposed</u>	
	Work Years	Amount
Base Positions Funded Full Year	1,786	\$ 160,479,528
Overtime		8,088,000
Subtotal		168,567,528
Lapse on Base Positions*		(8,292,449)
Subtotal		160,275,079
Salary Enhancements		826,000
Salary - 6 Commissioners		78,500
Total	1,786	\$161,179,579

* Lapse is the reduction of gross salary costs due to vacancies and normal delays in filling positions.

Employee Benefits

The following employee benefits are funded in WSSC Water’s FY 2022 Proposed Budget through a combination of lump sum or payroll-based contributions.

FICA (Social Security & Medicare) – Contributions are collected each payday based on actual payroll. Since contribution rates and salary maximums change at the start of the calendar year, figures used in the budget represent an average of the projected changes for FY 2022. The employer rates are 6.2% for Social Security and 1.45% for Medicare.

Workers' Compensation – This is handled by the Human Resources Office. Contributions are set each year based on an actuarial valuation of exposures, past and projected claims experience and administrative expenses.

Group Insurance – The contributions for health insurance are actuarially determined, and the contribution for life insurance is based on fixed rates per coverage amounts based on an employee's salary. Contribution rates are set based on various factors, including the fund balance in the Retiree Other Post-Employment Benefits (OPEB) Trust and claims cost experience.

Retirement System – WSSC Water maintains a retirement system for its employees which is intended to provide income during their retirement years. The Employees’ Retirement Plan is administered by an Executive Director who is appointed by the General Manager.

Retiree Health Benefits Trust – The trust is a single employer contributory fund established to address the rising cost of life insurance and medical benefits for future retirees and beneficiaries. Through a trust vehicle, annual contributions by WSSC Water are set aside and actively invested. Over time, funding would be sufficient to pay for future retiree health benefits, as well as any accrued interest on the unfunded liability.

Employee and retiree benefits and related expenses are budgeted in two non-departmental organizations for Human Resources and Finance.

CUSTOMER CHARACTERISTICS

Top 20 Customers - Water and Sewer Consumption

Name of Customer	FY 2020 Annual Consumption*	FY 2020 Total Collected Amount
National Institutes of Health	1,198,000	\$ 11,511,175
Howard County Department of Public Works	1,014,000	3,849,597
University of Maryland	836,000	8,285,994
U.S. Navy	536,000	2,487,853
Leisure World	348,000	2,097,525
General Services Administration (GSA)	263,000	2,551,046
Advanced Conservation Technologies	263,000	1,471,217
National Institute of Standards and Technology (NIST)	233,000	2,181,655
Andrews Air Force Base	227,000	2,185,965
Gaylord Hotels	211,000	2,077,394
Southern Management Corp	204,000	1,408,099
Franklin Park Apartments	190,000	1,192,543
MGM Resorts	161,000	1,641,429
Fort Detrick - Forest Glen Annex	149,000	1,522,633
Jefferson at Orchard Pond	139,000	973,950
Prince George's Hospital	133,000	1,326,712
Quincy Village Apartments	122,000	1,227,661
Krieger Blvd LLC	121,000	874,723
MedImmune LLC	120,000	1,212,419
Riderwood	115,000	1,152,812
Total	6,583,000	\$ 51,232,401

*In thousands gallons, rounded to the nearest thousands

Total collected amount represents water and sewer usage charges

ACTIVE CUSTOMER ACCOUNTS

WSSC Water Active Customer Accounts for Montgomery County and Prince George's County as of the end of the fiscal year.

	FY 2017	FY 2018	FY 2019	FY 2020
Customer Accounts Both Counties	459,751	460,072	460,825	463,755
Percent Change (%)		0.1%	0.2%	0.6%

By Type of Customer*				
Residential	439,601	440,164	440,087	442,536
Percent Change (%)		0.1%	0.0%	0.6%
Commerical and Industrial	17,169	16,921	16,852	17,455
Percent Change (%)		-1.4%	-0.4%	3.6%
Government and Other	2,981	2,987	3,886	3,764
Percent Change (%)		0.2%	30.1%	-3.1%

By Type of Property*				
Single-Family Residence	341,245	341,514	341,093	341,776
Townhouse	90,355	90,880	91,244	92,883
General Commercial	17,164	16,915	16,844	17,446
Garden Apartment	4,070	3,911	3,890	3,861
Multi-Unit (Individually Metered)	2,625	2,630	2,619	2,615
High-Rise Apartment	458	442	442	426
Other	3,834	3,780	4,693	4,748
	459,751	460,072	460,825	463,755

* Data source: WSSC Water's Customer-to-Meter (C2M) customer billing system

The following pages include economic facts for Montgomery County and Prince George's County, published by the Maryland Department of Commerce.

WSSC WATER STRATEGIC PLAN
Journey to World Class



MISSION: We are entrusted by our community to provide safe and reliable water, life's most precious resource, and return clean water to our environment, all in an ethical, sustainable, and financially responsible manner.

STRATEGIC PRIORITIES



Enhance Customer Experience



Optimize Infrastructure



Spend Customer Dollars Wisely



Transform Employee Engagement



Protect Our Resources

GUIDING PRINCIPLES



Simplify



Focus



Connect

CORE VALUES



Accountability



Collaboration



Environmental Stewardship



Excellence



Innovation

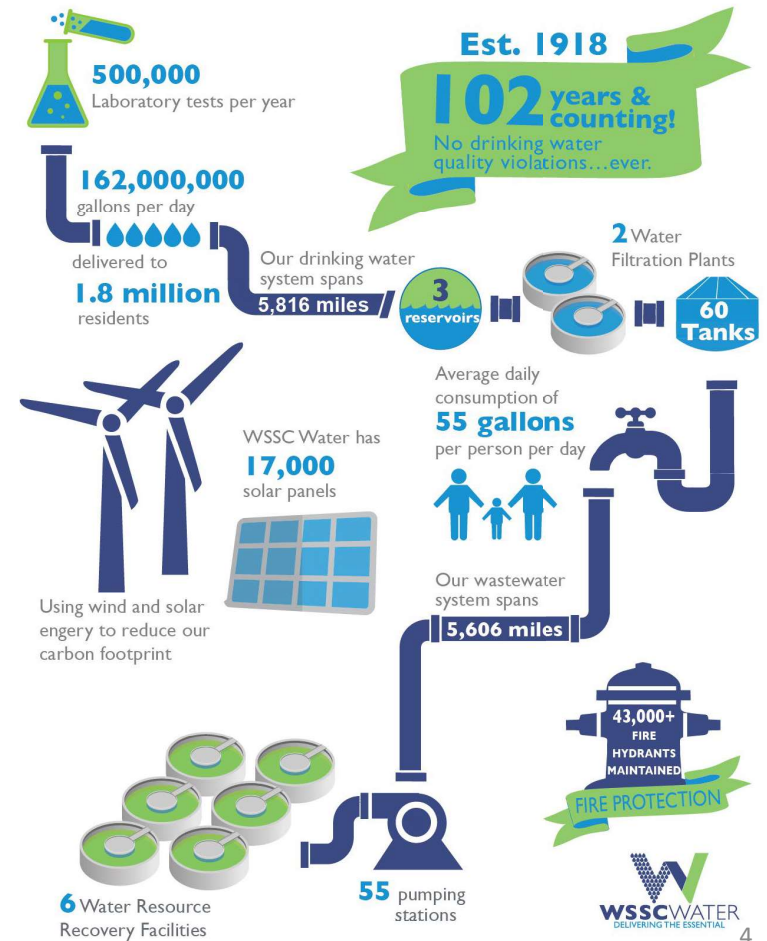
VISION

To be THE world-class water utility, where excellent products and services are always on tap.



WSSC Water at a Glance

- 2 Water Filtration Plants
- 6 Water Resource Recovery Facilities (WRRF)
- 3 Water Storage Dam/Reservoirs
- 60 Water Storage Tanks
- 55 Wastewater Pumping Stations (WWPS)
- 43,000+ Fire Hydrants
- 17,000 Solar Panels
- 0 Water Quality Violations



WSSC Water Innovation Update

- Networks
 - Optimize Sewer Preventive Maintenance
 - Adopt a Fire Hydrant – Smart Phone App for customers
- Plants
 - Parkway Enhanced Biological Phosphorus Removal – average 40% alum reduction
 - Efficient Nitrogen and Phosphorus removal at Seneca – research to reduce aeration
- Product Development
 - Valve monitoring device – remote monitoring of critical valves in the water network
- Business Development
 - Contacting manufacturing and distribution companies to license Fire Hydrant Tool
- Program Management
 - Developing internal training classes for Innovation and Change Management

Fostering an
innovative culture



Calendar Year 2020 Accomplishments

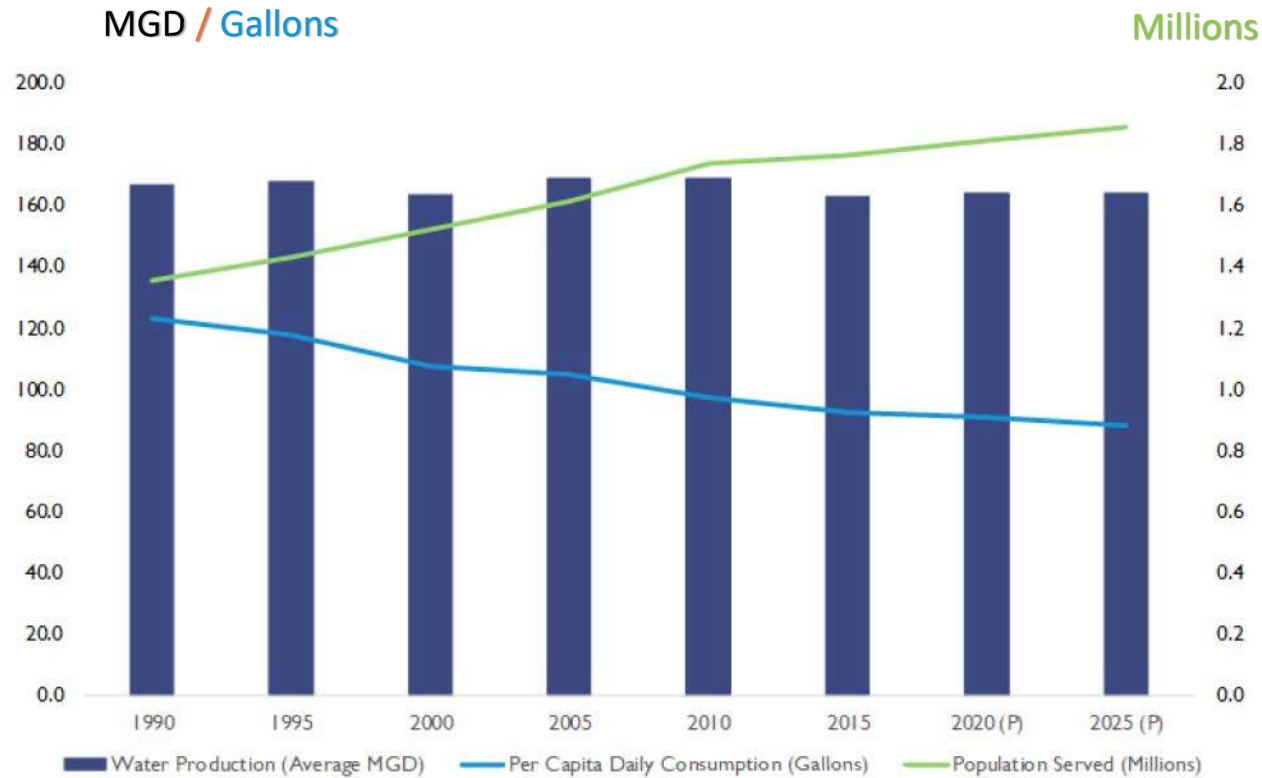
- Successfully implemented Covid-19 Saving Plans to offset revenue losses
- New Normal Task Force carried out operational continuity, successfully transitioned to telework, and automated forms and processes
- Here to Help Campaign launched to assist customers
- Broad Creek WWPS upgrades complete
- Piscataway Bioenergy project on target for August 2024 completion
- Piscataway Sewer Holistic Rehabilitation underway
- Earned AAA bond ratings from all three rating agencies
- Issued Green Bonds to Finance Improvements at the Potomac Water Filtration Plant and the Large Diameter Water Pipe & Large Valve Rehabilitation Program

Successful financial, workplace, and capital projects transition in Covid-19 environment



Changing Business Environment

Drinking Water Production vs Customer Accounts FY 1990 – 2025



Flat demand & growing customer base has created a fiscal strain

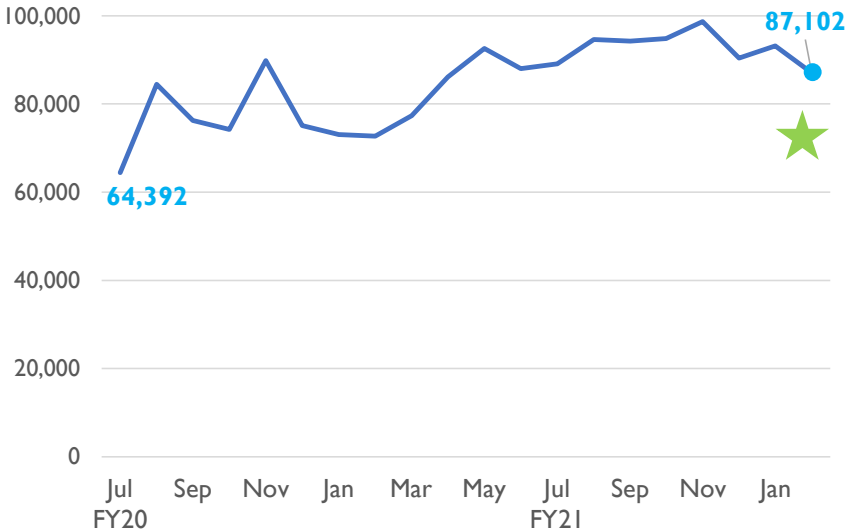


Past Due Accounts/Amounts (2/18/21) High-Level

Past due amounts have risen 135%

Past Due Accounts*

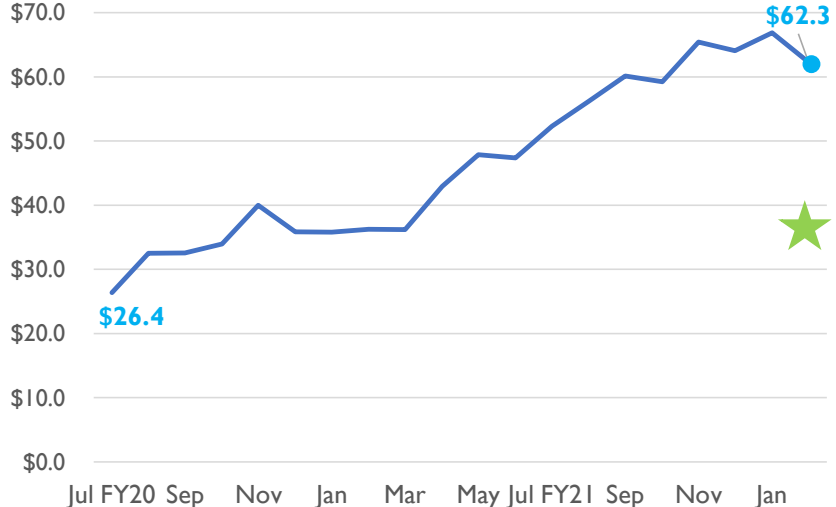
of accounts 30 days past the bill date



★ FY21 Year-End Target: 77,000 accounts

Past Due Amount*

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

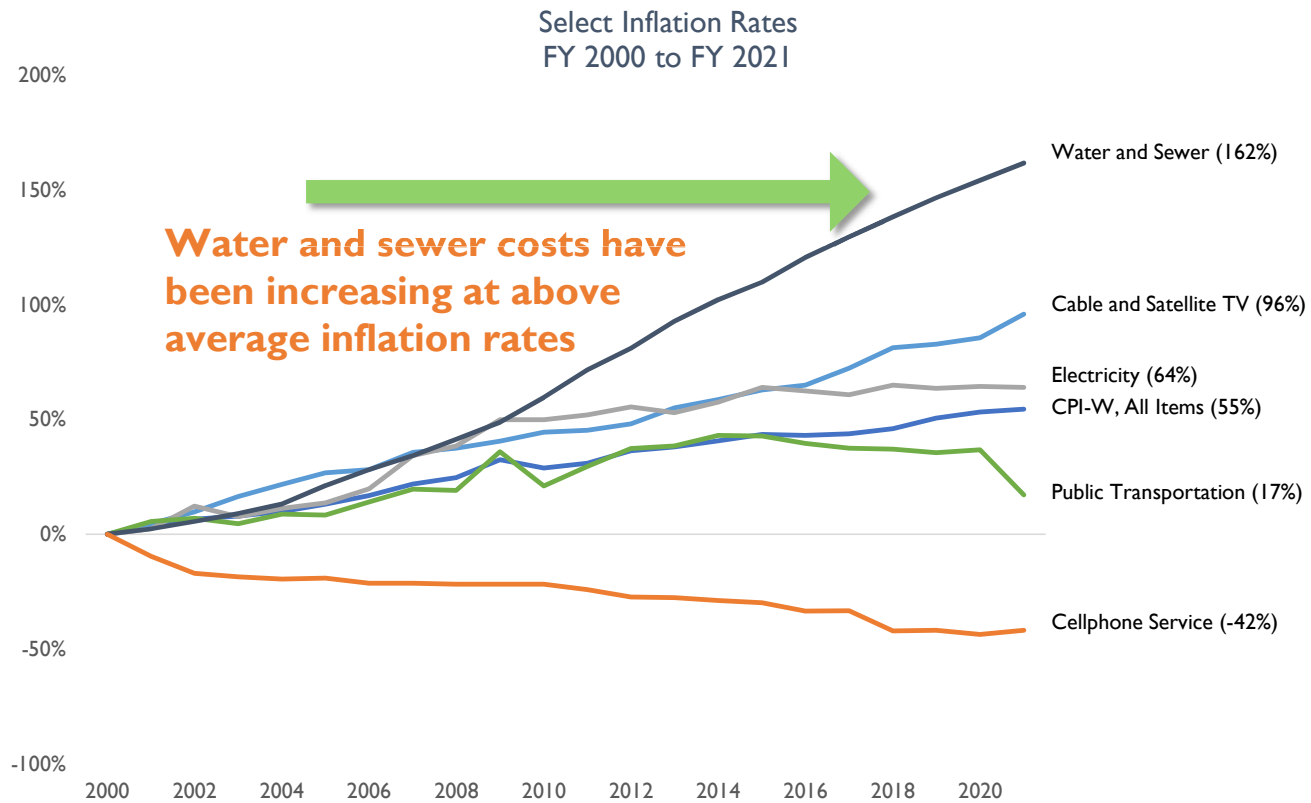


★ FY21 Year-End Target: \$37.7 Million



Inflationary Rates of Various Sectors

Rising Costs Continue to Pressure **Affordability**



Source: U.S. Bureau of Labor & Statistics: CPI-W Index



Rates & Upcoming Major Capital Projects

- WSSC Water’s budget & rates are driven by capital costs/debt service
- Several critical capital projects that will have ongoing rate impacts over the next six years
 - Water Reconstruction Program - \$726.5 million
 - Sewer Reconstruction Program - \$405.4 million
 - Piscataway Bio-Energy Project - \$222.6 million
 - Potomac Consent Decree - \$174.8 million

Rates are driven by required capital investments



Cost Saving Efforts

- Supply Management project savings since FY 2013
 - Cost reductions in excess of \$41.0 million
 - Cost avoidance savings of nearly \$37.0 million
 - Group insurance plan revision savings of \$5.1 million since CY 2017
 - 24 Frozen positions
 - Reduced overtime expenses of \$4.7 million since FY 2017
 - **WORLD CLASS PCCP Condition Assessment Program**
 - \$21.0 million invested to date in acoustic fiber optic monitoring (AFO)
 - \$88.0 million in savings from 44 averted failures
 - PCCP Failures: 46 – only 5 since 2010 (4 on non- AFO monitored pipes)
- Rates would have been higher without proactive cost saving efforts**



FY 2022 Proposed Budget Overview

Letitia Carolina-Powell
Budget Division Manager



FY 2022 Proposed Budget

The FY 2022 Proposed Capital and Operating Budget totals \$1.556 billion

- 5.9% Water & Sewer Volumetric Average Rate Increase meets SAG limit
- No increase in Infrastructure Investment Fee or Account Maintenance Fee
- Four new positions added to support Production and Customer Service Departments
- Six project managers unfrozen to expedite capital projects
- Capital Budget increase of 16.2%
- Operating Budget increase of 0.3%

The operating budget increasing only 0.3%



FY 2022 Proposed Budget Overview

Closing a \$14 Million Gap (\$ in millions)

- Salary Enhancements – \$3.7 M
- PAYGO - \$3.4 M
- Production – chemicals and miscellaneous services - \$2.4 M
- Information Technology – AMI Licenses & small projects - \$1.0 M
- Engineering & Construction - Paving - \$1.0 M
- Customer Service - temporary services - \$0.7 M
- General Services – various items \$0.5 M
- Other – miscellaneous organizational deductions - \$1.4 M

**Budget reductions
required to meet 5.9%
rate SAG limit**



FY 2022 Proposed Budget - Key Provisions

Operating Budget

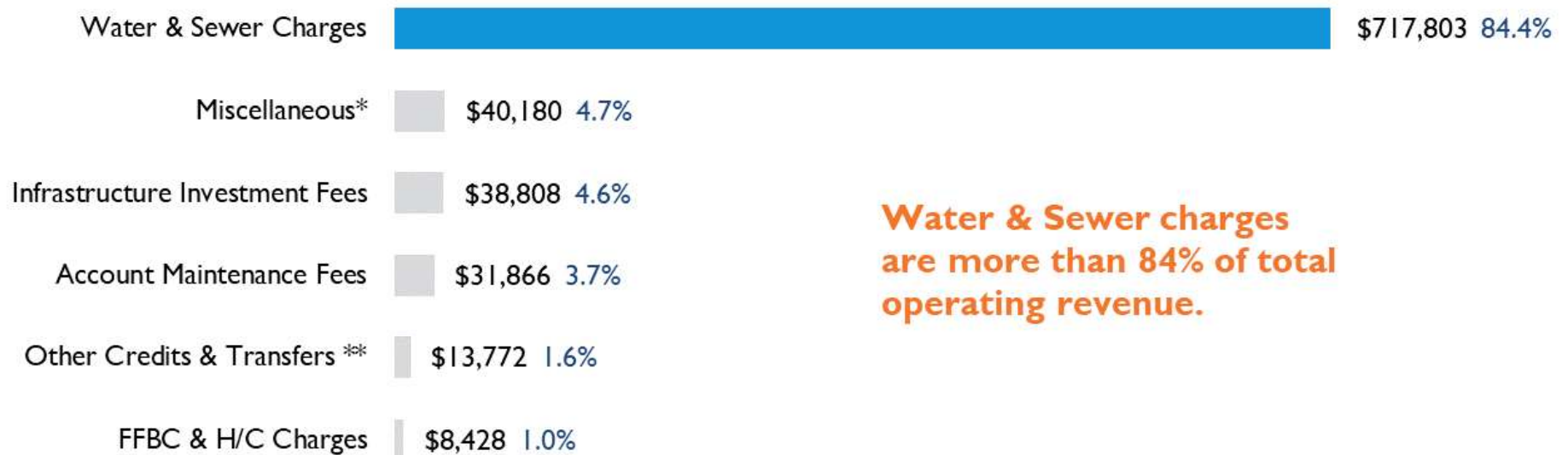
- Providing \$3.3 million for customers in the Customer Assistance Program
- Funding critical information technology projects including cybersecurity enhancements
- Funding for maintenance and repairs at critical facilities
- Funding \$1.2 million for hydraulic dredging at the Triadelphia reservoir
- Funding \$3 million for water tank rehabilitations
- Proposing limited compensation enhancements consistent with tentative agreement with AFSCME Local 2898
- Paying debt service of \$316.8 million

**Same service level budget
with modest increases for
essential improvements**



FY 2022 Proposed Budget Overview

Operating Budget Funding Sources = \$850,857 (\$ in thousands)



(*) Plumbing and inspection fees, Rockville sewer use, interest income and other miscellaneous fees

(**) Includes Reconstruction Debt Service Offset (REDO), SDC Debt Service Offset and Underwriter's Discount Transfer



FY 2022 Proposed Operating Budget by Major Expense Category

Total Operating Uses = \$852,093 (\$ in thousands)



Deferred Improvements FY 2018 to FY 2022

Deferred Improvement	Risks
Unidirectional Flushing Program	Continued discolored water complaints, reduced hydraulic efficiencies & reductions in flow
Large Valve Repair & Replacement Inspections	Backlog of repairs for 16 to 24-inch valves
Fire Hydrant Flow Testing Program	Ineffective firefighting capabilities & contamination of public water supplies by backflow
Plumbing & Gasfitting Inspectors	Public health, safety and welfare
Rights-of-Way Maintenance Program	Challenge to access WSSC Water assets during routine and emergency work

Needed improvements have been deferred for multiple years



FY 2022 Proposed Budget - Key Provisions

Capital Budget

- Funding replacement of 37.5 miles of water mains and 45.4 miles of sewer mains and lateral lines
- Funding \$71.1 million for large diameter water pipe rehabilitation
- Complying with Sanitary Sewer Overflow and Potomac Plant Consent Decrees
- Providing holistic rehabilitation of Piscataway sewer basin to address excess flows at Piscataway Water Resource Recovery Facility
- AMI removed from the CIP reducing FY 2022 capital budget by \$21 million and FY 2022-2027 CIP by \$98 million

**Focus on
infrastructure
investment**



FY 2022 Proposed Capital Budget by Major Expense Category

Total Capital Uses = \$703,745 (\$ in thousands)



* Includes Land, Professional Services, Water Meters, and Non-Departmental Accounts



Proposed FY2022 Rate Increase Drivers

Driver	Amount	Percent
Reduced Revenue		
Sewer Revenue Rebaseline	\$ 12,000,000	1.8%
Interest Income	9,000,000	1.3%
Other Funding Sources*	12,714,000	1.9%
Subtotal - Reduced Revenue	33,714,000	5.0%
Operating Expense Growth	6,274,000	0.9%
Total	\$ 39,988,000	5.9%

Rate increase primarily addresses reduced revenue

*Other Funding Sources includes use of fund balance and Reconstruction Debt Service Offset transfers



Long Range Financial Plan

(\$ In thousands)	Approved	Proposed	Projected >>>				
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
New Water and Sewer Debt Issues	\$ 409,922	\$ 409,704	\$ 415,548	\$ 356,388	\$ 350,000	\$ 350,000	\$ 350,000
Water and Sewer Combined Rate Increase (Avg)	6.0%	5.9%	8.0%	8.0%	7.0%	6.5%	6.0%
Debt Service Coverage (1.10 - 1.25 is Target)	1.01	1.04	1.09	1.15	1.19	1.24	1.25
Debt Service as a % of Total Expenses (< 40% is Target)	37.5%	36.7%	37.4%	37.9%	38.0%	38.2%	38.2%
End Fund Balance as a % of Operating Revenue (min. 15%)	20.1%	19.6%	19.6%	20.4%	20.6%	21.7%	23.5%
Days Operating Reserve-on-Hand (75-105 Days is Target)	70.9	70.3	71.3	75.3	75.5	80.6	87.9
Total Workyears (All Funds)	1,776	1,786	1,786	1,786	1,786	1,786	1,786

WSSC Water's long range planning supports informed decisions and measures performance



Quarterly Customer Bills at Various

Meter Size	Average Daily Consumption (Gallons Per Quarter)	Approved FY 2018	Approved FY 2019	Approved FY 2020	Approved FY 2021	Proposed FY 2022	Percent Change
3/4" Residential Meter	100 (9,125 gal/qtr)	\$ 122.72	\$ 127.01	\$ 138.94	\$ 145.58	\$ 152.48	4.7%
3/4" Residential Meter	165 (15,056 gal/qtr)	206.12	213.95	217.83	229.21	241.04	5.2%
3/4" Residential Meter	500 (45,625 gal/qtr)	816.40	851.99	794.66	840.78	888.79	5.7%
2" Meter	1,000 (91,250 gal/qtr)	1,878.23	1,952.14	1,903.02	2,004.81	2,110.76	5.3%
3" Meter	5,000 (456,250 gal/qtr)	9,169.19	9,552.44	9,736.92	10,284.01	10,853.51	5.5%
6" Meter	10,000 (912,500 gal/qtr)	19,085.00	19,878.88	19,748.55	20,852.26	22,001.19	5.5%

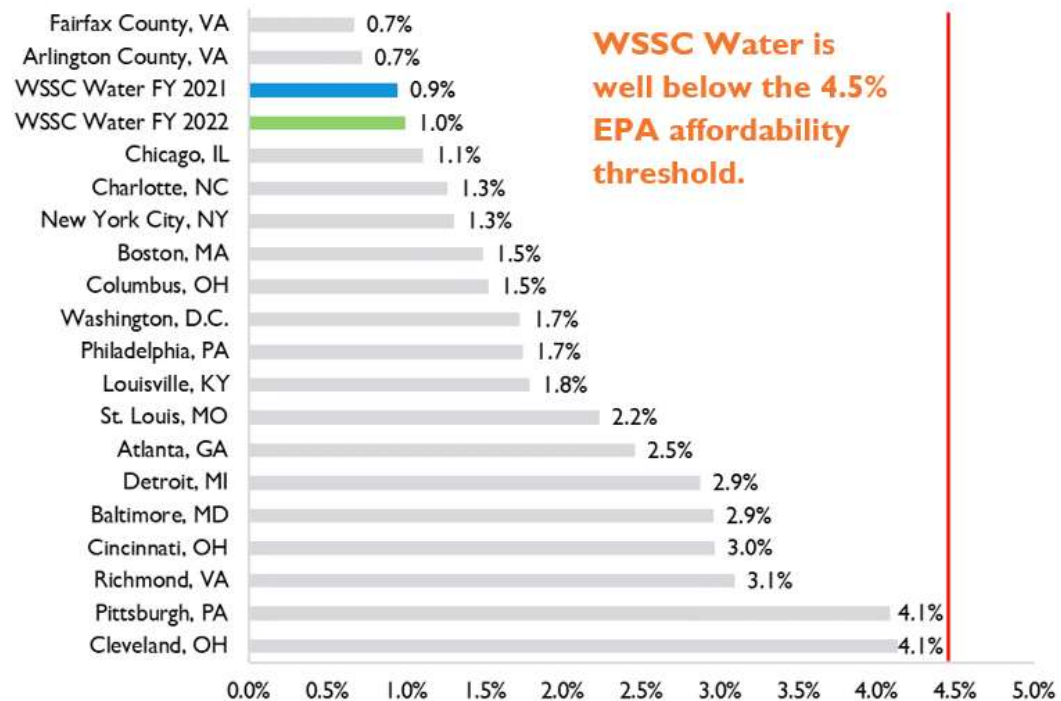
Quarterly bill impact to average customer using 165mgd is 5.2%



Residential Quarterly Water/Sewer Bill Comparison (165 Gallons per Day)



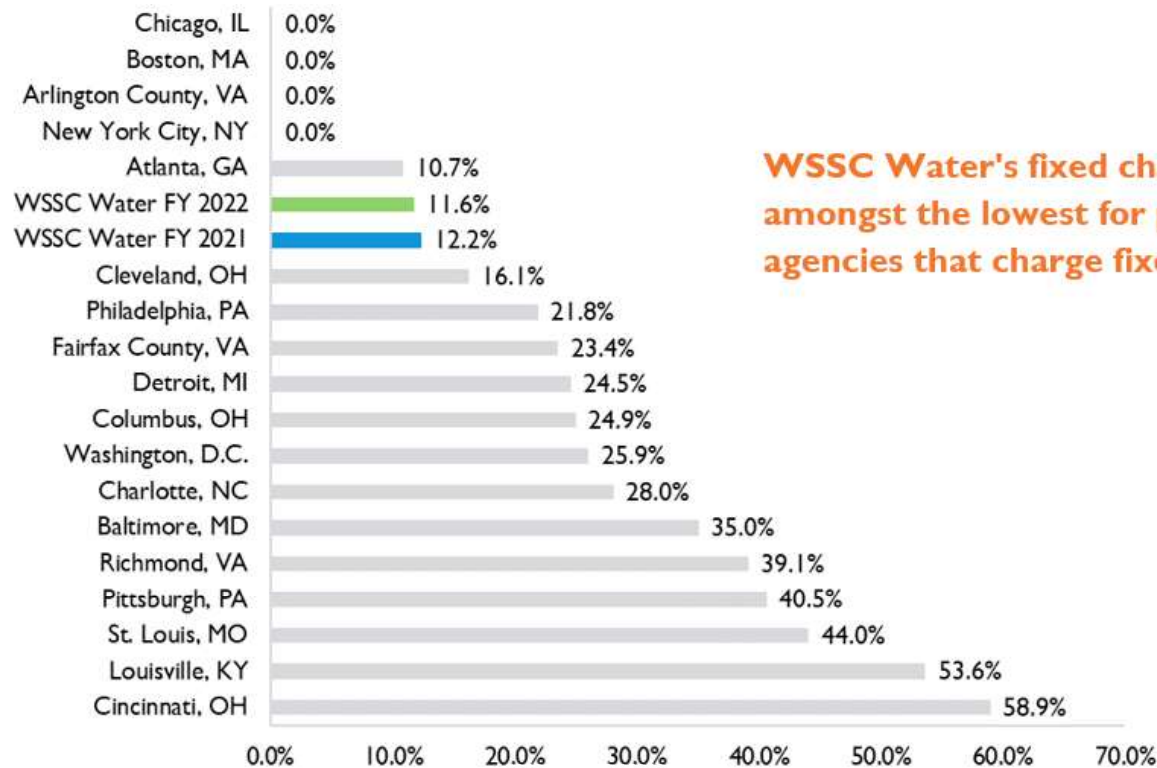
Average Residential Bill as a Percentage of Median Income (165 Gallons per Day)



Median household income (in 2017 dollars) 2013-2017. Figures gathered from www.census.gov, 2013-2017 American Community Survey 5-Year Estimates.



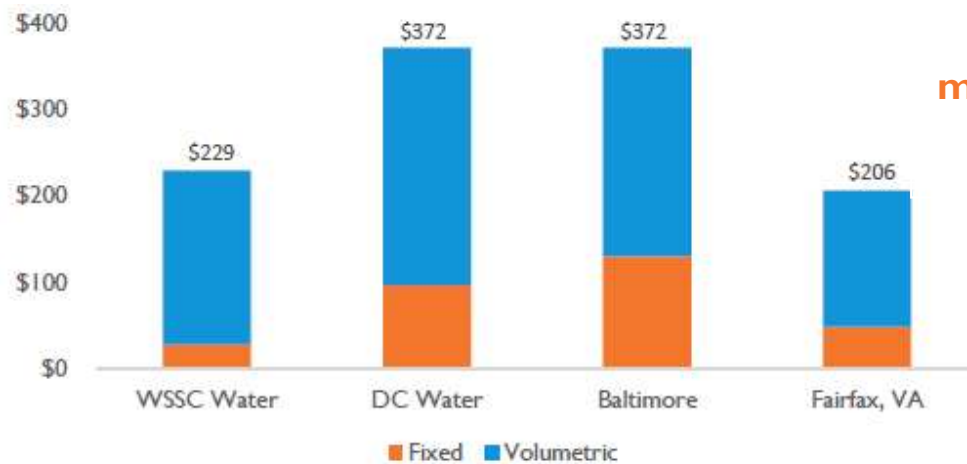
Percentage of Average Residential Bill from Fixed Charges (165 Gallons per Day)



WSSC Water's fixed charges are amongst the lowest for peer agencies that charge fixed fees.



FY 2021 Quarterly Bill Comparison (165 Gallons per Day; 3/4" Meter)



WSSC Water fixed fees make up a small percentage of quarterly bill

	WSSC Water	DC Water	Baltimore	Fairfax, VA
Fixed	\$ 28	\$ 97	\$ 130	\$ 48
Volumetric	\$ 201	\$ 275	\$ 242	\$ 158
Total	\$ 229	\$ 372	\$ 372	\$ 206



Consumption Rate Increase Trend Comparison Local Water and Sewer Utilities

Consumption Charges	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
WSSC Water	5.00%	6.00%	5.90%	8.00%	8.00%	7.00%	6.50%	6.00%	6.00%	6.00%
DC Water	11.50%	9.90%	7.80%	8.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
City of Baltimore	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	6.00%	3.25%	3.25%	3.25%
Fairfax Water & Fairfax County Sewer	4.12%	1.26%	7.54%							

* Actual and proposed increases for consumption charges per agency websites.

WSSC Water rate trend is consistently lower or comparable to other area utilities



FYs 2000-2021 Bill Increase Comparison (165 Gallons per Day)

