



Washington Suburban Sanitary Commission

Overview of System Development Charges

Presented to the Ad Hoc Committee on Large Diameter
Water Mains by Chris Cullinan, Acting CFO

January 8, 2014

Presentation Outline

- SDC Basics
- Past
- Present
- Future

SDC Basics

- Title 25 of Public Utilities Article, Subtitles 401-405.
- “Growth pays for growth”.
 - The SDC charge is levied to new applicants for new or expanded WSSC service.
 - A first time connection of a property to the WSSC water or sewer system
 - A new connection or increased water meter size for a property previously or currently served by the WSSC
 - SDC’s are a dedicated stream of revenues used to accommodate increased system demand from new development by funding capacity improvements (would otherwise be funded by existing ratepayers).

SDC Basics (cont.)

- SDC funds can only be used to pay for new treatment, transmissions and collection (storage) facilities which were constructed after July 1, 1993, or to amortize any bond that is issued in connection with these new facilities.
- SDC funds cannot be used for enhancements, maintenance, or environmental regulation on existing or new system (these costs are borne equally by all ratepayers).
- Per state law, SDC revenues are accounted for separately, apart from rate revenues.
- Commission required to issue annual SDC report.

SDC Basics (cont.)

- Calculation methodologies – 3 generally accepted approaches; SDC's incorporate 2.
 - Buy-in Methodology - existing facilities whose capacity was oversized in anticipation of new development (including any borrowing costs)
 - Plan-based Methodology – planned projects from the Commission's Adopted CIP which provide additional capacity to serve new development

SDC Basics (cont.)

- Full or partial exemptions by County Councils for:
 - Affordable housing
 - Revitalization projects
 - Residential property located in a mixed retirement development defined in the zoning ordinance of Prince George's County
 - Residential property located in a planned retirement community as defined in the zoning ordinance of Montgomery County
 - Elderly housing other than that included in the above two circumstances
 - Properties used for manufacturing or biotechnology research and development

SDC Basics (cont.)

- Credits against SDC for developers who construct a major project in the Commission's CIP or includes a water or sewer main that:
 - Provides only local service
 - Is 2,000 feet or less
 - Has a diameter of 15 inches or more for a sewer main or 16 inches or more for a water main, and
 - Is built to avoid unnecessary and uneconomical duplication when a major project is constructed

SDC Basics (cont.)

- Rates are set annually by County Councils as part of approving WSSC's budget.
- The State law sets maximum SDC charges, but allows the counties to raise the maximum each year in an amount equal to the rate of inflation.
- The maximum charge has been increased each year since 1999 without changing the actual rates charged.

SDC Basics (cont.)

- Current SDC schedule:

FY'14 APPROVED FEES AND CHARGES
(Effective July 1, 2013)

SYSTEM DEVELOPMENT CHARGE

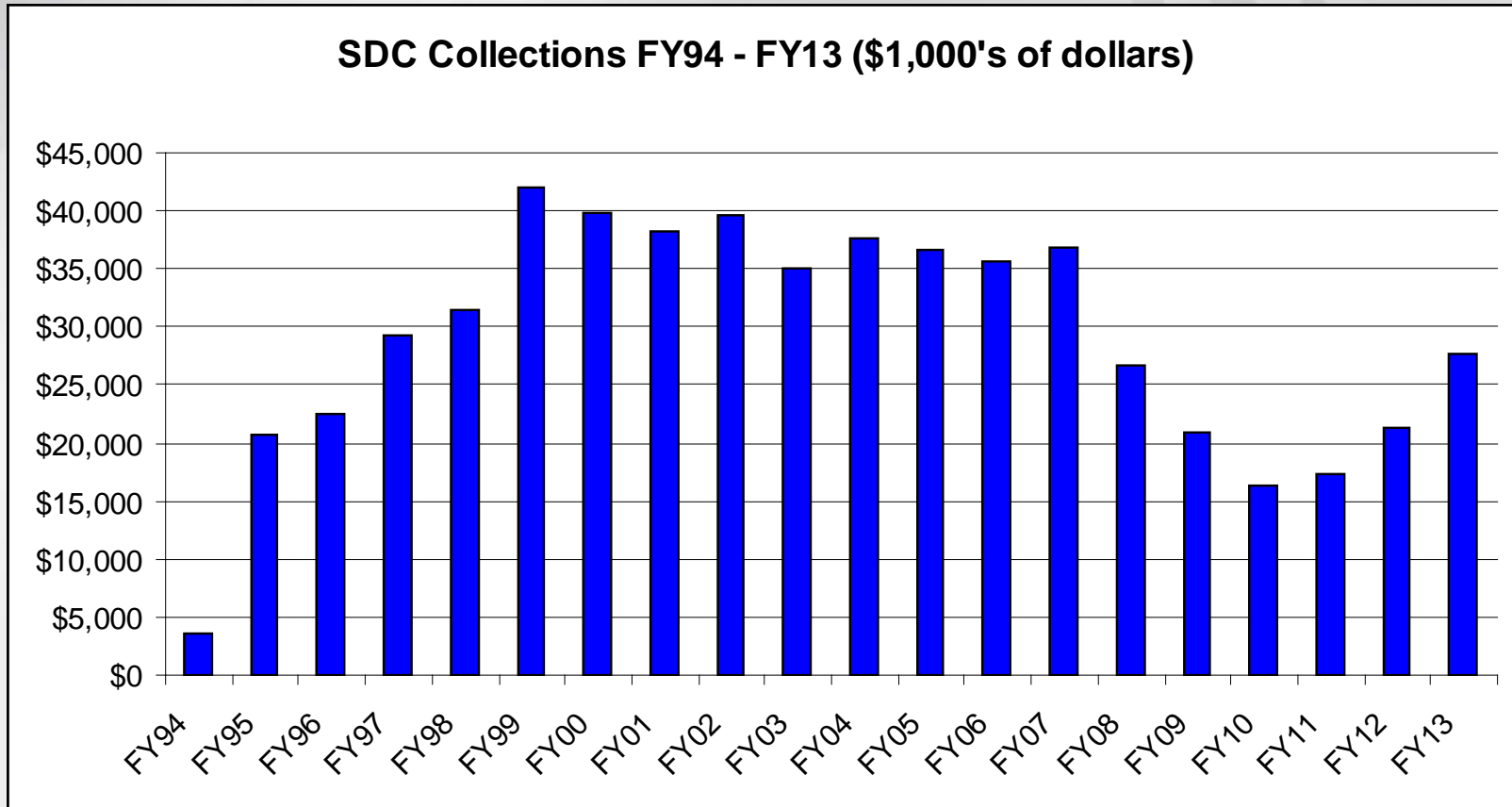
	<u>APPROVED CHARGE EFFECTIVE JULY 1, 2013</u>	<u>MAXIMUM ALLOWABLE CHARGE</u>
75. System Development Charge		
Apartment		
Water	\$896	\$1,240
Sewer	1,140	1,580
1-2 toilets/residential		
Water	1,344	1,861
Sewer	1,710	2,365
3-4 toilets/residential		
Water	2,240	3,102
Sewer	2,850	3,945
5 toilets/residential		
Water	3,135	4,340
Sewer	3,991	5,526
6+ toilets/residential (per fixture unit)		
Water	88	122
Sewer	115	160
Non-residential (per fixture unit)		
Water	88	122
Sewer	115	160

Past

- Enabling authority - the Maryland General Assembly enacted House Bill 883, Chapter 559, Laws of Maryland 1993, System Development Charge legislation during its 1993 Session.
- Commission adopted maximum rate of \$160 per fixture unit in 1995 (currently \$203 per fixture).
- Actual SDC rates assessed to new development were last increased in 1998.

Past (cont.)

- \$588 million collected over last 20 years.



Past (cont.)

- Examples of past projects funded with SDC's:

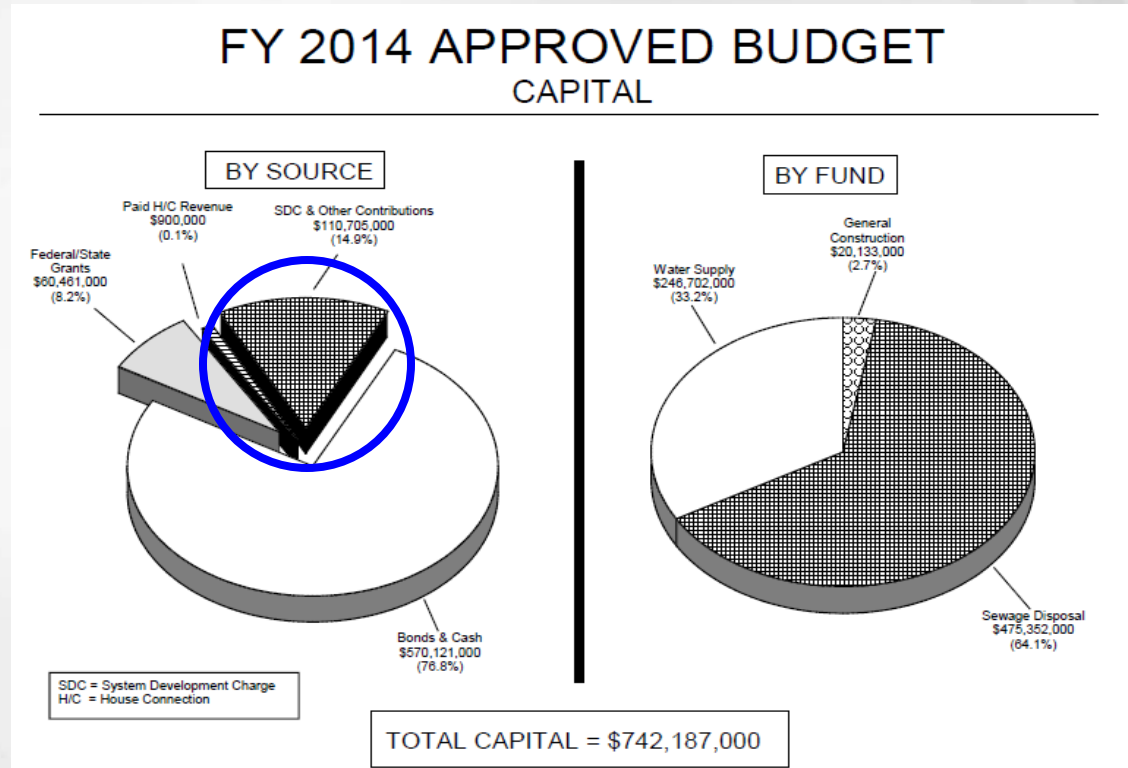
Bi-County Water Tunnel (to date)	\$114,906,117
Blue Plains WWTP: Liquid Train Projects, Part 2	\$40,482,680
Seneca Wastewater Treatment Plant Expansion	\$40,396,336
Potomac WFP Improvements	\$39,463,772
96 Inch PCCP Water Main Rehabilitation, Parts 1,2,3	\$27,275,775
Seneca WWTP Expansion, Part 2 (to date)	\$20,006,866
Seneca Creek WWTP Upgrade	\$17,333,490
Broad Creek WWPS Augmentation (to date)	\$16,876,819
Blue Plains WWTP: Biosolids Management, Part 2	\$16,864,568
Crystal Rock Wastewater Pumping Station	\$14,425,231
Blue Plains WWTP: Plant Wide Projects	\$14,164,957

Present

- SDC fund balance at the end of FY'13 was \$42.5 million.
- Unused County exemptions totalled:
 - Montgomery County = \$4.6 million
 - Prince George's County = \$2.1 million

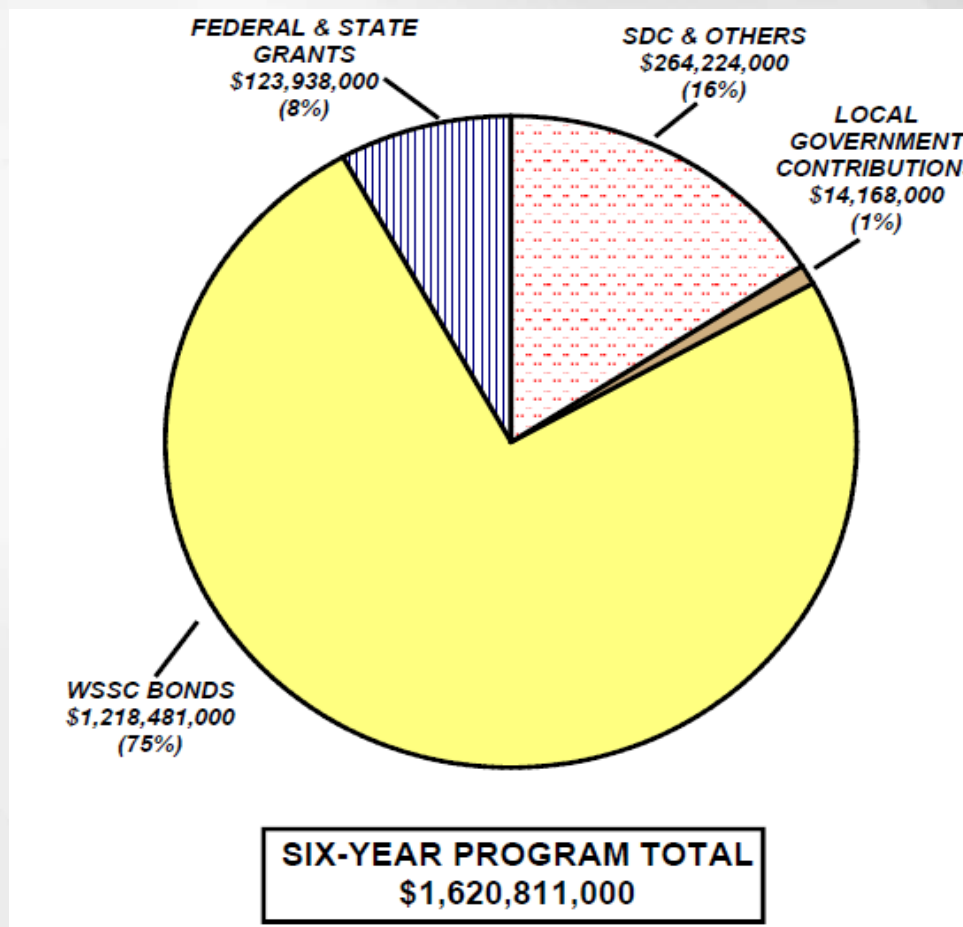
Present (cont.)

- In FY'14, SDC's are expected to fund approximately \$90 million (12%) of Approved Capital Budget.



Future

- In the Proposed FY'15 – FY'20 CIP, SDC's are projected to fund \$264 million (16%) of six year CIP.



Future (cont.)

- SDC revenues are rebounding as economy improves.
- Projected SDC fund deficit is lower than has been projected in the past as a result of increased revenues and timing of large projects.

Future (cont.)

- Major, future projects to be funded with SDC's include:

Broad Creek WWPS Augmentation	\$127,345,181
Bi-County Water Tunnel	\$30,893,883
Branch Avenue Water Transmission Improvements	\$30,091,000
Water Transmission Improvements 385 Pressure Zone	\$26,075,136
Seneca WWTP Expansion, Part 2	\$8,977,134

Questions?

