

# FY19–24 Spending Affordability Guidelines

Briefing for WSSC Commissioners

August 16, 2017

# Strategic Priorities

- ▶ Improve Infrastructure
- ▶ Achieve Business Process Excellence and Maintain Financial Stability
- ▶ Protect Our People, Infrastructure, Systems, and Resources
- ▶ Inspire Employee Engagement
- ▶ Enhance Customer Experience and Community Engagement

# Spending Affordability (SAG) Background

- ▶ Established in April 1994 by Resolution by both Councils
- ▶ Based on multi year planning model to stabilize annual rate increases and limit rate supported debt to less than 40% of the operating budget
- ▶ Goal of establishing mutually acceptable limits by November 1 of each year for:
  - Maximum Average Rate Increase
  - Debt Service
  - New Debt
  - Total Water & Sewer Operating Expenses
- ▶ Final Council approved budget/rates can be above or below November limits

# FY19 Budget & Rate Impact

1	FY19 W&S Rate Revenue	\$	600,902,000	
2	Each \$6,009,020 adds 1% to the rate increase			
3	<b>Potential Rate Impacts</b>			
4	Debt Service	\$	24,103,000	4.0%
5	PAYGO	\$	6,765,000	1.1%
6	Salaries & Wages	\$	5,412,000	0.9%
7	Increase in Operating Expenses	\$	3,082,000	0.5%
8	Increase in Misc Fees, Charges, and Transfers	\$	(8,258,000)	-1.4%
9	<b>Total - Rate Impact with FY19-24 CIP &amp; Same Services Budget</b>	<b>\$</b>	<b>31,104,000</b>	<b>5.2%</b>
10	<b>Potential Additional &amp; Reinstated: Customer Service; Operational Improvements</b>			
11	<b>Additional &amp; Reinstated Rate Impact</b>	<b>\$</b>	<b>6,000,000</b>	<b>1.0%</b>
12	<b>Rate Impact: FY19-24 CIP &amp; Same Services + Additional &amp; Reinstated Services</b>	<b>\$</b>	<b>37,104,000</b>	<b>6.2%</b>

# Long Term Impacts

## FINANCIAL FORECAST - WATER AND SEWER OPERATING FUNDS AT FY19-24 CIP & SAME SERVICES BUDGET

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
(In Thousands \$000s)	Approved	Estimated	Projected	Projected	Projected	Projected	Projected
1 Water and Sewer Combined Increase (Average)	3.5%	5.2%	11.6%	7.8%	5.8%	5.0%	5.2%
2 Bonds and Notes Principal and Interest	257,071	281,174	319,840	352,501	375,919	396,713	416,814
3 PAYGO (Contribution to bond fund)	30,193	36,958	45,917	54,511	61,436	67,435	72,782
4 ENDING FUND BALANCE - JUNE 30	\$ 178,420	\$ 166,840	\$ 166,840	\$ 166,841	\$ 166,841	\$ 166,841	\$ 166,841
5 Debt Service as a Percentage of Total Expenditures (<40% is target)	35.4%	36.8%	38.7%	40.1%	40.8%	41.3%	41.8%

# SAG Process Changes

- ▶ Emphasis on long-term CIP impacts on:
  - Debt Service
  - PAYGO
  - Water & Sewer Rates
  - Services
- ▶ Include estimate of long term impacts in Action section of Council SAG Resolutions.

# SAG Calendar/Process

- ▶ Bi-County Staff Working Group meet:
  - July on Proposed Draft CIP (7/7 & 7/14)
  - Commission SAG Briefing 8/16/17
  - September (9/7 & 9/21) and review operating budget & rate scenarios and discuss related issues
- ▶ Public Hearings on CIP – September 5–6
- ▶ Montgomery County T&E Hearing (Oct. TBD)
- ▶ Prince George’s County THE Hearing (Oct. TBD)
- ▶ Prince George’s County Council (Nov. TBD)
- ▶ Montgomery County Council (Nov. TBD)

# Dialogue with Counties on Base Case

- ▶ CIP Addresses Mandatory, Regulatory, and System Improvements
- ▶ Customer Service Improvements
- ▶ Cost Savings
  - Strategic Sourcing Teams
  - Group Insurance plan design
  - Overtime
  - FY18 reductions and position freeze
  - Deferred reinstated services
- ▶ Innovations
  - Zinc coating
  - Leak detection pilot
  - Water system flushing pilot
  - Bio-energy review of waste water treatment plants



# WSSC's Spending Affordability

## QUESTIONS

