



# **Fiscal Year 2023 Preliminary Proposed Budget**

**January 15, 2022**

**July 1, 2022 to June 30, 2023**



# **FISCAL YEAR 2023 PRELIMINARY PROPOSED BUDGET**

Keith E. Bell, Chair  
Howard A. Denis, Vice Chair  
Fausto R. Bayonet, Commissioner  
T. Eloise Foster, Commissioner  
Chris Lawson, Commissioner

Carla A. Reid, General Manager/CEO

ATTEST: Julianne Montes De Oca, Corporate Secretary

## BUDGET - LEGAL STATUS

Section 17-202 of the Public Utilities Article, Annotated Code of Maryland: "The Commission: (1) before January 15 of each year, shall prepare capital and operating budgets for the next fiscal year that shall include projects and contracts authorized under SS17-204 and 17-205 of this subtitle; (2) shall make available to the public, on request, copies of the budgets described in item (1) of this subsection; (3) before February 15 of each year, shall hold a public hearing on the proposed capital and operating budgets after giving at least 21 days' notice of the hearing by publication in at least two newspapers of general circulation in Montgomery County and two newspapers of general circulation in Prince George's County."

## NOTICE OF PUBLIC HEARINGS

You are invited to learn about and comment on our plans to invest in clean water programs for Fiscal Year (FY) 2023 on the following dates and times:

Wednesday, February 2, 2022 @ 7:00 p.m.

Thursday, February 3, 2022 @ 7:00 p.m.

Out of concern for the safety of our customers, the hearings will be presented virtually via livestream. Details on how to watch and/or participate in the meetings will be posted at <https://www.wsscwater.com/fin>

## TIME SCHEDULE FOR THE FY 2023 PROPOSED BUDGET

Submission to County Executives

March 1, 2022

Approval by the County Councils

June 1, 2022

Adopted for the Fiscal Year

July 1, 2022

**THIS BUDGET WILL NOT BE ADOPTED BY THE COMMISSIONERS UNTIL ALL HEARINGS HAVE BEEN COMPLETED.**

## PROGRAM CONTACT

Contact the Budget Division at 301-206-8110 or email at [BudgetGroup@wsscwater.com](mailto:BudgetGroup@wsscwater.com) for more information regarding this budget document.

## FOLLOW US



[WSSCWater](#)



[@WSSCWaterNews](#)



[WSSCWater](#)



[WSSCVideos](#)

Some totals and percentages in this budget may not add due to rounding.

GOVERNMENT FINANCE OFFICERS ASSOCIATION



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Washington Suburban Sanitary Commission  
Maryland**

For the Fiscal Year Beginning

**July 01, 2021**

*Christopher P. Morill*

Executive Director

The Government Finance Officers Association (GFOA) of the United States and Canada presented an award of Distinguished Budget Presentation to WSSC Water for its annual budget for the fiscal year beginning July 1, 2021. This is the 27<sup>th</sup> consecutive year that WSSC Water has received this award.



# Table of Contents

	PAGE
<b>Section 1 - WSSC Water Overview, Chair's Letter and Budget Summaries</b>	
General Information.....	1-1
Mission, Strategic Plan and Performance Report.....	1-2
WSSC Water Governance.....	1-10
Our Leadership and Organization.....	1-11
Chair's Letter.....	1-12
Comparative Expenses.....	1-26
FY 2023 Proposed Budget by Fund.....	1-27
How Each Dollar is Spent.....	1-28
Revenue and Expense Trends.....	1-29
<b>Section 2 - Proposed Rates, Fees and Charges</b>	
Combined Water and Sewer Operating Funds - Proposed Rate Impact.....	2-1
Water and Sewer Rate Schedules.....	2-2
Quarterly Customer Bills at Various Consumption Levels.....	2-3
Account Maintenance Fees.....	2-4
Infrastructure Investment Fees.....	2-5
System Development Charges.....	2-6
Miscellaneous Fees and Charges.....	2-7
<b>Section 3 - Racial Equity and Social Justice</b>	
Customer Demographics.....	3-1
WSSC Water Workforce Diversity.....	3-3
Office of Supplier Diversity & Inclusion.....	3-4
Other Racial Equity and Social Justice Initiatives.....	3-7
WSSC Water Financial Assistance Programs.....	3-10
WSSC Water Bill Affordability.....	3-16
Water and Sewer Bill Comparisons.....	3-19
<b>Section 4 - Spending Affordability and Long-Range Financial Plan</b>	
Major Assumptions, Workload Indices and Demand Projections.....	4-1
Pension Obligations and Other Unfunded Liabilities.....	4-3
Long-Range Financial Plan for Water and Sewer Operating Funds.....	4-4



# Table of Contents

## Section 5 - Explanation of Budget and Summaries

Budget Formulation.....	5-1
WSSC Water Budget and Capital Improvements Program Process .....	5-3
Fund Structure.....	5-4
FY 2023 Proposed Budget - By Major Expense Categories.....	5-5
FY 2023 Proposed Budget - By Sources.....	5-6
FY 2023 Proposed Budget - By Fund Uses.....	5-7
Operating Revenue & Expense by Major Source Category & Fund Type.....	5-8
Capital Funding & Expense by Major Source Category & Fund Type.....	5-9
Projected Change in Fund Balance.....	5-10
Expense Trends by Fund.....	5-11

## Section 6 - Fiscal Guidelines

Fiscal Control.....	6-1
Expenditures and Allocation of Costs.....	6-3
Short-Term Fiscal and Service Guidelines.....	6-4
CIP Fiscal Guidelines.....	6-5
WSSC Water Management.....	6-8
Guidelines for Revenues and Program Funding.....	6-9
Water and Sewer Debt Service Guidelines.....	6-10

## Section 7 - Revenues

Economic Outlook.....	7-1
Ratepayer, Ready-to-Serve and Miscellaneous Revenues.....	7-6
Revenues and Transfers Impact on Debt Service.....	7-9
Revenue Trends.....	7-10

## Section 8 - Capital Budget

CIP Project Development and Approval Process.....	8-1
Expense Categories.....	8-3
Capital Budget Expense Summary.....	8-4
Map of Projects in Montgomery County.....	8-5
Map of Projects in Prince George's County.....	8-6
Highlighted Projects.....	8-7
Funding Sources.....	8-10
Capital Budget Funding Summary.....	8-11
Impact of Capital Program on the Operating Budget.....	8-12



# Table of Contents

## Section 9 - Debt Service

Debt Service Program.....	9-1
Outstanding Debt.....	9-4
Borrowing Limitation.....	9-6
Debt Service Trends.....	9-7

## Section 10 - Water Quality and Regulations

Water Quality Capital Projects.....	10-1
Water Quality Campaigns.....	10-2
Performance of Key Services.....	10-5

## Section 11 - Organizational Budgets and Measures

Comparative Expenses by Organizational Unit - All Operating and Capital Funds.....	11-1
Organizational Unit and Fund Matrix - All Operating and Capital Funds.....	11-2
Workforce and Compensation.....	11-3

## Appendices

Appendix A - Economic Indicators and Trends	
Top 20 Customers - Water and Sewer Usage.....	A-1
Active Customer Accounts.....	A-2
Brief Economic Facts - Montgomery County.....	A-3
Brief Economic Facts - Prince George's County.....	A-7
Appendix B - Glossary.....	B-1
Appendix C - Acronyms.....	C-1

**SECTION I**  
**WSSC WATER OVERVIEW, CHAIR'S LETTER**  
**AND BUDGET SUMMARIES**



## WSSC WATER OVERVIEW

WSSC Water provides water and sewer services to approximately 1.9 million residents of Maryland's Montgomery and Prince George's Counties, which border Washington, D.C. Established by the Maryland General Assembly in 1918 as a regional (Bi-County) agency under Article 29, it was later re-codified into Division II of the Public Utilities Article of the Annotated Code of Maryland. The agency ranks among the largest water and sewer utilities in the country, encompassing a service area of nearly 1,000 square miles.

## GENERAL INFORMATION

To fulfill its primary mission of providing safe and reliable water and returning clean water to the environment, WSSC Water operates and maintains an extensive array of highly automated facilities. The agency's two water filtration plants (WFPs), drawing raw water from the Potomac and Patuxent rivers, are projected to produce an average of 163 million gallons of water per day in Fiscal Year (FY) 2023 and deliver that water to homes and businesses in Montgomery and Prince George's Counties, serving over 475,000 customer accounts through a system of 6,000 miles of water mains. To ensure a reliable water supply for all seasons and conditions, WSSC Water operates three reservoirs with a total capacity exceeding 14 billion gallons.



How long is 11,700 miles of water and sewer pipeline



Sewage treatment is provided by six water resource recovery facilities (WRRFs) operated by the agency, and the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains) operated by DC Water. In FY 2023, it is projected that an average of 197 million gallons of wastewater per day from Montgomery and Prince George's Counties will move to these facilities through 5,700 miles of sewer lines maintained by WSSC Water. The six WRRFs owned by the agency have a combined capacity of 95 million gallons per day (MGD). Blue Plains is a regional facility that serves the District of Columbia and several northern Virginia jurisdictions, as well as WSSC Water. Under the Inter-Municipal Agreement that

governs the agency's arrangement with DC Water, WSSC Water is allocated 169 MGD of Blue Plains' 370 MGD capacity. The agency, in turn, pays a proportionate share of Blue Plains' operating and capital expenses. All but one of these facilities (the Hyattstown plant) go beyond conventional wastewater treatment to provide "tertiary treatment" - advanced treatment processes which ensure that the quality of the treated wastewater is better than the quality of the natural water to which it is returned.

The agency also reviews preliminary subdivision plats as to suitability of water and sewer design; reviews street grades where there are agency facilities; formulates regulations, issues permits and inspects all plumbing and gas-fitting installations; and conducts examinations for master and journeyman plumbers and gas-fitters and issues licenses to those qualified to perform plumbing and gas-fitting work.



## Our 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.



## Our Vision

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

## Our Values



### **Accountability**

We are responsible employees who act ethically, are accountable and conduct ourselves with integrity and transparency.



### **Collaboration**

We work as a team across the agency to fulfill the needs of our customers.



### **Environmental Stewardship**

We continuously enhance and protect natural resources and the environment for the health of future generations.



### **Excellence**

We achieve the highest level of quality, safety, productivity and cost-effectiveness, demonstration World-class service to everyone.



### **Innovation**

We promote creativity to develop new products, streamline processes and enhance services.



## Our Strategic Priorities



### **Enhance Customer Experience**

- Deliver safe, reliable and consistent service
- Provide timely response to customer queries
- Be a good citizen within our communities



### **Spend Customer Dollars Wisely**

- Improve operating efficiency
- Improve fixed asset utilization
- Improve financial process efficiency and fiscal sustainability



### **Optimize Infrastructure**

- Achieve industry-leading reliability and asset integrity
- Expand resilience and balance risk



### **Protect Our Resources**

- Resolve and learn from past incidents
- Maintain best-in-class operating environment safety for employees
- Plan proactively with community stakeholders
- Secure the agency's critical infrastructure



### **Transform Employee Engagement**

- Acquire the best people
- Retain top performers
- Develop and grow talent
- Communicate effectively

# Journey to World Class

## WSSC Water's Strategic Plan Initiatives

WSSC Water works 24/7/365 to fulfill our clean water mission. Throughout FY 2023, we will work with our customers, neighbors, stakeholders and each other to deliver these essential key strategic initiatives:



### Enhance Customer Experience

- Deliver the essential: Produce an average of 163.0 MGD of safe, clean reliable drinking water and safely process an average of 196.9 MGD of wastewater each day for our 1.9 million residents (approximately 475,000 customer accounts)
- Initiate Advanced Metering Infrastructure (AMI) so customers can better track their water usage, which can significantly reduce their bills and save them money\*
- Enhance and expand customer financial assistance programs
- Stabilize and optimize Customer-to-Meter (C2M) billing system



### Spend Customer Dollars Wisely

- Continue efforts to control costs and save through strategic sourcing, reducing overtime, freezing positions, streamlining group insurance plans, conserving energy, and focusing on employee safety to reduce lost workdays
- Improve contract management to ensure deliverables are provided on time, on budget and within scope
- Maintain AAA Bond Rating through strong financial policies and planning



### Optimize Infrastructure

- Implement the first year of the FY 2023-2028 Capital Improvements Program (CIP)
- Rehabilitate and repair the Piscataway sewer basin located in Southern Prince George's County to reduce infiltration and inflow
- Continue to invest in innovative technology, processes and ideas
- Invest in maintenance programs to improve the condition of buildings, systems and grounds



### Protect Our Resources

- Assess and adapt to the impacts of climate change on WSSC Water infrastructure and continue to invest in projects that reduce greenhouse gas emissions
- Comply with the Sanitary Sewer Overflow (SSO) and Potomac WFP consent decrees
- Develop a biosolids and water treatment residuals master plan
- Conduct analysis to determine resource needs to support core mission
- Develop a digital strategy to create value-added improvements for WSSC Water and its customers, while ensuring confidentiality and integrity
- Ensure resiliency of WSSC Water's water supply and delivery



### Transform Employee Engagement

- Infuse innovation and creativity throughout the workforce to address the new normal
- Consolidate and enhance employee training, learning and development
- Drive employee culture change through research, data-driven decision making and program management
- Update employee onboarding process and new employee orientation

*\*Note: Due to the ongoing COVID-19 pandemic and corresponding economic uncertainty, WSSC Water Commissioners voted on November 18, 2020 to indefinitely defer all activities related to the AMI project. WSSC Water will continue to closely monitor the economic conditions in both Counties and revisit the project at the appropriate time.*

# WSSC Water Performance Report

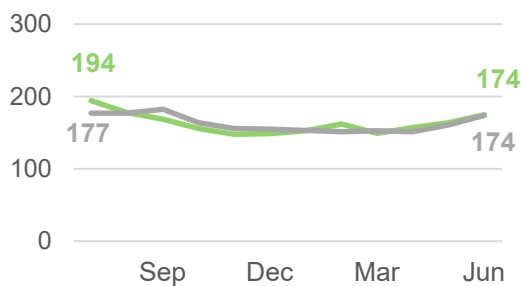
WSSC Water's Commission Performance Report contains Key Performance Indicators that are aligned to the Strategic Plan Priorities and Objectives. The report demonstrates WSSC Water's commitment to accountability, which is a Core Value in the Strategic Plan.

## Mission

— FY 2020  
— FY 2021

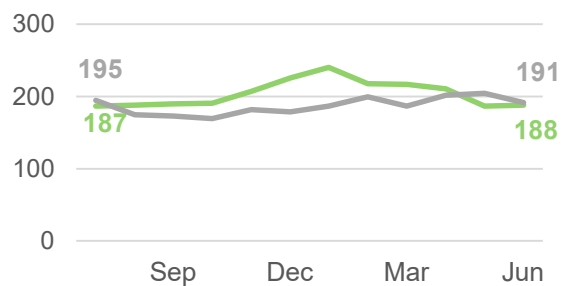
### Water Production

Average gallons of water produced in millions per day



### Wastewater Treatment

Average gallons of wastewater treated in millions per day



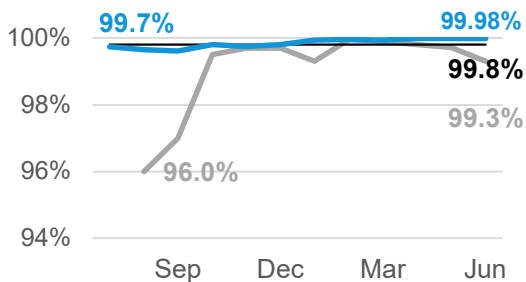
## Enhance Customer Experience

— FY 2020  
— FY 2021  
— Expected Target

### Deliver Safe, Reliable and Consistent Service

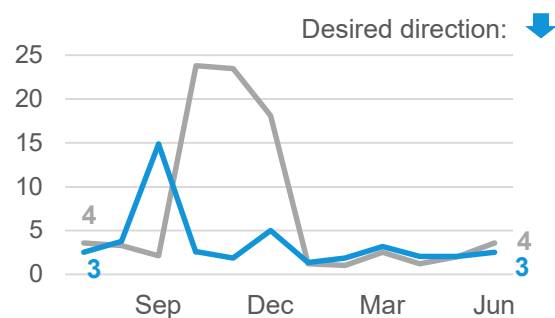
#### Accounts Billed On-Time

% of accounts billed on-time, within 15 calendar days after billing window closes



#### Water Service Restoration Time

# of outage hours / # of housing units impacted



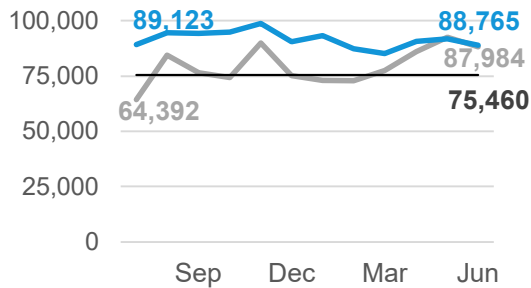
# WSSC Water Performance Report

## Enhance Customer Experience

— FY 2020  
— FY 2021  
— Expected Target

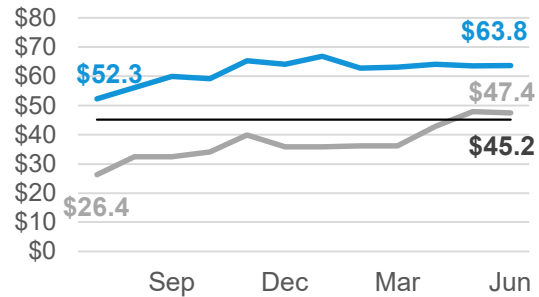
### Past Due Accounts

# of accounts more than 30 days past the bill date



### Past Due Amount

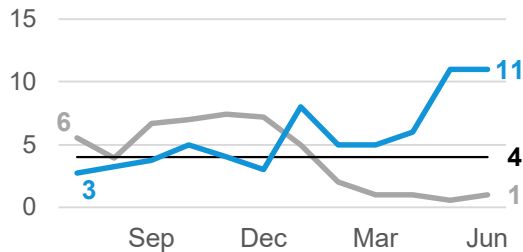
\$ of accounts (millions) more than 30 days past the bill date



### Provide Timely Response to Customer Queries

#### Average Answer Speed

Average minutes customer waits for customer care call center agent

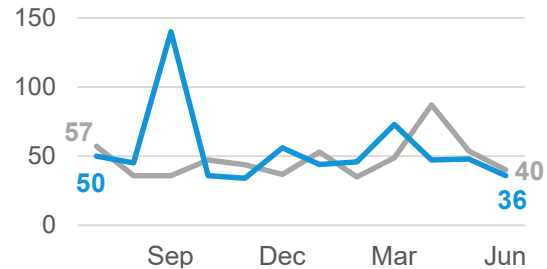


### Be a Good Citizen within Our Community

#### Basement Backups

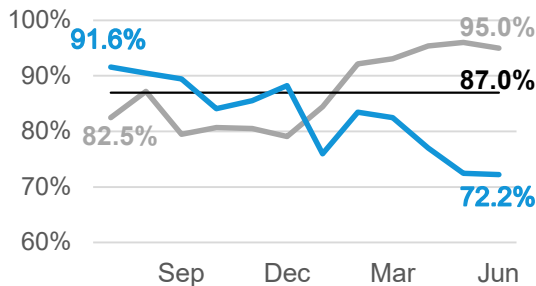
# of basement backups

Desired direction: ↓



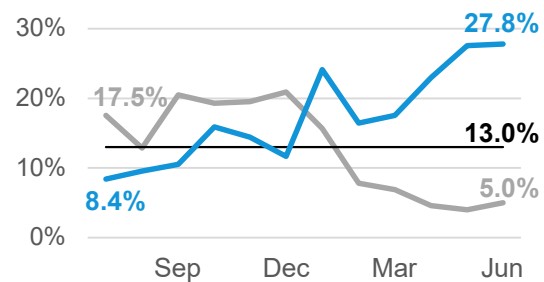
### Calls Answered

# of calls answered by a customer care agent / total calls



### Calls Not Answered

# of calls not answered by a customer care agent / total calls



# WSSC Water Performance Report

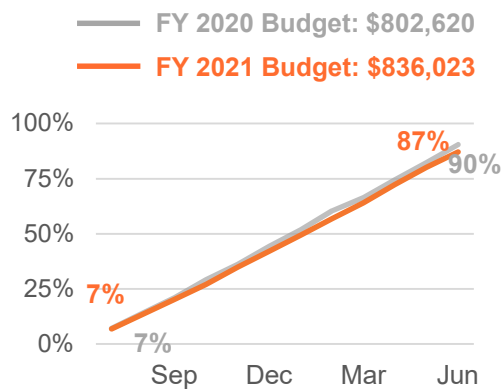
## Optimize Infrastructure

Under the Optimize Infrastructure Strategic Priority, capital improvement projects are highlighted to demonstrate how WSSC Water is working to achieve industry-leading reliability and asset integrity, expanding resilience and balancing risk. See Section 8 for highlighted projects.

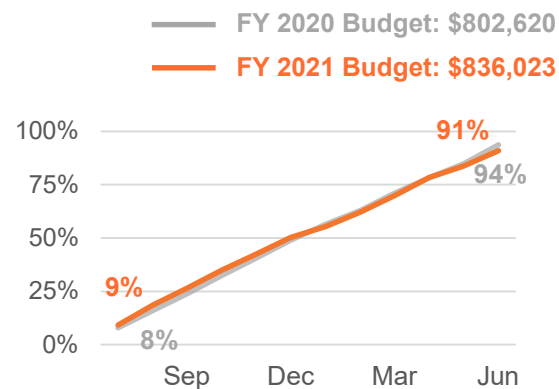
## Spend Customer Dollars Wisely

### Improve Financial Process Efficiency and Fiscal Sustainability

#### Water and Sewer Operating Expenses



#### Water and Sewer Operating Revenue



# WSSC Water Performance Report

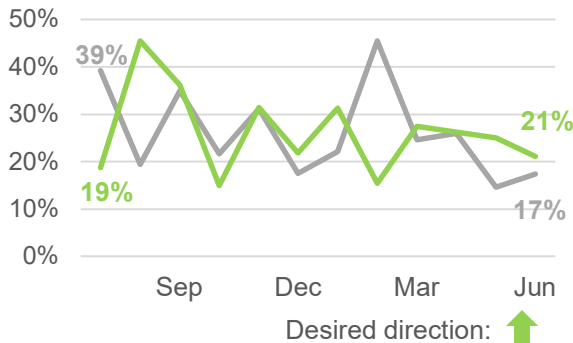
## Transform Employee Engagement

— FY 2020  
— FY 2021

### Acquire the Best People

#### Monthly Positions Filled

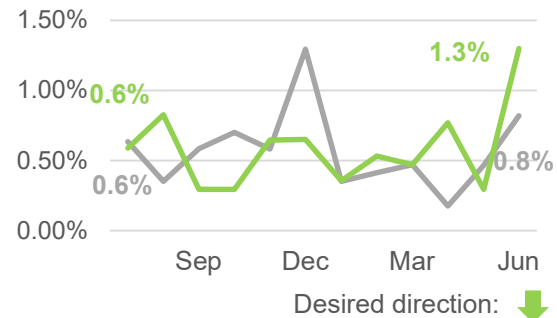
# of positions filled / # of actively recruited positions



### Retain Top Performers

#### Monthly Turnover Rate

# of employee separations / # of FTEs

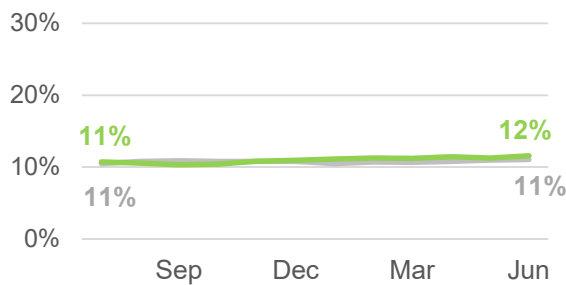


### Develop and Grow Talent

# of regular employees eligible for retirement within next x years / total # of FTEs

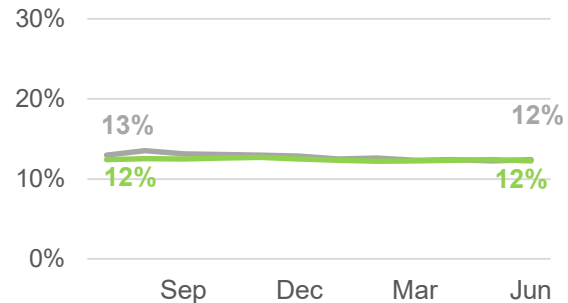
#### Retirement Eligibility (Full)

##### Eligible Now



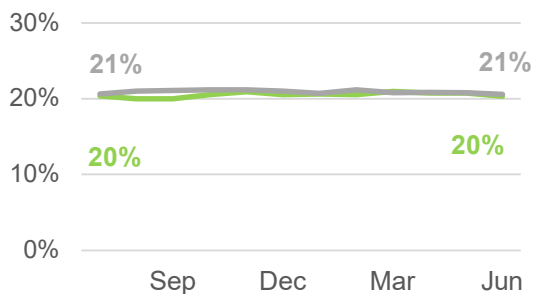
#### Retirement Eligibility (Early)

##### Eligible Now



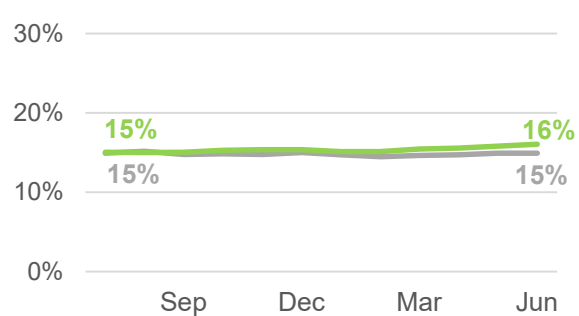
#### Retirement Eligibility (Full)

##### Eligible Within 5 Years



#### Retirement Eligibility (Early)

##### Eligible Within 5 Years





# WSSC Water Performance Report

## Protect Our Resources

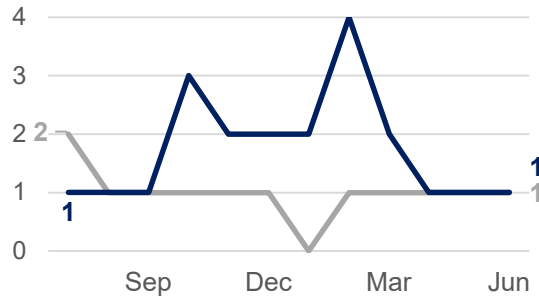
— FY 2020  
— FY 2021

**Plan Proactively with Community Stakeholders and Resolve and Learn from Past Incidents**

**Maintain Best in Class Operating Environment Safety for Employees**

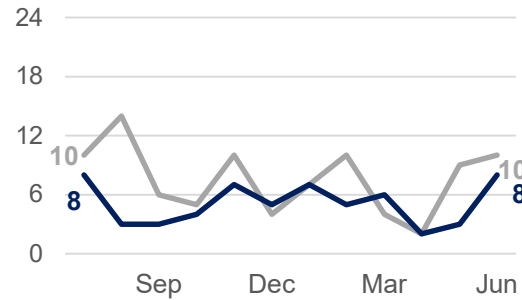
### Emergency & Coordinated Responses

# of cross-departmental coordinated responses, exercises and drills



### Occupational Injuries

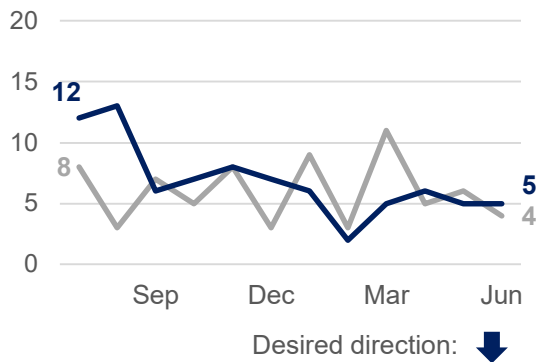
# of occupational injuries



## Secure Commission's Critical Infrastructure

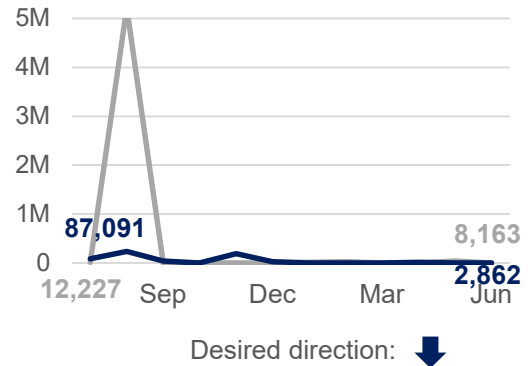
### Sanitary Sewer Overflows

# of sanitary sewer overflows



### Sanitary Sewer Overflow Volume

Total gallons of sanitary sewer overflows in millions per month



## WSSC WATER GOVERNANCE

A six-member Commission governs WSSC Water - three members from each County. The Commissioners are appointed to four-year terms by their respective County Executives and confirmed by their County Councils. The agency's powers and responsibilities are set forth in Division II of the Public Utilities Article of the Annotated Code of Maryland and in any subsequent legislative amendments. The Maryland General Assembly conferred these powers upon WSSC Water to enable it to fulfill its principal functions:

- To provide for the construction, operation and maintenance of water supply and sanitary sewerage systems in Montgomery and Prince George's Counties
- To provide for the construction of water and sewer house connection lines from the agency's mains to abutting property lines
- To approve the locations of, and issue permits for, utilities installed in public ways
- To establish water consumption rates, sewer usage rates, connection charges, Front Foot Benefit Charges and permit fees and, if required, to cause appropriate ad valorem taxes to be levied



### Prince George's County Commissioners



**Keith E. Bell**  
Chair



**Chris Lawson**  
Commissioner

**Vacant**  
Commissioner



### Montgomery County Commissioners



**Howard A. Denis**  
Vice Chair



**Fausto R. Bayonet**  
Commissioner



**T. Eloise Foster**  
Commissioner

## OUR LEADERSHIP AND ORGANIZATION



## **CHAIR'S LETTER**



COMMISSIONERS  
Keith E. Bell, Chair  
Howard A. Denis, Vice Chair  
Fausto R. Bayonet  
T. Eloise Foster  
Chris Lawson

GENERAL MANAGER  
Carla A. Reid

January 15, 2022

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

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

On behalf of WSSC Water, I hereby transmit the Preliminary Proposed Fiscal Year 2023 (FY 2023) Capital and Operating Budget. This budget is released and distributed for review by interested customers, citizens, and elected officials.

#### Serious Financial Challenges Due to COVID-19

WSSC Water has lost approximately \$130 million in revenue during the past two fiscal years (FYs), which has required budget cuts of roughly \$150 million in FYs 2020 through 2022. Sadly, one in five customers is past due on their bills – equating to more than 90,000 delinquent accounts totaling more than \$70 million in arrears. Despite repeated requests for direct assistance to address these delinquencies, we have yet to receive federal, state or county assistance. The ongoing loss of revenue due to the global health and financial crisis has caught the attention of the bond rating agencies. While we maintained our AAA bond rating, one agency changed our outlook from stable to negative. The potential loss of our coveted AAA rating would adversely impact debt service, which is our largest expense, and result in millions in additional costs.

#### Trend: Reduced Revenues and Ongoing Budget Cuts Take Their Toll

The impact of COVID-19 is taking place during a long-term trend of reduced water consumption of nearly 6% over the last 20 years. To keep pace with rising costs and service demands and to help offset revenue loss, we requested a 9% rate increase, which was not supported by the County Councils when setting our Spending Affordability Guidelines. For the past three years, the councils have recommended rate increases that were 2% lower than our request – resulting in continued

budget cuts. The impact of the factors outlined above is creating revenue deficits that are growing bigger each year.

### Cutting to the Bone: FY 2023 Preliminary Proposed Budget

With this as a backdrop, we have built a FY 2023 Preliminary Proposed Budget based on a 7% average rate increase – requiring \$23.1 million in additional cuts. Our customers will feel the impacts of these cuts. Here are a few examples:

- \$2.6 million for critical sewer work: Increases the likelihood of sewer overflows due to infiltration and inflow in the Piscataway Sewer Basin;
- \$1.8 million for emergency response: Jeopardizes timely response to emergencies resulting in more frequent and longer service disruptions and that may result in increased fines due to sewer overflows;
- \$0.5 million for Acoustic Fiber Optic (AFO) Monitoring: Increases risk of large-diameter pipe failures like the 2008 massive break along River Road requiring the rescue of numerous motorists; and
- \$1.0 million for Customer Service: Increases customer complaints, work backlog and employee stress.

See page 1-18 for the entire list of reductions and their associated impacts.

### Budget Overview

The preliminary proposed budget for FY 2023 for all operating and capital funds totals \$1.590 billion or \$33.8 million (2.2%) more than the FY 2022 Approved Budget. The preliminary proposed operating budget of \$872.9 million represents an increase of \$20.8 million (2.4%) over the FY 2022 Approved Operating Budget of \$852.1 million. When controlling for the non-discretionary increases in debt service and regional sewage disposal expenses, the FY 2023 operating budget is only 1.2% over the FY 2022 Approved Budget.

As stated above, services and operations will be impacted by the reductions included in this budget. However, the budget does fund some essential improvements including much needed repairs at our facilities, water tank painting to prevent metal corrosion, and continuation of cybersecurity enhancements to protect customer data and Information Technology (IT) system security. Funding is also included for positions and funding for training, initial start-up, and testing of the new Biosolids Management Division; for positions and funding to comply with the new regulatory requirements due to a change to the Lead and Copper Rule; for the Little Seneca Forebay sediment removal project (at a reduced level); for compliance with the regulatory requirements for dam inspection and monitoring; and for the Call Center Optimization Project to enhance customer experience.

The preliminary proposed capital budget of \$716.7 million represents an increase of \$13.0 million (1.8%) from the FY 2022 Approved Capital Budget of \$703.7 million. This increase is primarily due to an estimated ramp-up in expenditures associated with the Potomac Water Filtration Plant Consent Decree, eight new WSSC Water-built projects and the ramp-up of the Blue Plains' projects, which are partially offset by expenditure declines as various projects move through construction. Note



that the Capital Improvements Program includes funding for pipeline relocations made necessary by the State of Maryland's Beltway Widening project. The vast majority of the costs are not in the capital budget as it is our assumption that they will be covered by the state or the state's developer. The capital budget includes \$374,000 for the Beltway Widening project.

### Customer Impacts and Affordability

The 7.0% rate increase will add approximately \$16.92 per quarter to the bill of a customer using 165 gallons per day, the average per person consumption of 55 gallons per day for a 3-person household. Even with the rate increase, WSSC Water rates continue to be favorable when compared to many other comparable, regional water and sewer utilities, and the average residential bill is 1.1% of the median household income.

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 clean, safe 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. However, it is essential to price water at the cost of safely producing and delivering this essential resource and to offer assistance programs for our most vulnerable customers.

The Customer Assistance Program (CAP) was created in FY 2016 to help economically disadvantaged customers by providing financial assistance with water and sewer bills. The CAP has already reached thousands of our customers in the current fiscal year. The CAP will continue in FY 2023 and the proposed budget estimates the revenue offset at \$2.2 million. Note that CAP customers are automatically enrolled in the Bay Restoration Fund exemption, which waives the state-mandated Bay Restoration Fund fee of up to \$60 per year.

The Water Fund is another program that aids eligible customers in need of assistance. Customers can make multiple requests for assistance with water and sewer bills up to \$500 per year. Also, in accordance with House Bill 408 enacted in the FY 2018 legislative session, the preliminary budget includes \$100,000 to continue the Connection Pipe Emergency Replacement Loan Program, which will provide affordable financing of up to \$5,000 per eligible customer.

### Infrastructure Reliability

The preliminary budget proposes the rehabilitation of 37 miles of smaller water mains (<16" in diameter), as we begin to ramp back up towards 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 PCCP Program provides for the ongoing AFO monitoring of over 100 miles of pipe, ongoing inspection, and rehabilitation and replacement of large diameter pipes. Inspection, rehabilitation and replacement of large valves continues at two per year. The PCCP program will continue building toward a goal of replacing up to two miles per year, with several projects

in the planning and design phases. Replacement of ferrous pipes is projected at six miles. Funding is also included for the continued compliance with all requirements of the WSSC Water Sanitary Sewer Overflow and Potomac Water Filtration Plant Consent Decrees.

Several of these programs will be impacted by the non-recommended reductions to the annual capital budget that are currently being identified for inclusion in the proposed budget delivered by March 1, 2022.

### Information Technology Strategic Plan

In addition to our ongoing investments in WSSC Water's physical infrastructure, the FY 2023 budget invests in our organizational infrastructure. Funding is included to continue enhancing our cybersecurity program to efficiently and effectively mitigate cybersecurity 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.

### 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 2023 budget. As indicated in the following table, the proposed budget does not meet the spending affordability limits for Water/Sewer Operating Expenses and Average Water/Sewer Rate Increase for reasons previously discussed.

#### WSSC WATER FY 2023 PROPOSED BUDGET VS. SPENDING AFFORDABILITY LIMITS (\$ in Millions)

	<b><u>FY 2023 Proposed Budget</u></b>	<b><u>Prince George's County Limit</u></b>	<b><u>Montgomery County Limit</u></b>
New Water and Sewer Debt	\$430.1	\$430.1	\$430.1
Total Water and Sewer Debt Service	\$324.1	\$328.4	\$328.4
Total Water/Sewer Operating Expenses	\$864.2	\$859.4	\$859.4
Water/Sewer Rate Revenue Increase	7.0%	6.5%	6.5%

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 have done the same this year. Rates and methodology are currently under review by the SDC Policy and Rates Workgroup.

## BUDGET REVIEW PROCESS

The Preliminary Proposed Budget will be the subject of continuing analysis and refinement until the Commissioners transmit a proposed budget on or before March 1, 2022. WSSC Water recognizes that an important part of the budget process is seeking input from our customers and other interested stakeholders. In that regard, Public Hearings will be held on WSSC Water's FY 2023 Preliminary Proposed Budget February 2 and 3, 2022, at 7:00 p.m. Links to access the hearings will be posted on WSSC Water's website.

The purpose of these hearings is to obtain comments from interested citizens before transmittal of the proposed budget to the county executives by March 1, 2022. Persons desiring to speak at either of the hearings should contact WSSC Communications and Community Relations Office at 301-206-8100 to be placed on the list of speakers in advance of the hearings. The public hearing record will remain open until February 15, 2022. Persons who wish to submit a written statement for inclusion in the record of the hearings should e-mail the statement to [BudgetGroup@wsscwater.com](mailto:BudgetGroup@wsscwater.com).

The Preliminary Proposed Budget will receive further consideration by the Commission following the WSSC Water public hearings, and 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, 2022.

This is one of the most difficult budgets we have ever developed due to the drastic cuts we have been forced to make while ensuring we continue to protect public health and safety by providing safe, clean and reliable water and maintaining our AAA bond rating. This preliminary proposed budget based on a 7.0% average rate increase does support some of WSSC Water's strategic priorities, but customers will feel the impact on services.

Sincerely,

DocuSigned by:  
**Keith Bell**  
51FAF1A39AB1486...  
Keith E. Bell  
Commission, Chair

cc:

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

## FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND IMPACT STATEMENTS

### Utility Services Department

- a. **\$1,865,000 - Emergency Responses** - The depots respond to emergencies in communities, in environmentally sensitive areas, at WSSC WFPs, WRRFs, pumping stations and elevated water tanks. Certain responses often require by-pass pumping and repairs for sanitary sewer overflows (SSO) to mitigate untreated wastewater discharges from the sanitary sewer system into the environment. Longer response times may result in increased fines due to the additional flow volume being discharged. Supporting contractors provide specialized equipment necessary to build access roads, pumps large enough to handle our sewer trunk line flow volume and machines large enough to move large pipe through our rights-of-way to make the repairs. The contractors can also address multiple emergencies simultaneously, mitigating the emergencies' impacts. In addition, some planned urgent repairs can include large valve repairs or replacements, pipe repairs and other ancillary tasks. Emergency repair contractors provide support for both buried/linear and vertical assets. This reduction impacts three of the four depots.
- b. **\$600,000 - Work Order Backlog Contract** - The contract supports reducing the backlog of work orders of miscellaneous water and wastewater main repairs. The proposed reduction will likely lead to an increased workload with longer repair times for leaks in mains. This directly impacts water loss and gives the appearance of wasting water. Additionally, we would see an increase in breaks, SSOs, longer water outages, longer repair times, higher fines from regulatory agencies and greater environmental impacts to nearby streams.
- c. **\$500,000 - Acoustic Fiber Optic (AFO) Monitoring System** - These data acquisition systems continually monitor the integrity of large pre-stressed concrete cylinder pipe (PCCP) water mains while the pipelines are in service. The systems collect and record PCCP wire breaks and alert WSSC Water when pipes are in danger of failure so immediate action can be taken to avert failures. One less AFO data acquisition monitoring system will be commissioned.
- d. **\$384,600 - "Miss U" Locating Contractor** - The contract provides locating and marking services for WSSC Water's underground water and sewer assets prior to any excavation work (i.e. valves, water and sewer pipelines, etc.). In accordance with Maryland's Annotated Code, Public Utilities Article, Title 12 "Underground Facilities"; Subtitle 1: "Excavation or Demolition Near Underground Facilities" WSSC Water's contractor must respond to all Miss-Utility tickets received from the Miss Utility One-Call Center. Failure of WSSC Water to comply with Maryland's Annotated Code, Public Utilities Article, Title 12 may result in violations and fines from Maryland Underground Facilities Damage Prevention Authority. A reduction in funding can lead to an increased number of contractor damages to our buried assets, can cause customer outages, and in extreme cases may result in injuries and/or property damage. Decreasing funding for locating and marking buried assets will likely increase the time to restore water or sewer service.
- e. **\$300,000 - Pipe Armoring** - This program addresses water and wastewater assets that have become exposed across and along streams, providing construction services for armoring/protecting the exposed assets and restoring portions of the impacted stream to avoid future failures of critical water and sewer assets in environmentally sensitive areas. A 23% program reduction will increase the frequency with which linear assets may become compromised and possibly fail along streams, causing environmental damages as well as disruptions in service. Regulatory agencies may fine WSSC Water due to these exposed assets.
- f. **\$200,000 - W-1.00 Pressure Monitoring** - Transient pressures occur in water mains because of sudden changes in flow due to daily operations and can be very damaging and often result in water main failures. A budget reduction will result in a 48% decrease in the mileage of WSSC Water's transmission system that can be monitored for dangerous transient pressures each year. The resulting impact may be an increase in breaks in large and small diameter water mains.

**FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND  
IMPACT STATEMENTS (Continued)**

- g. **\$150,000 - W-161.01 Valve Repairs** - The existing valve inspection and exercising program includes provisions for repairing broken or malfunctioning valves. The proposed budget cut will reduce the number of valves that can be addressed from 85 to approximately 65 per year, which limits WSSC Water's ability to make sure all critical valves are in proper working condition during emergencies and/or routine maintenance.
- h. **\$150,000 - W-161.01 Right-of-Way Clearing/Temporary Access Roads** - This program provides services to construct temporary access roads to critical valves for inspection and repair. Repairs on valves located in areas difficult to access may take a longer time. Service disruptions, mitigation efforts and overall impact will worsen if access to these critical assets is impeded.
- i. **\$150,000 - Emergency Response Plan Consultants** - This program is to generate emergency response plans related to critical buried water and wastewater assets with the objective of preventing injuries and fatalities, reducing damage to property, protecting the environment and the community and accelerating the resumption of normal operations. Emergencies related to critical buried water and wastewater assets can take longer to resolve resulting in longer disruptions of service.
- j. **\$125,000 - W-161.01 PCCP Inspection & Condition Assessment** - The current PCCP condition assessment program targets approximately 18 miles of pipe each year and should be expanded to ensure the proper operation and maintenance of these critical assets. The program has been instrumental in avoiding water main failures of large PCCP, such as River Road several years ago and more recently in Capital Heights. A reduction in budget will result in a reduction of the large diameter PCCP mileage assessments performed yearly which may result in an increase of large diameter breaks.
- k. **\$100,000 - Large Diameter Inspection Program** - This program provides engineering consultant resources for the inspection and condition assessment of at least 5 miles of large diameter sewer mains and a minimum of one sewer force main per year. The proposed 9% reduction reduces the resources available for the targeted assessment and may result in increased large volume sanitary sewer overflows, resulting in additional mitigation costs and negative environmental impacts.
- l. **\$100,000 - Small Valve Inspection/Exercising** - The small valve inspection and exercising program targets approximately 14,000 valves each year. The proposed budget reduction will reduce the number of valves that can be inspected each year by approximately 1,100 and limits WSSC Water's ability to make sure all critical valves are in proper working condition during emergencies and routine maintenance.
- m. **\$50,000 - Inspection Services** - This program provides contractor resources for responding to sewer emergencies and for performing routine maintenance of sewer mains. A reduction in funding can result in additional odor complaints, SSOs, basement backups, line blockages, additional cleaning costs and an increase in claims associated with damages caused by the sewers.
- n. **\$50,000 - Chemical Root Control** - The chemical root control program is part of WSSC Water's preventive maintenance program for the wastewater collection system and is part of the SSO consent decree. The program targets tree roots that have intruded into the sewer pipes, causing SSOs and basement backups. Each year, selected sewer pipes are treated with an herbicide to kill tree roots and prevent regrowth. The chemical root control program has been a significant contributor to WSSC Water's success in reducing SSOs annually from approximately 225 in 2006 to 98 in 2020. Reducing the program will eventually result in a gradual increase in the number of SSOs and basement backups that occur each year.

## FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND IMPACT STATEMENTS (Continued)

- o. **\$25,000 - Sewer System Evaluation Survey (SSES) for Flow Reduction** - An SSES is a comprehensive approach to quantifying infiltration and inflow (I&I), locating sources of I&I and making recommendations for the reduction of I&I in selected portions of the collection system. I&I is excess water that flows into the sewer collection system from groundwater and stormwater. I&I can overwhelm WSSC Water's collection system, resulting in SSOs and basement backups. The current budget includes evaluation of approximately 30 miles of sewer pipe per year, which is 10 miles less than the program goal per the SSO Consent Decree. Therefore, any further reduction in the budget will reduce the miles evaluated and continue to limit I&I source detection and reduction efforts in parts of the system such as the Piscataway Broad Creek basins.

### **Production**

- a. **\$1,395,000 - Chemicals** - Increased risk that proper/complete treatment of water or wastewater will not be accomplished.
- b. **\$1,200,000 - Materials** - There is an increased risk that critical maintenance and repair work at water or wastewater treatment facilities will not be completed when needed, potentially causing temporary service interruptions. In addition, potential cost increases for supplies due to inflation, supply chain issues, and/or the need for more emergency purchases will impact the available budget.
- c. **\$1,000,000 - Operating Support Program Projects** - There is an increased risk of facility performance problems due to equipment-related issues. The risk of poor or unsafe working conditions in WSSC Water work locations also increases. We also will not be able to complete roof replacement projects. In addition, there will be increased cost for rehabilitation projects as delays result in further deterioration in the condition of the assets.
- d. **\$807,000 - Various Services Including Hauling** - There is an increased risk that funding dedicated to other areas will have to be diverted to pay for these critical services, which cannot be delayed.
- e. **\$797,000 - Maintenance/Repair Services** - There is an increased risk that critical maintenance and repair work at water or wastewater treatment facilities will not be completed when needed, potentially causing temporary service interruptions. Short term risk: Delay in getting repairs to facility equipment and systems such as pumping systems and electrical distribution systems. Long term risk: Delay in rehabilitation work such as the replacement of major heating, ventilation and air conditioning systems.
- f. **\$300,000 - Consultant Support for Renovation Projects** - Renovation projects will be delayed.
- g. **\$300,000 - Tools, Machinery, Lab and Radio Equipment** - Some maintenance, repair, or replacement of equipment will have to be deferred.
- h. **\$270,000 - Project Management for Little Seneca Dredging Project** - There will be a delay in getting this project underway, affecting the quantity and quality of stored water in the Little Seneca Dam. There will be an inability to manage this multi-million dollar project due to lack of staff.
- i. **\$178,000 - Rental** - There is an increased risk that some maintenance, repair, or replacement of equipment will have to be deferred.

## FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND IMPACT STATEMENTS (Continued)

- j. **\$56,000 - Laboratory Supplies** - The reduction will impact WSSC Water's customer complaint analysis. Delay in the analysis means a delay responding to customers. Note that some samples have holding time limitations (expiration times), and samples might expire before they are analyzed, resulting in no report to customers. The reduction will impact all WRRF and WFP daily process control samples. In addition, all WRRF and WFP regulatory and compliance analyses will be affected. Risk of U.S. Environmental Protection Agency stabilized sludge analysis and reporting violation. Risk of losing the Maryland state certification for Laboratory Division.
- k. **\$40,000 - Consultant Services for New Water Quality Regulations** – This reduction will delay completion of lead service line inventory, which will impact WSSC Water's ability to identify customer lead service and reduce lead risks from customer taps.
- l. **\$20,000 - Overtime** - There is an increased risk of potential staffing shortages at WRRFs.

### **General Services**

- a. **\$482,500 - Fleet Machinery & Equipment** - There is an increased risk that the replacement of certain pieces of equipment will be delayed by one year. Delaying replacement will cause more frequent breakdowns and higher maintenance costs.
- b. **\$311,000 - Truck & Automobiles** - There is an increased risk that the replacement of vehicles and trucks will be delayed for one year. Delaying vehicle replacement will cause more frequent breakdowns and higher maintenance costs.

### **Engineering & Construction**

- a. **\$2,617,000 - Piscataway Rehabilitation Program** - The Piscataway Rehabilitation Program is designed to rehabilitate sewer assets in the Piscataway sewer basin that WSSC Water has identified as contributing to I&I issues. Over the last several years, I&I issues in the Piscataway basin have contributed to high sewage flows to the Piscataway WRRF. The Piscataway Rehabilitation Program seeks to address these issues through a multi-pronged approach of capital and operating rehabilitation activities. The operating rehabilitation activities include manhole rehabilitation and an enhanced grouting initiative. By postponing this work on some assets, the I&I issues will persist for a longer period of time, which will result in higher costs at the Piscataway WRRF to treat water that should not be in the sewer pipes.
- b. **\$942,600 - System-wide Manhole Rehabilitation and Grouting Programs** - Like with the Piscataway basin as described above, there are I&I issues throughout WSSC Water's service area. These issues lead to higher probabilities of paying to treat cleaner water at all our WRRFs (and the Blue Plains Advanced Wastewater Treatment Plant owned and operated by DC Water). I&I also increases the probability of SSOs. Therefore, the negative impacts of these reductions include higher future costs for our ratepayers, the potential for more, and likely worse, SSOs, and a curtailment to WSSC Water's goal of being a good steward of the environment for current and future generations.
- c. **\$255,000 - Pipeline Design-Build Study** - This reduction will eliminate funding for the Pipeline Design-Build Study. This study would have benchmarked industry best practices for pipe replacement, resulting in potential solutions for streamlining projects and reducing costs. Therefore, the negative impacts of this reduction include higher future costs for our ratepayers, the potential for more service interruptions, and a weakening of WSSC Water's strategic priorities to optimize our infrastructure and spend customer dollars wisely.

## FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND IMPACT STATEMENTS (Continued)

- d. **\$120,000 – Water & Sewer Planning and Modeling** - WSSC Water utilizes computerized hydraulic models that simulate the flow of water and wastewater throughout the water and sewer systems. The models should be updated on a regular basis to account for newly constructed or abandoned pipes, to account for changes in demographic projections in future growth, and to be re-calibrated to match current I&I. Neither model has been updated for 11 years due to previous budgeting limits and existing resource issues although many utilities update their models approximately every 2 to 5 years.

The proposed reduction will slow the progress on this work effort and may impact our ability to make accurate and timely decisions with respect to current and long-term capacity needs within our water distribution and wastewater collection, pumping and treatment systems. Utilizing outdated information can lead to under-sizing system expansions, potential SSOs and lower levels of service provided to WSSC Water customers.

- e. **\$100,000 - Staff Augmentation for Plan Review and Permits** - Cycle times may increase for plan review and permit issuance because the Engineering & Construction Department uses these funds for staff augmentation when needed.
- f. **\$80,000 - Consultant for On-site Inspection** - Elimination of a consultant inspector for on-site pipeline construction inspection will reduce the inspection capacity and will take longer to complete inspections on time.
- g. **\$47,200 - Process Control Upgrades to WSSC Water Facilities** - Reductions will impact process control upgrades for WSSC Water facilities including the new Biosolids Management Division.
- h. **\$66,500 - Miscellaneous Other** - Reduced support for e-Builder software upgrades and development. Reduced travel that will reduce the employees' ability to meet continuing education credits as required by certifications, learn new technologies and share WSSC Water's projects with the industry and peers. Additional reductions are for office supplies, furniture and small machinery and equipment.

### **Customer Service**

- a. **\$500,000 - Overtime** - Due to the COVID-19 pandemic, WSSC Water has experienced over 91,400 past due accounts with a value exceeding \$67 million in lost revenue. This severe delinquency challenge results in a 42% increase in past due accounts and a 154% growth in past due amounts. The magnitude of the challenge has put additional pressure on existing limited customer service resources, resulting in severe backlogs. Overtime is critical for enabling the Customer Service Department to address high volumes, surges in customer requests and work backlogs. The Customer Service Department often works nights and weekends to reduce backlogs and process billing system transactions, including requests for payment plans, start/stop services, resolution for estimated bills, and high bill adjustments. Reduced funding for overtime will result in longer customer phone wait times, more customer call abandonments, delayed deposit refunds and bill adjustments, increased customer complaints, increased non-call work backlogs, and increased staff stress related unscheduled leave.
- b. **\$432,900 - Vendors and Temporary Staff** - Reduced funding for vendors and temporary customer support staff will result in frustrated customers due to WSSC Water's inability to provide customers with timely call-answering, and quick responses to customer requests and bill adjustments. Work backlogs will increase as will customer complaints. Intensified staff stress will also result in increased unscheduled leave.
- c. **\$75,000 - Professional Services** - This reduction could impact the free plumbing inspection program available to financially challenged customers and would also limit consulting services.



## FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND IMPACT STATEMENTS (Continued)

### Information Technology

- a. **\$2,448,600 - Support C2M and Related Applications** - Potentially longer wait time for solutions to be delivered to the end users and fewer incident resolutions per year. 10% reduction in incident resolution because functional architects' capability will decrease by 40% and there will be 15% fewer fixes resolved each week.  
  
Reduces the capability for training WSSC Water staff which will impact the Customer Service staff's effective use of the new release functions.
- b. **\$812,800 - Voice and Contract Center Enhancements** - Reduce the number of enhancements done for the Voice and Contract Center. IT will work on implementing additional features in ServiceNow during FY 2022 to address some of the enhancements previously planned for FY 2023.
- c. **\$722,000 - Application Purchases** - Limits the ability to purchase applications to support and enhance business functions.
- d. **\$192,900 - Upgrade Firewall** - Although the budget to upgrade the firewall when the equipment is end of life will be reduced, there will be minimal impact to services. The functionality can be replicated by other tools that WSSC Water already owns.
- e. **\$164,200 - Consultant for Financial Analysis and Contract Administration** - Reduces resources available to support financial analysis and contract administration functions in IT. However, IT is working on reorganizing the team and plans to utilize existing positions to help to meet the workload requirements for the IT Finance & Contract Administration Section.
- f. **\$139,600 - Research and Advisory Services** - Research and advisory services for IT will be discontinued with the existing vendor; IT will pursue more cost-effective subscriptions for research and advisory services.
- g. **\$82,100 - Computer Equipment Purchases** - Reduces the purchases of computer equipment and other related items.

### Finance

- a. **\$170,000 - Professional Services** - Professional services provide financial advisory services, risk management evaluations, financial studies, rate and cost-of-service studies, and development of processes and procedures based on evaluations and audits. The reduction will postpone or eliminate planned studies and services.

### Strategy & Innovation Office

- a. **\$300,000 - Organizational Development Consulting Services** - The Organizational Development contract is used to provide operational support to process the start/stop requests. Start/stop requests are initiated when customers start and/or stop water services when moving into a new home or moving out. Reducing the resources will significantly increase the start/stop backlog. This also results in an increased call volume as customers call to check on their requests.  
  
Additional impacts resulting from this reduction are delays in critical work that can affect Customer Service, Finance and Utility Services Departments, significant increases in pending bill volume, decreases in troubleshooting customer account issues, loss of critical expertise, reductions in staff training and documentation, and reductions in consultant hours which may contribute to the loss of consultants on the project.
- b. **\$44,500 - Leaders on the Same Page Conference** - Eliminating budget for Leaders on the Same Page where 200+ directors, division managers, section managers, chiefs and other WSSC Water leaders come together to share industry knowledge. The conference will potentially take place virtually going forward.



## FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND IMPACT STATEMENTS (Continued)

### Commissioner's Office/Corporate Secretary's Office

- a. **\$16,500 - Miscellaneous Reductions** - Reduces various expenditures such as student scholarships, consultant hours, temporary staff hours, travel, office supplies and subscriptions.

### Office of the Inspector General

- a. **\$11,200 - Auditing Services and Mileage** - Reductions to auditing services will limit the office's ability to solicit external specialized professional services for auditing and investigations. Mileage reductions will reduce the area and time traveled for audits and investigations.

### General Manager's Office

- a. **\$13,000 - Consulting Services and Travel to Conferences** - Reductions in consulting services may result in limited funds for hiring consultants for special projects. The travel budget reductions will reduce the General Manager and the Deputy General Managers participation in various meetings and conferences.

### Asset Management Division

- a. **\$222,300 - Business Cases** - The project planning process is the method through which WSSC Water identifies and validates needs and evaluates solutions to address those needs. It incorporates engineering data, environmental requirements, economic factors, and public interaction to establish a sound basis for making decisions, for efficiently conducting and documenting specific work tasks, and for successfully implementing needed solutions. The project planning process utilizes business case evaluations to determine the most effective solution to a validated need based on lifecycle cost, business risk exposure, and/or level of service. An important goal in the planning process is to produce a result that is acceptable to citizens, elected officials, regulatory agencies, and WSSC Water at a reasonable cost.

The reduction will result in delayed project execution on several infrastructure projects within WSSC Water facilities. This may result in higher risk of failure, including the realized level of service failures for WSSC Water customers. Additionally, the reduction will increase operation risk due to delayed project development and execution. This will result in higher operational costs due to emergency interventions and increase maintenance costs.

### Police & Homeland Security

- a. **\$127,200 - Maintenance, Electronic Security and IT Projects** - There will be major impacts to maintenance, improvements, and other necessary work on the electronic security system, especially in light of the impacts of IT projects and cybersecurity. In addition, there will not be funding available for planned cybersecurity assessments of the electronic security system network, no funding for additional emergency management initiatives, including training exercises, planning, and response.
- b. **\$44,900 - Overtime** - Limited overtime support for overnight security for water main break crews and other WSSC Water employees operating in potentially dangerous areas.
- c. **\$58,700 - Miscellaneous Reductions** - Includes reduction to the contracted security staff. Reduction to travel will reduce participation in key law enforcement, security, resilience, and emergency management conferences, impacting WSSC Water's ability to remain up to date on all aspects of Police and Homeland Security.

### General Counsel's Office

- a. **\$102,200 - Outside Legal Counsel** - Reduction of funding required to pay for outside legal counsel.
- b. **\$11,100 - Temporary Employees** - Reduction will impact hiring a law clerk and temporary employees, or additional services needed for litigation defense.

## FY 2023 BUDGET NON-RECOMMENDED REDUCTIONS TOTALING \$23.1 MILLION AND IMPACT STATEMENTS (Continued)

- c. **\$14,300 - Recording & Court Fees, Subscriptions, Office Supplies and Travel** - Limit office's resources to hire the required court reporters needed for administrative hearings and depositions. The office is also required to pay for attorney dues, library subscriptions, and legal research. Additional reductions are made to travel for conferences and seminars and reductions to office supplies purchases.

### **Communications & Community Relations Office**

- a. **\$51,700 - WSSC Water Annual Report** - Reduction will result in the annual report being performed by in-house staff versus an outside vendor.
- b. **\$30,100 - Promotional Items, Rental Services, Photography, Subscriptions, Laboratory Supplies** - WSSC Water will distribute fewer promotional opportunities during various events and drives, eliminate a stand-by photographer to cover multiple events, and additional reductions will be made to subscriptions and laboratory supplies.

### **Human Resources Office**

- a. **\$74,000 - Training and Development** - Reduce training and development of WSSC Water employees.
- b. **\$31,000 - Consulting Services** - Limit professional and temporary support when there is a need for support from staffing agencies during busy seasons.
- c. **\$15,900 - Consulting Services** - Reduce consulting services for the Human Resources Office initiatives and activities. Funding reduction impacts requirements for support to benefits, health and welfare activities and Request-for-Proposal for employee benefits.
- d. **\$15,900 - Recruiting Expenses** - Impact to funding for pre-employment services and activities for new employees who are promoted.
- e. **\$11,100 - Educational Assistance** - Reduce funding for the educational assistance for employees seeking advanced degrees.
- f. **\$10,100 - Advertising** - Reduce advertising job postings for open positions throughout WSSC Water. Reduction to the number of professional subscriptions.
- g. **\$5,500 - Administration Staff** – Reduce Equity, Engagement and Inclusion administrative staff assistance within the office.
- h. **\$4,400 - Office Supplies and Travel** - Reduce Occupational Safety and Health Division office supplies and travel for courses, classes and conferences.

### **Office of Supplier Diversity & Inclusion**

- a. **\$22,600 - Business Conference** - Scale back business conference for vendor community including potential limitations to size and scope of the event.

### **Intergovernmental Relations Office**

- a. **\$29,900 - Professional Services** - Reduce WSSC Water's efforts to develop a federal legislation strategy and its advancement before the U.S. Congress, the Executive Branch, and federal agencies.

## **BUDGET SUMMARIES**

## COMPARATIVE EXPENSES

### Comparative Expenses by Fund

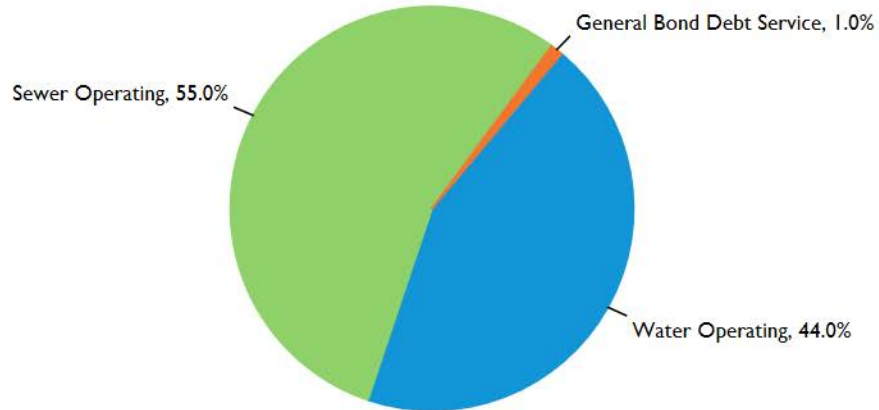
(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed	FY 2023 Over/(Under) FY 2022	% Change
<b>Operating Funds</b>							
Water Operating	\$ 339,200	\$ 338,471	\$ 335,324	\$ 380,565	\$ 384,397	\$ 3,832	1.0 %
Sewer Operating	419,633	413,421	401,300	461,734	479,796	18,062	3.9 %
General Bond Debt Service	18,847	14,292	12,006	9,794	8,708	(1,086)	(11.1)%
<b>Total Operating</b>	<b>\$ 777,680</b>	<b>\$ 766,184</b>	<b>\$ 748,630</b>	<b>\$ 852,093</b>	<b>\$ 872,901</b>	<b>\$ 20,808</b>	<b>2.4 %</b>
<b>Capital Funds</b>							
Water Supply Bond	\$ 210,783	\$ 162,378	\$ 142,441	\$ 291,667	\$ 329,464	\$ 37,797	13.0 %
Sewer Disposal Bond	152,891	211,729	265,865	384,600	359,947	(24,653)	(6.4)%
General Construction	23,121	20,278	18,587	27,478	27,322	(156)	(0.6)%
<b>Total Capital</b>	<b>\$ 386,795</b>	<b>\$ 394,385</b>	<b>\$ 426,893</b>	<b>\$ 703,745</b>	<b>\$ 716,733</b>	<b>\$ 12,988</b>	<b>1.8 %</b>
<b>Grand Total</b>	<b>\$ 1,164,475</b>	<b>\$ 1,160,569</b>	<b>\$ 1,175,523</b>	<b>\$ 1,555,838</b>	<b>\$ 1,589,634</b>	<b>\$ 33,796</b>	<b>2.2 %</b>

### Comparative Expenses by Major Expense Category

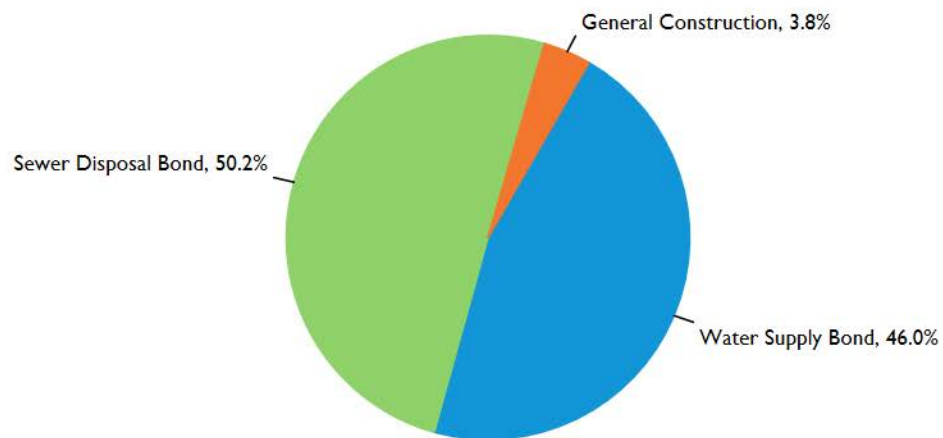
(\$ in thousands)	FY 2021 Actual			FY 2022 Approved			FY 2023 Proposed		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
<b>Expense Categories</b>									
Salaries & Wages	\$ 25,911	\$ 131,799	\$ 157,710	\$ 27,449	\$ 133,730	\$ 161,179	\$ 28,372	\$ 137,930	\$ 166,302
Heat, Light & Power	-	18,234	18,234	222	18,501	18,723	230	18,829	19,059
Regional Sewage Disposal	-	58,658	58,658	-	59,160	59,160	-	60,343	60,343
Contract Work	217,590	-	217,590	444,405	21,337	465,742	429,425	-	429,425
Consulting Engineers	42,349	-	42,349	79,614	19,890	99,504	82,865	-	82,865
Debt Service	-	291,980	291,980	-	316,827	316,827	-	330,823	330,823
All Other	141,043	247,959	389,002	152,055	282,648	434,703	175,841	324,976	500,817
<b>Grand Total</b>	<b>\$ 426,893</b>	<b>\$ 748,630</b>	<b>\$ 1,175,523</b>	<b>\$ 703,745</b>	<b>\$ 852,093</b>	<b>\$ 1,555,838</b>	<b>\$ 716,733</b>	<b>\$ 872,901</b>	<b>\$ 1,589,634</b>

## FY 2023 PROPOSED BUDGET BY FUND

**Grand Total = \$1,589,633,808**



**Operating Funds = \$872,900,936**



**Capital Funds = \$716,732,872**

# HOW EACH OPERATING DOLLAR IS SPENT



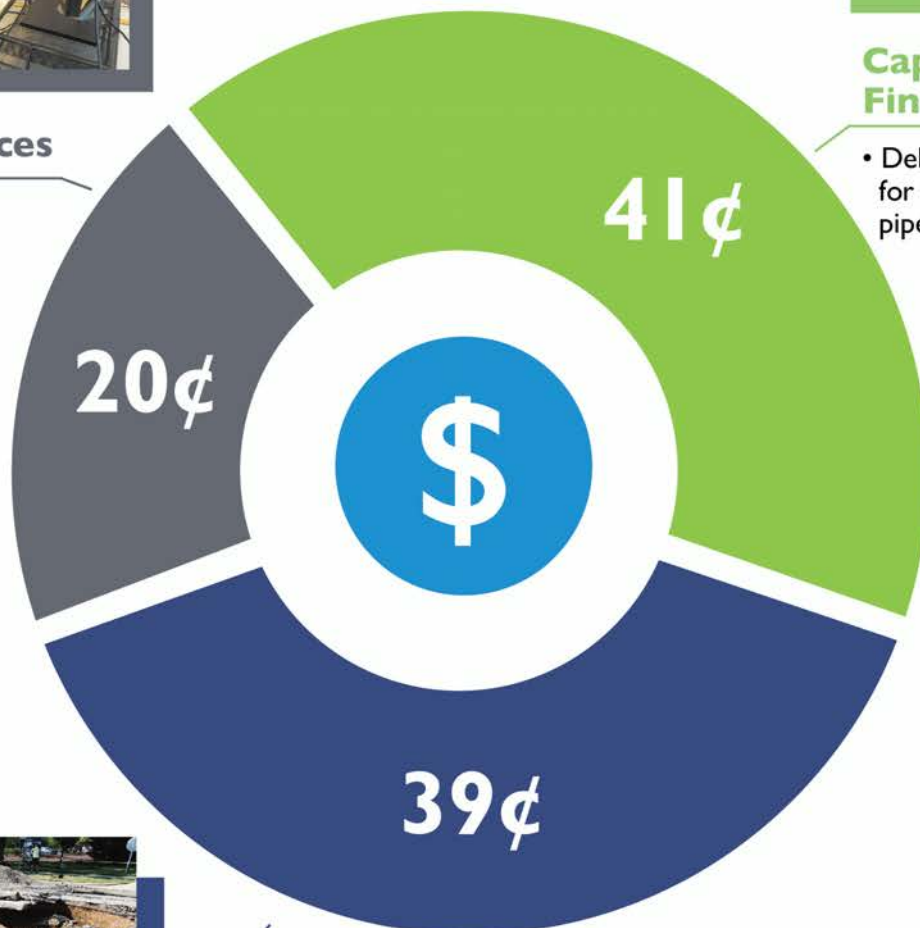
## Support Services

- Governance and management of organization
- Customer service
- Corporate finance
- Employee benefits



## Capital Project Financing

- Debt payments and cash for the construction of pipes and facilities



## Operations & Maintenance

- Operations and maintenance for facilities (including share of Blue Plains)
- Fixing broken or leaking pipes and repairing roads
- Heat, light, and power for facilities
- Maintaining vehicles and equipment

## REVENUE AND EXPENSE TRENDS

### Water & Sewer Operating Funds - Combined

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Revenues</b>					
Water Consumption Charges	\$ 273,753	\$ 271,173	\$ 275,019	\$ 318,941	\$ 339,892
Sewer Use Charges	341,496	346,985	353,536	398,862	417,132
Account Maintenance Fees	32,116	35,922	32,346	31,866	34,048
Infrastructure Investment Fees	39,278	42,781	39,886	38,808	41,486
Plumbing and Inspection Fees	13,594	14,425	16,882	14,350	16,780
Rockville Sewer Use	3,106	3,147	3,147	3,100	3,100
Miscellaneous	20,913	21,053	16,948	21,600	19,000
Interest Income	9,306	4,881	392	1,000	500
Uncollectable	-	-	-	-	(6,000)
<b>Total Operating Revenues</b>	<b>\$ 733,562</b>	<b>\$ 740,367</b>	<b>\$ 738,156</b>	<b>\$ 828,527</b>	<b>\$ 865,938</b>
<b>Other Credits and Transfers</b>					
Use of Fund Balance	11,580	11,341	8,000	-	-
Reconstruction Debt Service Offset	12,500	11,600	9,500	6,000	4,000
SDC Debt Service Offset	5,551	6,695	5,772	5,772	5,772
Premium Transfer	-	7,904	7,151	-	2,500
Underwriters Discount Transfer	-	-	2,000	2,000	2,000
<b>Total Funds Available</b>	<b>\$ 763,193</b>	<b>\$ 777,907</b>	<b>\$ 770,579</b>	<b>\$ 842,299</b>	<b>\$ 880,210</b>
<b>Expenses</b>					
Salaries & Wages	125,100	131,711	130,884	133,039	137,212
Heat, Light & Power	19,683	15,534	18,234	18,493	18,817
Regional Sewage Disposal	54,809	56,414	58,658	59,160	60,343
<b>Debt Service</b>					
Principal Payments	153,565	154,238	151,398	170,902	182,649
Interest Payments	121,819	125,507	130,446	138,143	141,495
PAYGO	15,754	-	-	27,585	31,016
All Other	268,103	268,488	247,004	294,977	292,661
<b>Total Expenses</b>	<b>\$ 758,833</b>	<b>\$ 751,892</b>	<b>\$ 736,624</b>	<b>\$ 842,299</b>	<b>\$ 864,193</b>

Note: In the FY 2023 Proposed Budget, WSSC Water revenues appear higher than the expenditures as there is a budgeted \$16.0 million increase in reserves to improve the Days Operating Reserve-on-Hand metric. See page 4-4.

## REVENUE AND EXPENSE TRENDS (Continued)

### General Bond Debt Service Fund

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Operating Revenues</b>					
Front Foot Benefit & House Connection	\$ 15,809	\$ 12,824	\$ 10,664	\$ 8,428	\$ 6,744
Interest Income	1,127	483	20	-	-
Miscellaneous	268	174	189	130	160
<b>Total Operating Revenues</b>	<b>\$ 17,204</b>	<b>\$ 13,481</b>	<b>\$ 10,873</b>	<b>\$ 8,558</b>	<b>\$ 6,904</b>
<b>Other Credits and Transfers</b>					
Reconstruction Debt Service Offset	12,500	11,600	9,500	6,000	4,000
Use of Fund Balance	(12,500)	(11,600)	(9,500)	(6,000)	(4,000)
<b>Total Funds Available</b>	<b>\$ 17,204</b>	<b>\$ 13,481</b>	<b>\$ 10,873</b>	<b>\$ 8,558</b>	<b>\$ 6,904</b>
<b>Expenses</b>					
Salaries & Wages	751	863	915	691	718
Heat, Light & Power	-	-	7	8	12
All Other	825	852	948	1,313	1,299
<b>Subtotal</b>	<b>\$ 1,576</b>	<b>\$ 1,715</b>	<b>\$ 1,870</b>	<b>\$ 2,012</b>	<b>\$ 2,029</b>
<b>Debt Service</b>					
Principal Payments	13,337	9,445	7,985	5,803	5,332
Interest Payments	3,934	3,132	2,151	1,979	1,347
<b>Subtotal</b>	<b>\$ 17,271</b>	<b>\$ 12,577</b>	<b>\$ 10,136</b>	<b>\$ 7,782</b>	<b>\$ 6,679</b>
<b>Total Expenses</b>	<b>\$ 18,847</b>	<b>\$ 14,292</b>	<b>\$ 12,006</b>	<b>\$ 9,794</b>	<b>\$ 8,708</b>



## REVENUE AND EXPENSE TRENDS (Continued)

### Capital Funds

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Funds Provided</b>					
Bonds and Notes Issues/Cash on Hand	\$ 338,012	\$ 289,097	\$ 402,261	\$ 607,766	\$ 603,324
PAYGO	15,754	-	-	27,585	31,016
Federal & State Grants	995	1,589	4,392	24,471	25,244
System Development Charge	15,000	14,077	8,393	31,329	37,650
Other Contributions	7,667	12,451	14,192	12,594	19,499
<b>Total Capital Funds</b>	<b>\$ 377,428</b>	<b>\$ 317,214</b>	<b>\$ 429,238</b>	<b>\$ 703,745</b>	<b>\$ 716,733</b>
<b>Expenses</b>					
Salaries & Wages	\$ 27,293	\$ 26,388	\$ 25,911	\$ 27,449	\$ 28,372
Heat, Light & Power	213	155	-	222	230
Contract Work	202,735	211,404	217,590	444,405	429,425
Consulting Engineers	51,872	44,478	42,349	79,614	82,865
All Other	104,682	111,960	141,043	152,055	175,841
<b>Total Capital Expenses</b>	<b>\$ 386,795</b>	<b>\$ 394,385</b>	<b>\$ 426,893</b>	<b>\$ 703,745</b>	<b>\$ 716,733</b>

**SECTION 2**

**PROPOSED RATES, FEES AND CHARGES**

## PROPOSED RATES, FEES AND CHARGES

Presented in this section are the Fiscal Year (FY) 2023 proposed variable and fixed rates, as well as fees and charges that will be effective July 1, 2022. 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

#### 7.0% Average Water and Sewer Rate Increase

		FY 2023 Proposed (\$ in thousands)
<b>FUNDING SOURCES</b>		
<b><u>Revenues at Current Rates</u></b>		
Consumption Charges	\$	707,460
Account Maintenance Fees (AMF)		31,838
Infrastructure Investment Fees (IIF)		38,794
Uncollectable		(6,000)
Miscellaneous Revenues		39,380
<b>Subtotal</b>	<b>\$</b>	<b>811,472</b>
<b><u>Other Credits and Transfers</u></b>		
Reconstruction Debt Service Offset		4,000
Systems Development Charges (SDC) Debt Service Offset		5,772
Premium Transfer		2,500
Underwriters Discount Transfer		2,000
<b>Total Funding Sources</b>	<b>\$</b>	<b>825,744</b>
<b>EXPENSES</b>		
Operating, Maintenance & Support Services Expenses		509,033
Debt Service		324,144
Pay-As-You-GO (PAYGO)		31,016
Additional Cash Balance Reserve		16,017
<b>Total Expenses</b>	<b>\$</b>	<b>880,210</b>
Shortfall to be Covered by Rate Increase	\$	(54,466)
Proposed Average Water and Sewer Rate Increase (Shortfall divided by Consumption Charges, AMF and IIF)		7.0 %

The FY 2023 Proposed Budget calls for a combined 7.0% average increase in water consumption, sewer use revenue, AMF and IIF. This proposed increase exceeds the 6.5% Spending Affordability Guidelines (SAG) limit recommended by both Prince George's and Montgomery Counties. Even with the 7.0% rate increase, WSSC Water rates remain favorable when compared to many other comparable water and sewer utilities as shown on page 3-19.

## WATER AND SEWER RATE SCHEDULES

### Proposed Rate Schedule Effective July 1, 2022

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2023 July 1, 2022 Proposed		Total
	Water Rates	Sewer Rates	Combined
	Per 1,000 Gallons		
0 - 80.9999	\$ 6.13	\$ 8.14	\$ 14.27
81 - 165.9999	6.93	9.05	15.98
166 - 275.9999	7.98	11.35	19.33
276 & Greater	9.35	14.99	24.34

Proposed Flat Rate Sewer Charge - \$142.00 per quarter

**Disclaimer:** The proposed rates by tier are subject to adjustment pending further revenue analysis. The final weighted average rate increase will be 7.0%, however, shifts in consumption by tier may necessitate varied increases among the individual tiers.

### Current Rate Schedule

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2022 July 1, 2021 Approved		Total
	Water Rates	Sewer Rates	Combined
	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

Approved Flat Rate Sewer Charge - \$142.00 per quarter

## QUARTERLY CUSTOMER BILLS AT VARIOUS CONSUMPTION LEVELS

Meter Size	Average Daily Consumption (Gallons Per Quarter)	Approved FY 2019	Approved FY 2020	Approved FY 2021	Approved FY 2022	Proposed FY 2023
3/4" Residential Meter	100 (9,125 gal/qtr)	\$ 127.01	\$ 138.94	\$ 145.58	\$ 152.48	\$ 163.18
3/4" Residential Meter	165 (15,056 gal/qtr)	213.95	217.83	229.21	241.04	257.96
3/4" Residential Meter	500 (45,625 gal/qtr)	851.99	794.66	840.78	888.79	950.95
2" Meter	1,000 (91,250 gal/qtr)	1,952.14	1,903.02	2,004.81	2,110.76	2,258.47
3" Meter	5,000 (456,250 gal/qtr)	9,552.44	9,736.92	10,284.01	10,853.51	11,612.57
6" Meter	10,000 (912,500 gal/qtr)	19,878.88	19,748.55	20,852.26	22,001.19	23,539.69

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

**Disclaimer: The proposed rates by tier are subject to adjustment pending further revenue analysis. The final weighted average rate increase will be 7.0%, however, shifts in consumption by tier may necessitate varied increases among the individual tiers.**

## ACCOUNT MAINTENANCE FEES

### Proposed For Implementation July 1, 2022

Meter Size	FY 2022 Current Quarterly Charges	FY 2023 Proposed Quarterly Charges
<u>Small Meters</u>		
5/8" to 1"	\$ 16.00	\$ 17.00
<u>Large Meters</u>		
1-1/2"	16.00	17.00
2"	27.00	29.00
3"	66.00	71.00
4"	142.00	152.00
6"	154.00	165.00
8"	200.00	214.00
10"	246.00	263.00
<u>Detector Check Meters</u>		
2"	33.00	35.00
4"	177.00	189.00
6"	255.00	273.00
8"	461.00	493.00
10"	633.00	677.00
<u>Fire Service Meters</u>		
4"	182.00	195.00
6"	293.00	314.00
8"	452.00	484.00
10"	682.00	730.00
12"	989.00	1,058.00

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

## INFRASTRUCTURE INVESTMENT FEES

**Proposed For Implementation July 1, 2022**

Meter Size	FY 2022 Current Quarterly Charges	FY 2023 Proposed Quarterly Charges
<u>Small Meters</u>		
5/8"	\$ 11.00	\$ 12.00
3/4"	\$ 12.00	\$ 13.00
1"	\$ 14.00	\$ 15.00
<u>Large Meters</u>		
1-1/2"	\$ 90.00	\$ 96.00
2"	\$ 185.00	\$ 198.00
3"	\$ 585.00	\$ 626.00
4"	\$ 813.00	\$ 870.00
6"	\$ 1,265.00	\$ 1,354.00
8"	\$ 2,845.00	\$ 3,044.00
10"	\$ 4,425.00	\$ 4,735.00
<u>Fire Service Meters</u>		
4"	\$ 499.00	\$ 534.00
6"	\$ 616.00	\$ 659.00
8"	\$ 2,524.00	\$ 2,701.00
10"	\$ 2,714.00	\$ 2,904.00
12"	\$ 5,214.00	\$ 5,579.00

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

## SYSTEM DEVELOPMENT CHARGES

**Proposed For Implementation July 1, 2022**

SDC Category	FY 2022 Current Charges	FY 2023 Proposed Charges	Current Maximum Allowable	Proposed Maximum Allowable
Apartment				
Water	\$ 896	\$ 896	\$ 1,368	\$ 1,456
Sewer	1,140	1,140	1,741	1,852
1-2 toilets/residential				
Water	1,344	1,344	2,054	2,185
Sewer	1,710	1,710	2,609	2,776
3-4 toilets/residential				
Water	2,240	2,240	3,422	3,641
Sewer	2,850	2,850	4,354	4,633
5 toilets/residential				
Water	3,135	3,135	4,789	5,095
Sewer	3,991	3,991	6,096	6,486
6+ toilets/residential (per fixture unit)				
Water	88	88	136	145
Sewer	115	115	178	189
Non-residential (per fixture unit)				
Water	88	88	136	145
Sewer	115	115	178	189

No increase is proposed for the System Development Charges for FY 2023 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 6.4% 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 2020 to November 2021.



## MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

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, 2022.

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>INSPECTIONS, LICENSES AND PERMITS</b>			
<b>I Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gas-fitting Inspections</b>			
<u>Plumbing and Gas-fitting Inspections</u>			
New Single Family Detached Dwellings and Townhouses	\$ 1,112	\$ 1,225	Yes
New Attached Dwellings (townhouses/multiplex excluding apartments)	1,112	1,225	Yes
<u>All Other Residential</u>			
Water/Well Hookup	145	150	Yes
Meter Yoke Inspection (meter only installation)	145	150	Yes
Water Hookup Converting from Well (includes 2 inspections)	290	300	Yes
Sewer/Septic Hookup	145	150	Yes
First Plumbing Fixture	145	150	Yes
Each Additional Fixture	61	70	Yes
SDC Credit Fixture Inspection (per fixture)	53	60	Yes
Minimum Permit Fee	263	265	Yes
Permit Reprocessing Fee	75	75	-
Long Form Permit Refund Fee	263	265	Yes
Long Form Permit Re-Issue Fee	263	265	Yes
<u>All Non-Residential</u>			
<u>Plan Review without Permit Application</u>			
25 Fixtures or Less	550	535	Yes
26-200 Fixtures	2,344	2,670	Yes
Over 200 Fixtures	4,670	5,370	Yes
<u>2nd or 3rd Review (with or without permit application)</u>			
25 Fixtures or Less	202	215	Yes
26-200 Fixtures	526	605	Yes
Over 200 Fixtures	1,119	1,285	Yes
Water/Well Hookup	259	270	Yes
Meter Yoke Inspection (meter only installation)	259	270	Yes
Sewer/Septic Hookup	259	270	Yes
FOG Interceptor	259	270	Yes
First Plumbing Fixture	259	270	Yes
Each Additional Fixture	64	70	Yes
SDC Credit Fixture Inspection (per fixture)	53	60	Yes
Minimum Permit Fee	371	385	Yes
Permit Reprocessing Fee	75	75	-
Long Form Permit Refund Fee	383	385	Yes
Long Form Permit Re-Issue Fee	383	385	Yes

# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>INSPECTIONS, LICENSES AND PERMITS (Continued)</b>			
<b>2 License Fees for the Regulated Trades</b>			
<u>Reciprocal Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 2 years)	\$ 135	\$ 140	Yes
Registration Renewal all types (for 2 years)	117	115	Yes
Late Registration Renewal	69	70	Yes
<u>Examined Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 4 years)	143	150	Yes
Registration Renewal all types (for 4 years)	143	150	Yes
Late Registration Renewal	69	70	Yes
Cross-connection Technician Registration	35	35	-
Sewer and Drain Registration and Renewal (for 2 years)	61	60	Yes
Sewer and Drain Late Renewal Fee	26	30	Yes
<u>Journeyman License Registration</u>			
Initial Registration per type (for 2 years)	41	45	Yes
Registration Renewal (for 2 years)	41	45	Yes
Late Registration Renewal	27	30	Yes
License Transfer Fee	31	30	Yes
License Replacement Fee	19	20	Yes
Apprentice License Registration Renewal	14	15	Yes
<b>3 Short Form Permit Fee (up to 3 fixtures) - Non-Refundable</b>	124	135	Yes
<b>4 Long Form Permit Transfer Fee (with inspection)</b>	213	220	Yes
<b>5 Tapper License Fees</b>			
Permit Fee	363	360	Yes
Duplicate	36	35	Yes
<b>6 Watershed Use Permit Fees</b>			
<u>Boat Removal and Impoundment Fees</u>			
Boat/Craft Removal and Impoundment Fee	105	105	-
Removed Boat/Craft Storage Fee (Monthly)	80	80	-
<u>Watershed Use Permit Fees</u>			
Watershed Use Permit (January 1-December 31)	70	70	-
Watershed Use Permit (Single Day)	5	5	-
Open Season Boat Mooring (March 15 - November 30)	80	80	-
Winter Boat Mooring (December 1 - March 14)	60	60	-
Azalea Garden Rental (4 hours)	75	75	-
Bio-Brick Pavilion Rental (4 hours)	80	90	Yes
Boarding Stable Entrance Permit (Single Day)	260	260	-
Adjacent Landowner Entrance Permit (Single Day)	80	80	-
<u>Picnic Permit</u>			
Picnic Permit - Groups of 1-5 Persons (Single Day)	5	5	-
Picnic Permit - Groups of 6-10 Persons (Single Day)	10	10	-
Picnic Permit - Groups of 11-15 Persons (Single Day)	15	15	-
<b>7 Site Utility Inspection Fees (Non-Minor)</b>			
Base Fee	1,133	1,780	Yes
Pipeline (per foot)	6.00	9.30	Yes

# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>DISCHARGE AND WATER PROTECTION</b>			
<b>8 Septic Hauler Discharge Permit Fees</b>			
<u>Category I - Residential &amp; Septic Waste &amp; Grease</u>			
1-49 gallons (per vehicle)	\$ 257	\$ 255	Yes
50-799 gallons (per vehicle)	6,136	6,750	Yes
800-2,999 gallons (per vehicle)	17,501	19,250	Yes
3,000 gallons & up (per vehicle)	38,229	42,050	Yes
January thru June (50% of fee)	50% of fee	50% of fee	-
Transfer and/or Replacement Permit Sticker	143	155	Yes
Industrial/Special Waste Disposal Fee (per 1,000 gallons)	377	380	Yes
Zero Discharge Permit Fee	143	155	Yes
Temporary Discharge Permit Fee <u>plus</u> sewer rate per 1,000 gallons	156	185	Yes
Sewer Rate - Hauled Waste (1,000 gallons of truck capacity)	48	50	Yes
<b>9 Industrial Discharge Control Program Fees By Category</b>			
<u>Industrial Users Subject to Categorical Pretreatment Standards</u>			
Less than 5,000 gpd (double visit)	6,153	6,770	Yes
Greater than 5,000 gpd (double visit)	9,428	10,370	Yes
Non-Discharging Categorical Industries (zero discharge)	1,658	1,825	Yes
<u>Significant Industrial Users</u>			
Less than 25,000 gpd (single visit - priority pollutant sampling)	6,153	6,770	Yes
Greater than 25,000 gpd (double visit - priority pollutant sampling)	9,428	10,370	Yes
Penalty Charge for Late Fee Payment	5% of fee	5% of fee	-
<b>10 Discharge Authorization Permit Fees</b>			
Significant Industrial User - Initial Permit (for 4 years)	7,316	8,050	Yes
Significant Industrial User - Renewal (for 4 years)	3,585	3,945	Yes
Initial Zero-Discharge CIU Permit (for 4 years)	2,779	3,055	Yes
Reissued Zero-Discharge CIU Permit (for 4 years)	1,852	2,035	Yes
Temporary Discharge Permit (non-SIU)	7,316	8,050	Yes
<b>11 Discharge Fees - Food Service Establishment</b>			
Full Permit FSE	537	535	Yes
BMP Permit FSE	152	155	Yes
<b>12 Cross Connection Fees</b>			
Test Report Fee (per report)	46	55	Yes
Base Fee for High Hazard Commercial Water Customer (per month)	20	25	Yes
Base Fee for All Other Commercial Water Customer (per month)	10.00	12.50	Yes

# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>METERS AND RELATED SERVICES</b>			
<b>13 Small Meter Replacement Fee (at Customer Request)</b>	\$ 215	\$ 215	-
<b>14 Meter Replacement Fees (Damaged or Stolen Meter)</b>			
5/8" w/ touch pad (inside w/remote)	157	135	Yes
5/8" w/ pit pad (outside w/o remote)	150	140	Yes
5/8 Meter - pad encoder	131	135	Yes
5/8" x 3/4" w/ touch pad (inside w/ remote)	133	135	Yes
3/4" w/ touch pad (inside w/ remote)	160	160	-
3/4" w/ pit pad (outside w/o remote)	162	165	Yes
1" w/ touch pad (inside w/ remote)	202	205	Yes
1" w/ pit pad (outside w/o remote)	205	210	Yes
1" Kamstrup Meter, UT	329	370	Yes
1 1/2" Badger Flanged Meter	584	570	Yes
1 1/2" Flanged Meter	750	630	Yes
1 1/2" Nipple Meter	761	740	Yes
2" Flanged Meter	1,100	960	Yes
2" 15 1/4 Flanged Meter	1,243	1,210	Yes
3" Compound Meter	3,190	2,200	Yes
4" Compound Meter	3,960	3,240	Yes
6" Compound Meter	5,830	5,210	Yes
Turbine, Horizontal 3" Neptune w/ pit pad	1,519	1,475	Yes
Turbine, Horizontal 4" Neptune w/ pit pad	2,034	1,975	Yes
2" Hersey MVR Turbine	1,210	990	Yes
3" Hersey MVR Turbine	2,296	2,300	Yes
4" Hersey MVR Turbine	3,216	3,130	Yes
6" Hersey MVR Turbine	4,970	4,800	Yes
2" Detector Check	4,753	4,620	Yes
4" Detector Check	3,373	3,275	Yes
6" Detector Check	3,966	3,850	Yes
8" Detector Check	5,136	4,990	Yes
10" Detector Check	6,541	6,350	Yes
12" Detector Check	22,877	22,210	Yes
4" Fire Service Meter	8,239	8,160	Yes
6" Fire Service Meter	10,338	10,040	Yes
8" Fire Service Meter	12,877	12,505	Yes
10" Fire Service Meter	14,821	14,390	Yes
12" Fire Service Meter	21,015	20,400	Yes
3" Octave UT L=24	3,188	3,100	Yes
4" Octave UT L=29/ L=33	4,218	4,100	Yes
6" Octave UT L=45	6,207	6,030	Yes
8" Octave UT L=53	9,967	9,680	Yes
10" Octave UT L=68	13,472	13,080	Yes
<b>15 Meter Testing Fees</b>			
5/8" to 1"	261	260	Yes
1-1/2"	424	420	Yes
2" and up	473	470	Yes

# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>METERS AND RELATED SERVICES (Continued)</b>			
<b>16 Sub-Meter Installation Fees</b>			
One-time Sub-Meter Charge - Small	\$ 261	\$ 260	Yes
One-time Sub-Meter Charge - Large	528	525	Yes
One-time Inspection Fee	76	85	Yes
Minimum Permit Inspection fee	242	265	Yes
<b>17 Water Turn-Off, Turn-On Fees</b>			
<b>A. Customer Requested - Water Turn-Off, Turn-On Fees</b>			
Small Meter Turn-Off	60	60	-
Small Meter Turn-On	90	90	-
Large Meter Turn-Off	200	200	-
Large Meter Turn-On	230	230	-
<b>B. WSSC Water Scheduled Action - Water Turn-Off, Turn-On Fees</b>			
Small Meter Turn-On	135	135	-
Large Meter Turn-On	405	405	-
<b>18 Call Back Fee (small meters, plumbers)</b>	93	90	Yes
<b>19 Call Back Fee (large meters, plumbers)</b>	346	355	Yes
<b>20 Missed Appointment Fees</b>			
First Missed Appointment or Restoration of Service Turn-On	97	95	Yes
Each Additional Missed Appointment	110	110	-
<b>21 Meter Reinstallation Correction Fee</b>	388	385	Yes
<b>22 Sewer Meter Maintenance Fee (per year)</b>	15,873	18,255	Yes
Quarterly Calibrations (per quarter)	3,969	4,565	Yes
<b>23 Property Inspection Fee</b>	119	120	Yes
<b>24 Warehouse Restocking Fee</b>	56	65	Yes

# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>FIRE HYDRANT SERVICES</b>			
<b>25 Temporary Fire Hydrant Connection Fees</b>			
<u>3/4" Meter - Deposit</u>			
3/4" Meter Deposit	\$ 379	\$ 380	Yes
<u>3" Meter - Deposit</u>			
3" Meter Deposit	2,420	2,420	-
<u>Service Charge</u>			
2 Weeks or Less (3/4" meter)	75	85	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)	37	35	Yes
Water Consumption - 3" meter (Minimum charge or Tier 4 rate per 1,000 gallons flat rate)	242	240	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	-
<b>26 Truck Inspection Fee with Attached Fire Hydrant Meter (for 2 years)</b>	52	50	Yes
<b>27 Fire Hydrant Flow Test Fees</b>			
No Current Test	693	690	Yes
Current Test	83	80	Yes

# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>DEVELOPMENT SERVICES</b>			
<b>28 Feasibility Review Fees (WSSC Water Built)</b>			
Feasibility Submission Fee (non-refundable)	\$ 1,956	\$ 1,960	Yes
Feasibility Review & Report Fee Deposit (can be deferred as deficit when extension is completed)	14,353	15,790	Yes
<b>29 Construction Services Fee</b>	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	-
<b>30 Design Review</b>			
Development is More than 10 Residential Units or Commercial	6,500	8,645	Yes
Development is 10 Residential Units or Less	3,250	4,325	Yes
<b>31 Hydraulic Planning Analysis and System Planning Forecast</b>			
Modeling and Re-Modeling Fee - Up to 3 parts	2,433	3,235	Yes
Modeling and Re-Modeling Fee - per part over 3	842	1,080	Yes
Pressure Sewer System Review Fee (per system)	444	590	Yes
<b>32 Extra Review Fees</b>			
<u>Per SEP Plan Review</u>			
Minor Additional Reviews of Unsigned or Signed Plans (per review)	1,454	1,600	Yes
Major/Splitting Additional Reviews of Unsigned or Signed Plans (per review)	2,968	3,265	Yes
<u>Per Site Utility/Minor Utility Additional Unsigned or Signed Plan Review</u>			
Site Utility (per review)	1,764	1,940	Yes
Minor Site Utility (per review)	459	505	Yes
<u>Per Hydraulic Planning Analysis/Systems Planning Forecast Application</u>			
Additional Review of Required Data (per application)	994	1,145	Yes
<b>33 In-House Design Deposit</b>	Deposit	Deposit	-
<b>34 Partial Certificate of Substantial Completion Release Fee (up to 50% of construction)</b>	1,541	1,620	Yes
<b>35 Off-Property Service Connection Reimbursement</b>	Reimbursement	Reimbursement	-
<b>36 Service Connection Application and Inspection Fee (per permit)</b>	2,434 water and/or sewer connection	2,430 water and/or sewer connection	Yes
<b>37 Government Referred Plan Review</b>			
Major Development - Over 10 Units	1,693	1,695	Yes
Minor Development - 10 or Less Units	791	790	Yes
Re-Review Fee for Major Development	791	790	Yes
Re-Review Fee for Minor Development	396	395	Yes
<b>38 Pre-Screen Fee All Plan Types</b>	404	405	Yes
<b>39 Site Utility (On-site) Review Fees</b>			
Base Fee	3,921	4,025	Yes
Additional Fee per 100 feet	380	390	Yes
Minor (Waived) Site Utility (On-Site) Fee	1,314	1,420	Yes
<b>40 Name/Transfer of Ownership Change Fee</b>	303	325	Yes
<b>41 Variance Review Fee</b>	1,498	1,500	Yes

# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>PIPELINE, ENGINEERING AND ENVIRONMENTAL SERVICES</b>			
<b>42 Shutdown/Charge Water Main Fee</b>	\$ 1,177	\$ 1,180	Yes
Shutdown Complex Water Main Fee	2,144	2,145	Yes
<b>43 Review and Inspection Fees for Site Work Potentially Impacting WSSC Water Pipelines</b>			
Simple Review	399	400	Yes
Complex Review / Non-DR Developer Review	3,766	4,520	Yes
Inspection for Minor Adjustment / Non-DR Developer (per inspection)	266	270	Yes
<b>44 Relocation Fee</b>			
Inspection for MOU project (minimum charge up to 4 hours)	600	600	-
<b>45 Connection Abandonment Fees</b>			
County Roads (except Arterial Roads) - Water	1,474	1,470	Yes
County Roads (except Arterial Roads) - Sewer	1,873	1,870	Yes
State Roads and County Arterial Roads - Water	1,778	1,770	Yes
State Roads and County Arterial Roads- Sewer	2,200	2,200	-
<b>46 Chlorination Confirmation Test Fee (per first test)</b>	247	245	Yes
Re-Test or Additional Tests (per hour)	182	185	Yes
<b>47 Re-Test or Additional Tests Chlorination and Pressure Test (per test)</b>	182	185	Yes
Inspector Overtime (per hour)	206	205	Yes
<b>48 Review Fee for Additional Reviews of Contract Documents As-Builts (per hour)</b>	206	206	-
<b>49 Residential Outside Meter Housing Upgrade/Pipe Alteration</b>	6,805	6,805	-
<b>50 Utility Erosion and Sediment Control Permit Fees (per linear foot)</b>			
Minor Projects (<125 linear foot OR less than 42 inch deep and 20 inch width)	0.30	0.45	Yes
Major Projects	0.45	0.45	-
Minimum Charge for Major Projects	124	120	Yes
<b>51 Right-of Way Release (or Subordination) Review Fee (per document)</b>	1,442	1,500	Yes
<b>52 Right-of Way Acquisition and Condemnation for SEP Projects</b>	Reimbursement	Reimbursement	-
<b>53 Environmental Site Review Fee</b>			
With Database Search Submitted by Applicant	438	505	Yes
<b>54 Feasibility Report and Committee Review Fee for On-Site Takeover Projects</b>	1,481	1,705	Yes



# MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>PUBLICATIONS AND ADMINISTRATIVE</b>			
<b>55 Plans, Plats and 200' Reference Maps Copies</b>			
Xerographic bond paper copy (per sheet)	\$ 6	\$ 5	Yes
<b>56 WSSC Water Plumbing and Fuel Gas Code (Plumbing Code)</b>			
Sale of Plumbing Regulation (per book)	51	55	Yes
<b>57 Contract Specifications, Contract Specification Books, Drawings, Design Manuals, Standard Details and General Conditions</b>			
<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	73	80	Yes
Construction General Conditions & Standard Specifications	70	80	Yes
SEP Construction General Conditions & Standard Specifications	70	80	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	-
<b>58 Photocopies of WSSC Water Documents Charges</b>			
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)			
<b>59 WSSC Water Pipeline Design Manual Fee</b>	90	90	-
<b>60 WSSD Laws</b>			
Bound Volume	83	85	Yes
Supplements	45	45	-
<b>61 Transcribed Tape of a Hearing or Meeting Fee</b>	Prevailing fee charged by vendor	Prevailing fee charged by vendor	-

## MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2022

Fee/Charge Number and Name	Current	FY 2023 Proposed	Charge Change
<b>OTHER FEES AND CHARGES</b>			
<b>62 Patuxent Watershed Civil Citation Fees (State Mandated)</b>			
First Offense	\$ 150	\$ 150	-
Each Additional Offense within Calendar Year	300	300	-
<b>63 Civil Citation Fees - Sediment Control, Theft of Service and Plumbing Civil Citations (State Mandated)</b>			
First Offense	250	250	-
Second Offense	500	500	-
Third Offense	750	750	-
Each Violation in Excess of Three	1,000	1,000	-
<b>64 Lobbyist Registration Fee (Code of Ethics)</b>	121	125	Yes
<b>65 Dishonored Check Fee &amp; Electronic Payment Fee</b> (applies to all dishonored checks and dishonored electronic payments)	35	35	-
<b>66 Credit Card Surcharge (Applies to customer payment of the Point-of-Sale fee/charge by credit card other than water and sewer billing)</b>	2% of amount charged	2% of amount charged	-
<b>67 Protest Filing Fee</b>	857	857	-
<b>68 Preparation of Hold Harmless Agreement Fee</b>	1,486	1,635	Yes
<b>69 Connection Redemption Fee</b>	22	16	Yes
<b>70 Financial Disclosure Filer Late Fee (per day/\$500 max)</b>	5	5	-

**SECTION 3**  
**RACIAL EQUITY AND SOCIAL JUSTICE**

## RACIAL EQUITY AND SOCIAL JUSTICE

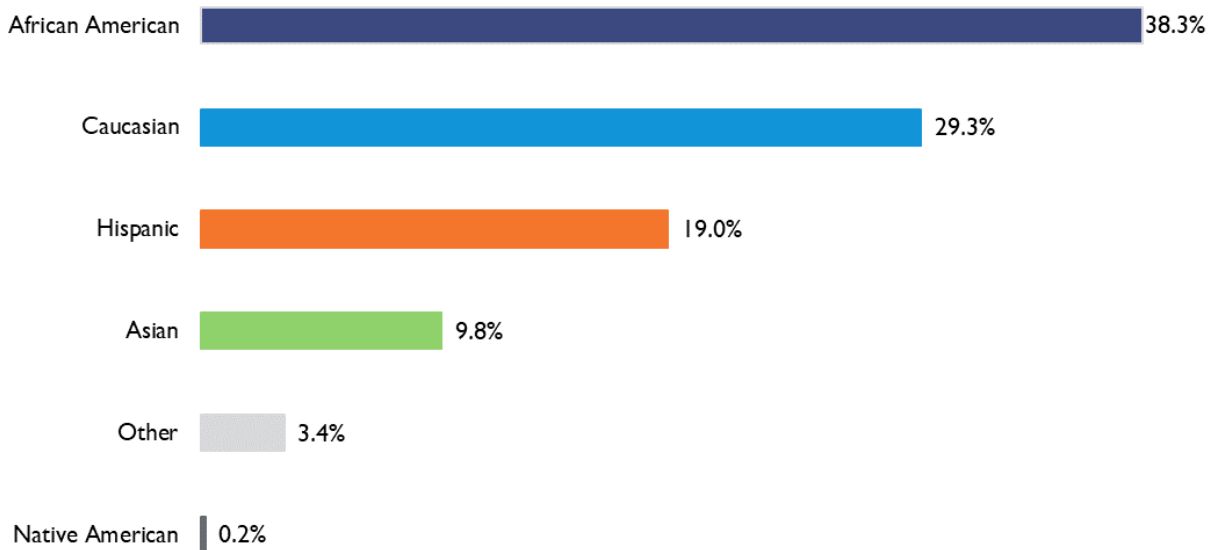
This section discusses racial equity and social justice (RESJ) topics related to WSSC Water's operations, including demographics about our customer base, equity issues in the provision of water and sewer services, supplier diversity, workforce diversity and customer affordability. In addition, this section highlights future and existing RESJ programs supported by the Fiscal Year (FY) 2023 Proposed Budget and data related to these focus areas.

### CUSTOMER DEMOGRAPHICS

WSSC Water provides water and sewer services to a diverse customer base of approximately 1.9 million residents across Montgomery and Prince George's Counties. The demographic data presented in this section is based on combined 5-year data for Montgomery and Prince George's Counties from the U.S. Census Bureau's American Community Survey [www.census.gov](http://www.census.gov). The data represents estimates for calendar year 2019, which is the latest year for which data is available, but is based on sampling data for calendar years 2015 through 2019 in order to improve the accuracy of the estimates. Due to the impact of the COVID-19 pandemic, the U.S. Census Bureau changed the 2020 American Community Survey release schedule and calendar year estimates for 2020 based on 5-year data is not scheduled to be available until March 2022. The water and sewer services provided by WSSC Water include most areas, but not all, of the two Counties. Therefore, the demographics of the population served may vary slightly from those reported for the Counties as a whole.

The chart below shows the ethnic and racial makeup of the Montgomery and Prince George's residents. The two Counties have a diverse and majority-minority population. The residents are 38.3% African America, 29.3% Caucasian, 19.0% Hispanic, 9.8% Asian, 0.2% Native American, and 3.4% Other.

#### Population by Race/Ethnicity



## CUSTOMER DEMOGRAPHICS (Continued)

The table below shows the breakdown of the population of Montgomery and Prince George's Counties by age. There is a relatively even distribution between the age brackets for those under 65 years of age. Summarizing the data further, 31.6% of the population is under 25 years of age, 41.4% is between the ages of 25 and 54, and 27.0% is 55 years of age or older.

Age Bracket	Share of Population (%)
Under 5 Years	6.4%
5 to 14 Years	12.7%
15 to 24 Years	12.5%
25 to 34 Years	13.7%
35 to 44 Years	13.6%
45 to 54 Years	14.1%
55 to 64 Years	13.0%
65 to 74 Years	8.3%
75 to 84 Years	4.0%
85 Years and Over	1.7%
<b>Total</b>	<b>100.0%</b>

As shown in the table below, the median household income for Montgomery and Prince George's Counties was \$97,914 in calendar year 2019. This compares favorably to the state-wide median household income of \$84,805 and the national median household income of \$62,843. This means that the median household income in the two Counties is approximately 15.5% higher than the state-wide figure and 55.8% higher than the national figure.

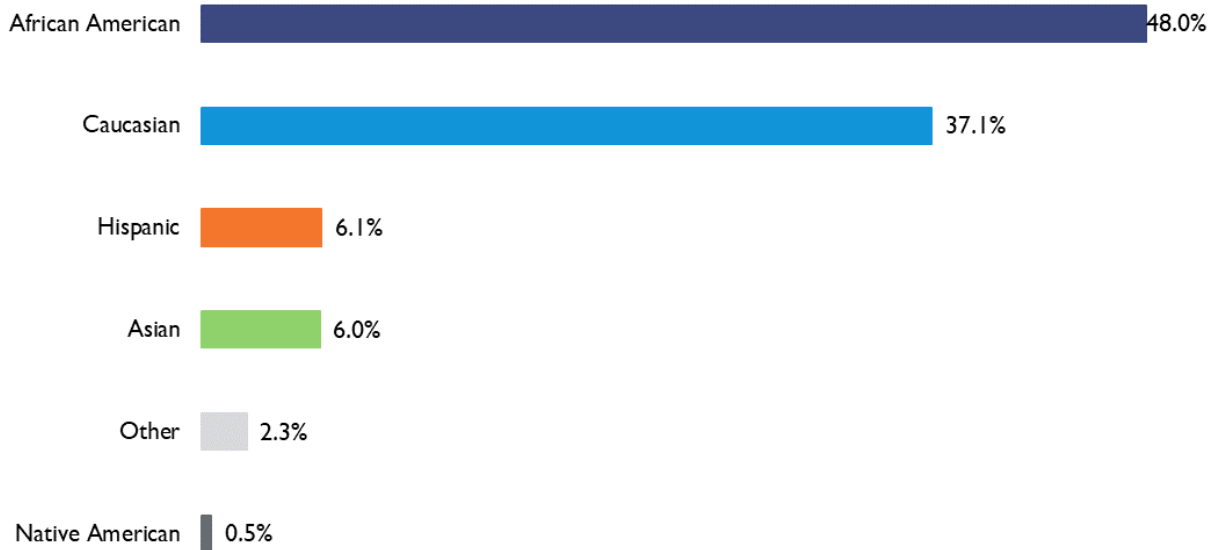
The table below also shows the percent of the population that is below the poverty level in Montgomery and Prince George's Counties combined, the State of Maryland, and the United States. In Montgomery and Prince George's Counties, approximately 7.6% of the population is below the poverty level. This is lower than the 9.2% figure for the State of Maryland and well below the national figure of 13.4%.

Region	Median Household Income	Population Below Poverty Level (%)
Maryland	\$ 84,805	9.2%

## WSSC WATER WORKFORCE DIVERSITY

WSSC Water employs a diverse, majority-minority workforce. As shown in the chart below, as of December 30, 2020, the workforce is 48.0% African American, 37.1% Caucasian, 6.1% Hispanic, 6.0% Asian, 0.5% Native American, and 2.3% Other. Compared to the ethnic and racial makeup of Montgomery and Prince George's Counties, the WSSC Water workforce is generally overrepresented in the African American and Caucasian groups and underrepresented in the Hispanic and Asian groups. WSSC Water promotes a diverse workplace that is free of discrimination and harassment based upon race, color, religion, gender, sexual orientation, national origin, age, disability, genetic information and retaliation or reprisal through the Equity, Engagement and Inclusion Division within the Human Resources Office.

### Workforce by Race/Ethnicity



## OFFICE OF SUPPLIER DIVERSITY & INCLUSION

The Office of Supplier Diversity & Inclusion (OSDI) is responsible for carrying out WSSC Water's commitment to ensure that our vendor base is reflective of the community that we serve. OSDI is dedicated to creating an inclusive purchasing environment and adding value to the organization and community by building sustainable relationships, expanding opportunities and cultivating growth with small, local and minority businesses. OSDI helps the organization achieve these goals through its management of the Minority Business Enterprise (MBE) Program and the Small Local Business Enterprise (SLBE) Program. The key components that OSDI uses to support these programs are supplier advocacy, compliance, outreach and development.

OSDI is also responsible for ensuring that the MBE and SLBE programs conform to all legal requirements. As part of these duties, OSDI prepares annual performance reports on the MBE and SLBE programs and conducts a disparity study that is typically done once every five years. The annual performance reports are required under state law to be sent to the elected officials from Montgomery and Prince George's Counties in the Maryland General Assembly by October 31<sup>st</sup> of each year. The performance reports provide details on the implementation and administration of the MBE and SLBE programs during the prior fiscal year and provide any appropriate recommendations regarding the programs. The disparity studies determine the following:

- The extent to which MBEs participate in the procurement of construction services, architectural and engineering services, goods and general services and professional services with WSSC Water
- If MBE participation is representative of the availability of MBE firms that are ready, willing and able to participate in WSSC Water contracts
- If discrimination exists, and if found, identifies the race, ethnicity and gender of the affected individuals as identified
- Best practices to assist in administering the MBE Program and the establishment of an overall aspirational goal

The 2015 Disparity Study, which is the most recent available, reached the following conclusions:

- Evidence exists to support a WSSC Water MBE Program based primarily on statistical disparities in current MBE utilization, evidence of discrimination in business formation and revenue earned from self-employment, very low MBE utilization in the commercial building permit evidence, credit disparities and business owner reports of disparate treatment
  - WSSC Water should tailor its MBE and SLBE programs participation policies to remedy each of these specific disparities
  - The core theme should be that prime contractors should document their outreach efforts and the reasons why they may have rejected qualified MBEs and MBEs that were the low-bidding subcontractors
- WSSC Water should be commended for its extensive set of incentives for SLBE participation, including SLBE bid incentives, sheltered markets, subcontractor goals, mentor-protégé program and small contracts rotation
  - These SLBE incentives are some of the broadest set of small business incentives by a local government agency in general, let alone a local public utility, in the country
- WSSC Water should be commended for its extensive outreach activities, which include widespread coverage of the program on the WSSC Water website, partnerships with numerous business organizations, participation in numerous events, monthly training and other activities
- One solution to the issues with size standards is to adopt a two-tier standard MBE and SLBE certification in which contracts can be set aside for small and very small firms and goals that include very large MBEs and SLBEs can be established on large projects
- WSSC Water should work to improve prime contractor compliance with entering non-MBE subcontractor data into the system of record

## OFFICE OF SUPPLIER DIVERSITY & INCLUSION (Continued)

### MBE Program

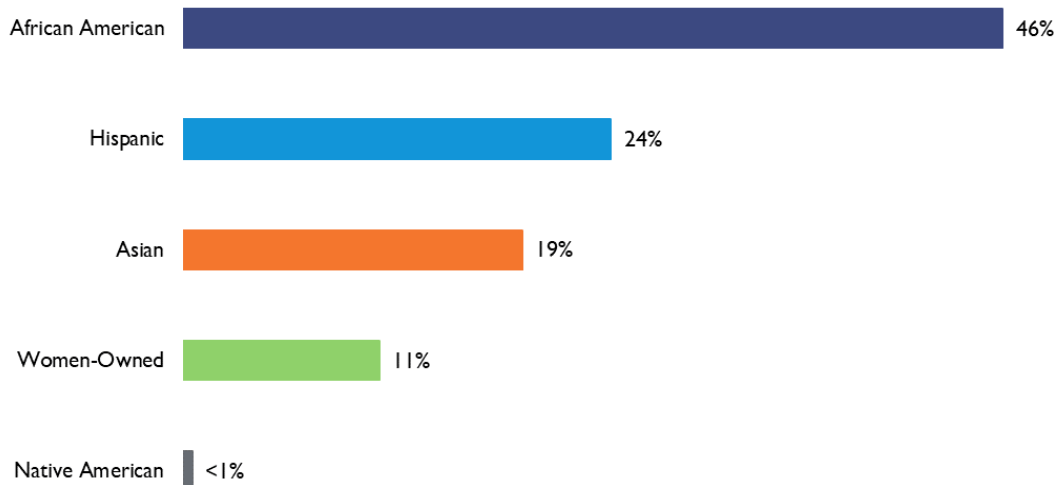
WSSC Water's MBE Program was originally developed in 1978. For more than 40 years, the MBE Program has sought to promote fair and inclusive contract participation, provide greater access for diverse firms and produce educational content to further develop diverse businesses. The program seeks to eliminate barriers to success in the public marketplace for both prime contractors and subcontractors. The MBE Program recognizes certifications for minority-owned companies, women-owned companies and disadvantaged companies from five local and national entities.

Since 2012, the MBE Program has resulted in more than \$1.6 billion in payments to diverse businesses. In FY 2021, WSSC Water spent more than \$154.8 million with MBE firms. This represents 33% of the total contract payments in FY 2021 for construction services, architectural and engineering services, goods and general services and professional services. Approximately 77% of the payments to MBE firms in FY 2021 went to firms located in the State of Maryland or Washington D.C. The table below summarizes the contract payments performance of WSSC Water's MBE Program over the last five years.

Fiscal Year	MBE Contract Payments	Total Contract Payments	MBE Share (%)
2017	\$ 156,900,804	\$ 588,775,203	27%
2018	146,562,712	518,434,501	28%
2019	152,510,264	517,153,557	29%
2020	136,209,781	481,475,872	28%
2021	154,826,411	474,978,466	33%
<b>Total</b>	<b>\$ 747,009,972</b>	<b>\$ 2,580,817,599</b>	<b>29%</b>

The chart below shows the breakdown of the FY 2021 contract payments by the type of MBE firm that received the payments. As shown in the chart, African American firms received the largest share of the MBE contract payments with a 46% share.

### Share of Contract Payments



The MBE Program also tracks contract awards as they are a leading indicator of future contract payments to MBE firms. In FY 2021, WSSC Water awarded approximately \$136.4 million in contracts to MBE firms in the construction services, architectural and engineering services, goods and general services and professional services contracting areas. This equates to 29% of the approximately \$471.5 million of total contract awards issued in these four contracting areas.



## OFFICE OF SUPPLIER DIVERSITY & INCLUSION (Continued)

### **SLBE Program**

WSSC Water's SLBE Program was created in 2001 to provide race and gender-neutral contracting opportunities for small businesses principally located in Montgomery and Prince George's Counties. To qualify for the SLBE Program, firms must meet several eligibility criteria. Some examples of the eligibility criteria include the firm being principally located within or having a significant employment presence (at least 25% of the firm's total number of employees) in Montgomery County or Prince George's County, the firm not being a subsidiary of another business and the firm meeting size eligibility requirements. In FY 2021, approximately \$45.9 million was spent with SLBE firms for construction services, architectural and engineering services, goods and general services and professional services. Another approximately \$24.7 million was awarded in contracts to SLBE firms in these four contracting areas in FY 2021.

Additional information on the WSSC Water MBE and SLBE programs, including copies of the most recent performance report and disparity study, can be found on our website at <https://www.wsscwater.com/supplierdiversity>.

## OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES

WSSC Water also has several other RESJ initiatives that are currently underway. Two examples of these initiatives are the effort to address the public health, equity and environmental justice concerns with unserved and underserved communities and the effort to incorporate RESJ criteria into the capital project prioritization process. The following sections describe these two initiatives in further detail, including the current status of each.

### Unserved and Underserved Communities

An unserved community is defined as an area within the sewer service envelope where a new sewer main greater than 1,500 feet is required to extend sewer service to the homes within the community. An underserved community is defined as an area within the sewer service envelope where public sewer service is available to some homes within the community, but one or more houses cannot access the service until a new sewer main greater than 200 feet is built.

Thousands of homes throughout Montgomery and Prince George's Counties have septic systems despite being in communities that were planned for public sewer service. Many of these homes have old septic systems that are beginning to fail and many of these failing systems cannot be easily repaired or replaced either because the lot is too small or the soil conditions are inadequate. These unserved and underserved communities cannot access sewer service from WSSC Water until sewer mains are extended into their community. Under current state statute, homeowners are responsible for the cost of any new water or sewer infrastructure that is required to extend service to their homes. A typical sewer extension can cost up to \$700 per foot and total project costs can range from \$100,000 to over \$1.0 million. Although the current application process provides for long-term financing and limited subsidies in cases where failing septic systems are causing a public health problem in the community, very few homeowners can afford to extend water or sewer service into their communities. Since 2005, only 16 sewer extension projects have been constructed to provide service to approximately 84 homes with septic systems.

WSSC Water, in conjunction with Montgomery and Prince George's Counties, formed a subset of the Bi-County Infrastructure Working Group to identify policy challenges and deficiencies of the current system and to build a roadmap for an improved system of extending water and sewer service to unserved and underserved communities. The workgroup identified the following key legal, financial and policy challenges:

- The current approach places all of the burden of project financing on the homeowner, which makes most sewer extension projects unaffordable for the majority of homeowners
- There is a lack of fairness and equity in the current approach to extending sewer service to unserved and underserved communities because only homeowners who are requesting service pay for the extension project deficit costs over and above the front foot benefits assessments
  - Homeowners who decide to take advantage of the availability of sewer service in the future get a "free ride" because they only pay a front foot benefit assessment after they connect
- The current sewer extension process, which is applicant driven, impedes the Counties' ability to address septic system problems and other potential community health hazards comprehensively
  - Sewer service is not being extended into communities where it is most needed
  - This is preventing the Counties from addressing the public and environmental health impacts of septic systems in a systematic, cost-effective manner

The workgroup believes that WSSC Water and the Counties must adopt a collaborative approach to address the needs of homeowners in unserved and underserved communities. Over the last 18 months, the workgroup was able to reach consensus on eight discrete recommendations that lay the groundwork for a comprehensive, programmatic solution to the problems facing residents in these communities. The recommendations are as follow:

- Public subsidies for sewer extension projects in unserved and underserved communities should be increased
- A uniform, affordable fee for sewer service for homeowners in unserved and underserved communities should be implemented
- Additional assistance with up-front costs for homeowners who are experiencing other financial hardship should be provided

## OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

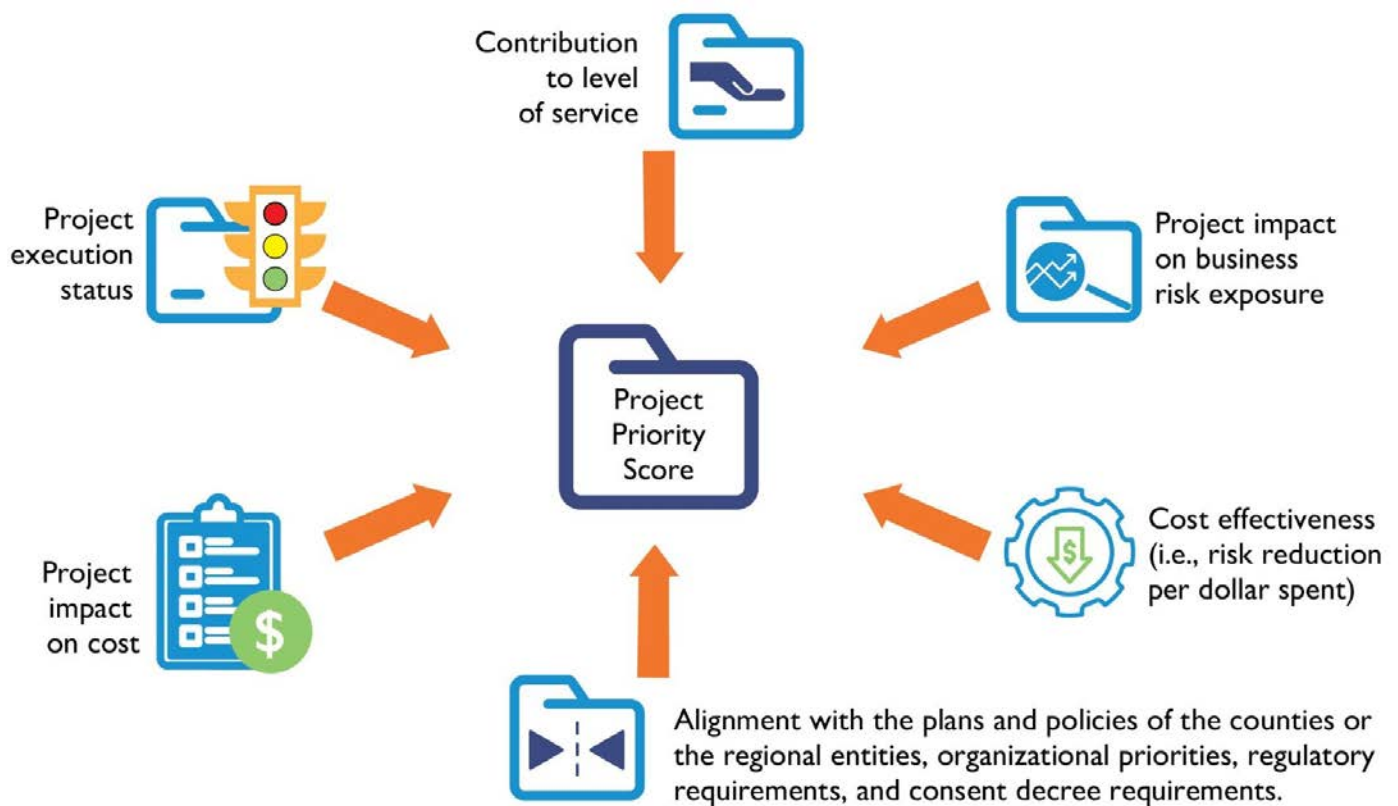
### Unserved and Underserved Communities (Continued)

- A Pay-As-You-GO (PAYGO) funded Capital Improvements Program (CIP) project for sewer extensions to unserved and underserved communities should be established
- Program funding should be equitably allocated between Montgomery and Prince George's Counties
- The Counties and WSSC Water should aggressively pursue funding from the State of Maryland's Bay Restoration Fund for sewer extension projects in unserved and underserved communities
- A subdistrict process to secure support within unserved and underserved communities for sewer connection projects should be established
- Each County should develop an approach to identify and prioritize communities with the greatest need for sewer extensions

The workgroup's eight policy recommendations provide a starting point for further discussions between WSSC Water and the Counties on the development of an effective, long-term program to address the lack of water and sewer service in unserved and underserved communities.

### Capital Project Prioritization Criteria

As part of the CIP process each year, the Asset Management Division prioritizes the projects in the CIP based on a predetermined set of criteria. The graphic below shows the six elements that make up the CIP prioritization criteria.



## OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

### Capital Project Prioritization Criteria (Continued)

The Asset Management Division undertook a pilot project in FY 2022 to examine ways to incorporate RESJ considerations into the CIP prioritization criteria shown on the prior page. The division identified the element concerning alignment with the plans and policies of the Counties as a potential way to incorporate RESJ factors into the criteria. Both Montgomery and Prince George's Counties have identified parts of their respective jurisdictions as focus areas based on RESJ or related criteria. Montgomery County has designated portions of the county as equity focus areas based on factors such as high concentrations of minorities, low-income households and people age 5 or older with lower levels of English language proficiency. Prince George's County has established revitalization tax credit districts throughout the county based on factors such as median household income, residential density of an area, land use in an area, economic factors and unemployment rates.

For the pilot, the Asset Management Division reviewed the geographic locations of the projects included in the CIP and identified those that either provided widespread benefits that impacted one of the areas designated by either County or that provided benefits to a specific location within one of the areas. The projects were then given a prioritization score that reflected their designation as a project that aligned with the plans and policies of the Counties based on the RESJ factors. All of the CIP projects were then re-ranked based on the new priority scores that incorporated RESJ considerations. The results of the pilot were then presented to other departments throughout WSSC Water. Based on the results of the pilot project, it was decided that the Asset Management Division should incorporate RESJ factors into the CIP prioritization criteria utilizing the identified methodology beginning with the FYs 2024-2029 CIP cycle.

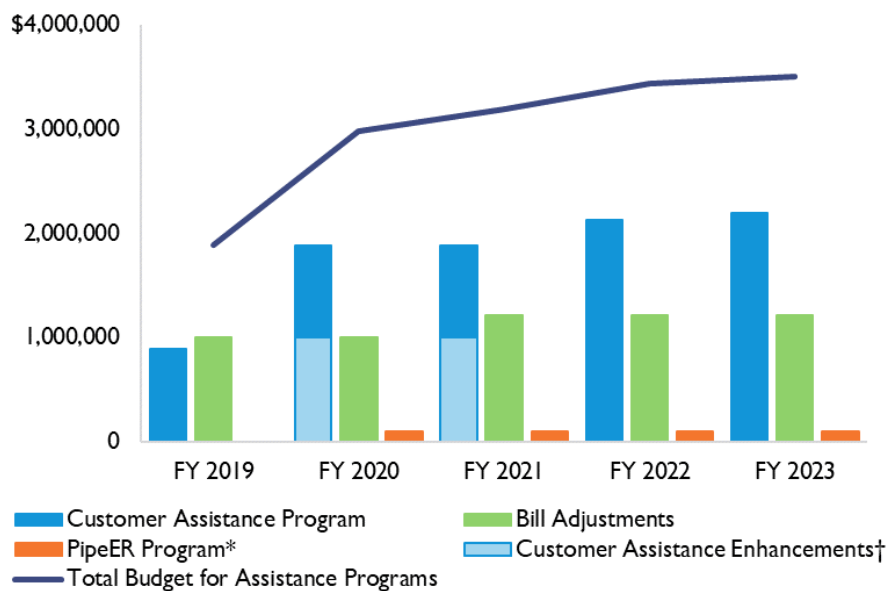
## WSSC WATER FINANCIAL ASSISTANCE PROGRAMS

WSSC Water is committed to making water and sewer bills affordable for its customers, which is why the agency offers a multitude of financial assistance programs that are designed to address common affordability issues faced by its customers. The financial assistance programs offered by the agency include the following:

- Customer Assistance Program (CAP)
- Water Fund
- PipeER Program (also known as the Connection Pipe Emergency Replacement Loan Program)
- Bay Restoration Fund Exemption Program
- Bill adjustments
- Flexible payment options

These programs aim to tackle customer affordability from several different angles, depending on the specific needs of the customer. The CAP, PipeER Program, and bill adjustments are funded as part of WSSC Water's annual budget process. The chart below shows the funding levels for these programs, individually and overall, from FY 2019 through FY 2023. As shown in the chart, WSSC Water has increased the funding for its financial assistance programs by approximately 86% over the last several years, from about \$1.9 million in FY 2019 to over \$3.5 million in FY 2023.

WSSC Water Financial Assistance Programs Budget



\*The PipeER Program was established in FY 2020.

†Funding was included in the FY 2020 and 2021 budgets for customer assistance enhancements. This funding was folded into CAP in FY 2022.

The following sections describe each program in detail. Additional information, including guidance on how to enroll in each of the programs, can be found on our website at <https://www.wsscwater.com/assistance>.

## WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

### Customer Assistance Program

CAP provides financial assistance to approved residential customers via credits for WSSC Water's fixed fees (the Account Maintenance Fee and the Infrastructure Investment Fee). The credits are capped for FY 2022 at \$28 per quarterly bill or \$112 per year, which is equivalent to the fees for a 3/4" meter. The cap will increase to \$30 per quarterly bill or \$120 per year in FY 2023. Eligibility for CAP is determined based on enrollment in the Maryland Office of Home Energy Programs' (OHEP) energy assistance program. If a customer is enrolled in this state program, then they also qualify for WSSC Water's CAP. Customers are required to annually re-enroll with OHEP to continue their CAP enrollment. The current income eligibility criteria established by OHEP for its energy assistance program are outlined in the tables below.

Income Eligibility Limits Effective July 1, 2021 to June 30, 2022 (Based on 175% of the Federal Poverty Level) For Households with NO Members 67 Years of Age or Older at the Time of Application			
Household Size		Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$	1,878	\$ 22,540
2		2,540	30,485
3		3,203	38,430
4		3,865	46,375
5		4,527	54,320
6		5,189	62,265
7		5,851	70,210
8		6,513	78,155
For Each Additional Person, Add		662	7,945

Income Eligibility Limits Effective July 1, 2021 to June 30, 2022 (Based on 200% of the Federal Poverty Level) For Households with ONE OR MORE Members 67 Years of Age or Older at the Time of Application			
Household Size		Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$	2,147	\$ 25,760
2		2,903	34,840
3		3,660	43,920
4		4,417	53,000
5		5,173	62,080
6		5,930	71,160
7		6,687	80,240
8		7,443	89,320
For Each Additional Person, Add		757	9,080

WSSC Water was given the authority to establish CAP via legislation passed by the Maryland General Assembly and signed by the Governor in 2015. Per the enabling legislation, CAP is 100% funded via WSSC Water revenues. For FY 2023, CAP funding increased to \$2.2 million from \$2.1 million in FY 2022. To date, WSSC Water's CAP has assisted more than 15,500 customers.

## WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

### Water Fund

The Water Fund was established in 1994 by WSSC Water employees to help residential customers in financial need pay their water and sewer bills. Eligible customers may receive up to \$500 in financial assistance per year toward their water and sewer bills. The Salvation Army administers the Water Fund and is responsible for determining whether applicants qualify for assistance. The eligibility criteria are primarily based on household income and size, as shown in the table below.

Income Eligibility Limits Effective July 1, 2021 to June 30, 2022 (Based on 200% of the Federal Poverty Level)		
Household Size	Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$ 2,147	\$ 25,760
2	2,903	34,840
3	3,660	43,920
4	4,417	53,000
5	5,173	62,080
6	5,930	71,160
7	6,687	80,240
8	7,443	89,320
For Each Additional Person, Add	757	9,080

The Water Fund is funded entirely by contributions from customers, employees and other sources. Customers can donate to the Water Fund via direct online donations, through lump sum donations added when paying their bill or through participation in the bill round up program. WSSC Water employees contribute to the Water Fund through the agency's annual giving campaign and special events that support the Water Fund, like the annual Manhole Open golf tournament. WSSC Water pays the administrative and promotional fees while The Salvation Army assists participants and manages the fund, which ensures that 100% of all donations go directly to those in need. Since 1994, the Water Fund, in partnership with The Salvation Army, has distributed nearly \$1.9 million to help nearly 20,000 people throughout Montgomery and Prince George's counties. In FY 2021, the Water Fund provided water bill assistance to 3,774 people by disbursing almost \$514,000 in aid.

### PipeER Program



The PipeER Program, also known as the Connection Pipe Emergency Replacement Loan Program, provides loans to eligible residential customers to finance the replacement of their water service line, which is located on their property and connects WSSC Water's main line to the home. The program provides \$100,000 annually to customers in need. The funds are available on a first come, first served basis each FY until the fund is depleted. All loans must be used to replace a water service line, not for service line repairs. Once approved, customers are eligible to receive a loan up to \$5,000. The loan proceeds are disbursed directly to a WSSC Water licensed plumber and any additional cost over the loan amount must be paid by the customer.

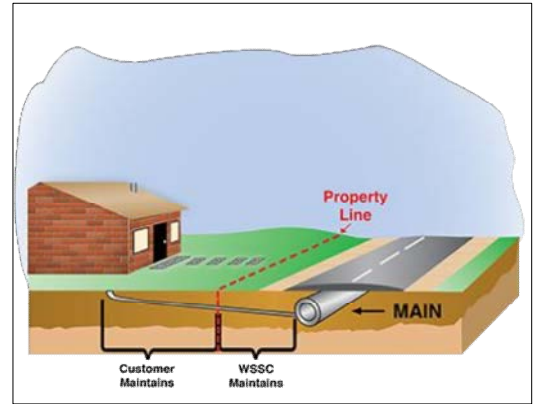


## WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

### PipeER Program (Continued)

The PipeER Program is administered by the WSSC Federal Credit Union, which includes underwriting the loans. In order to qualify for the program, customers must meet the following criteria:

- The applicant must be a residential customer of WSSC Water and be the owner of the property upon which the pipe replacement will occur
- The customer must have received a WSSC Water 30-day leak letter or notification
- The customer must have received at least two quotes for the work from WSSC Water licensed plumbers
- The applicant must meet the WSSC Federal Credit Union's minimum underwriting standards



The Maryland General Assembly passed, and the Governor signed, legislation that enabled WSSC Water to create the PipeER Program in 2018. In accordance with the legislation establishing the PipeER Program, WSSC Water includes the program funding of \$100,000 in its annual budget. The legislation also limits the total outstanding amount for all loans under the program to \$1.0 million. WSSC Water has committed to transferring any unused funds from the \$100,000 annual budget to the Water Fund each year to further aid customers facing financial hardships.

### Bay Restoration Fund Exemption Program

The Chesapeake Bay has experienced a decline in water quality due to over-enrichment of nutrients (mainly phosphorus and nitrogen). Effluent from water resource recovery facilities (WRRFs) is one of the top three major contributors of nutrients entering the bay. Therefore, the Maryland General Assembly established the Chesapeake Bay Watershed Restoration Fund (also known as the Bay Restoration Fund) via legislation that was signed by the Governor in 2004. The legislation also mandated an environmental surcharge, often referred to as the Bay Restoration Fund Fee, to provide a source of revenue for the fund. The fee is imposed upon WRRF users in order to finance enhanced nutrient removal upgrades at Maryland's WRRFs (there is also a similar fee for septic users). In 2012, a bill was passed to increase the fee to \$5.00 per month (or \$15.00 per quarter) for residential customers served by a WRRF that discharges to the Chesapeake Bay and Coastal Bay watersheds.

As part of the legislation establishing the Bay Restoration Fund, WSSC Water was tasked with billing and collecting the fee from its customers. The agency then turns the funds over to the Maryland Department of the Environment (MDE), which administers the fund. As part of the 2012 legislation, WSSC Water was given the authority to establish a Bay Restoration Fund Exemption Program for residential customers that demonstrate substantial financial hardship, subject to the approval of MDE.





## WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

### Bay Restoration Fund Exemption Program (Continued)

In order to qualify for the Bay Restoration Fund Exemption Program, residential customers must either be certified by OHEP or meet at least two of the following criteria:

- Have received assistance from the Water Fund within the last 12 months
- Have received public assistance or food stamps within the last 12 months
- Have received Veteran's Disability or Social Security Disability benefits within the last 12 months
- Meet the income eligibility criteria based on the current year's tax return

The current income eligibility criteria for the Bay Restoration Fund Exemption Program are outlined in the table below.

Income Eligibility Limits Effective July 1, 2021 to June 30, 2022 (Based on 175% of the Federal Poverty Level) For Households with <b>NO</b> Members 67 Years of Age or Older at the Time of Application			
Household Size		Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$	1,878	\$ 22,540
2		2,540	30,485
3		3,203	38,430
4		3,865	46,375
5		4,527	54,320
6		5,189	62,265
7		5,851	70,210
8		6,513	78,155
For Each Additional Person, Add		662	7,945

Income Eligibility Limits Effective July 1, 2021 to June 30, 2022 (Based on 200% of the Federal Poverty Level) For Households with <b>ONE OR MORE</b> Members 67 Years of Age or Older at the Time of Application			
Household Size		Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$	2,147	\$ 25,760
2		2,903	34,840
3		3,660	43,920
4		4,417	53,000
5		5,173	62,080
6		5,930	71,160
7		6,687	80,240
8		7,443	89,320
For Each Additional Person, Add		757	9,080

## WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

### Bill Adjustments

Leaks due to issues with the plumbing system within a building or from the underground service line can result in higher water bills, which can cause a financial hardship for the property owner. While property owners are responsible for maintaining their plumbing systems and service lines, WSSC Water does make bill adjustments available under certain circumstances in order to relieve the financial hardship caused by an undetected leak. In accordance with WSSC Water's Code of Regulations, the following types of bill adjustments are available:

- High bill adjustment (single-unit residential properties)
- One-time high bill adjustment (single-unit commercial properties)
- Leaks on property – underground leaks (residential or commercial, single or multi-unit)
- Underground leaks, off property (residential or commercial, single or multi-unit)
- Delayed collection action (single-unit residential and single-unit commercial)
- Charitable institutions
- Credits for customers with physical or mental impairment (single-unit residential)
- Fire or vandalism (residential or commercial, single or multi-unit)
- Public fountain use
- Discolored water or sod restoration (single/multi-unit residential)
- Unpaid previous owner charges (residential or commercial, single or multi-unit)
- Gasket leak on meter (residential or commercial, single or multi-unit)
- Illegal consumption (single-unit residential)
- Lining project (residential or commercial, single or multi-unit)

Detailed information on the qualification criteria for each type of bill adjustment can be found in WSSC Water's Code of Regulations, which is published online at <https://wssc.district.codes/code>.

### Flexible Payment Options

WSSC Water offers flexible payment options, such as extended due dates and payment plans, to assist customers with unexpected financial hardships that cause them to have trouble paying their water and sewer bills. Customers that have been approved for CAP may also be eligible for a payment plan lasting up to 48 months. Additionally, there is a payment plan option for customers that are not enrolled in CAP. Effective January 4, 2021, this option offers a payment plan that may last up to 36 months. To learn more about the flexible payment options, customers can contact one of WSSC Water's customer service advisors by calling 301-206-4001.



## 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 2023 proposed rates, WSSC Water's average annual residential bill for water and sewer services at 165 gallons per day is approximately \$1,032. 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 1.1% of the median household income in FY 2023, absent any changes in household income between 2019 and 2023. 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	\$ 1,032	1.1%

Median household income figures (in 2019 dollars) from the U.S. Census Bureau ([www.census.gov](http://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 <sup>†</sup>	2.0%	2.0%	2.0%	2.0%

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

<sup>†</sup>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 4.3% 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	\$ 1,032	4.3%
Second	61,318	1,032	1.7%
Third	98,399	1,032	1.0%
Fourth	149,591	1,032	0.7%
Fifth	307,194	1,032	0.3%

Average household income figures (in 2019 dollars) from the U.S. Census Bureau ([www.census.gov](http://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 upper 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 \$22,936 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%	\$ 1,032	N/A	10.3%
10,000	14,999	13,415	2.0%	1,032	10.3%	6.9%
15,000	19,999	13,945	2.0%	1,032	6.9%	5.2%
20,000	24,999	15,365	2.3%	1,032	5.2%	4.1%
25,000	29,999	17,367	2.5%	1,032	4.1%	3.4%
30,000	34,999	20,075	2.9%	1,032	3.4%	2.9%
35,000	39,999	18,736	2.7%	1,032	2.9%	2.6%
40,000	44,999	19,382	2.8%	1,032	2.6%	2.3%
45,000	49,999	18,558	2.7%	1,032	2.3%	2.1%
50,000	59,999	42,137	6.2%	1,032	2.1%	1.7%
60,000	74,999	58,748	8.6%	1,032	1.7%	1.4%
75,000	99,999	91,221	13.4%	1,032	1.4%	1.0%
100,000	124,999	75,834	11.1%	1,032	1.0%	0.8%
125,000	149,999	56,645	8.3%	1,032	0.8%	0.7%
150,000	199,999	80,870	11.9%	1,032	0.7%	0.5%
200,000	N/A	115,394	16.9%	1,032	0.5%	N/A
<b>Total</b>		<b>682,293</b>	<b>100.0%</b>			

Income bracket information from the U.S. Census Bureau ([www.census.gov](http://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 \$22,540 if under 67 years of age and \$25,760 if 67 years of age or older. For a three-person household, the income limits increase to \$38,430 if all household members are under 67 years of age and \$43,920 if one household member is 67 years of age or older. The Water Fund provides assistance to single-person households with up to \$25,760 in annual income. For a three-person household, the income limit increases to \$43,920. 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 financial assistance to approved residential customers via credits for WSSC Water's fixed fees (the Account Maintenance Fee and the Infrastructure Investment Fee). It is anticipated that up to \$120 in assistance will be available in FY 2023 to match the fixed fees for a 3/4" meter. This would lower the average WSSC Water bill, which is based on a three-person household with a 3/4" meter, from approximately \$1,032 per year to \$912 per year. The income at which the 4.5% threshold is crossed for a three-person household would similarly decrease from about \$22,936 per year to \$20,270 per year. Consequently, the percentage of households for which the average three-person bill would exceed the EPA threshold would drop to about 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%	\$ 912	N/A	9.1%
10,000	14,999	13,415	2.0%	912	9.1%	6.1%
15,000	19,999	13,945	2.0%	912	6.1%	4.6%
20,000	24,999	15,365	2.3%	912	4.6%	3.6%
25,000	29,999	17,367	2.5%	912	3.6%	3.0%
30,000	34,999	20,075	2.9%	912	3.0%	2.6%
35,000	39,999	18,736	2.7%	912	2.6%	N/A

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

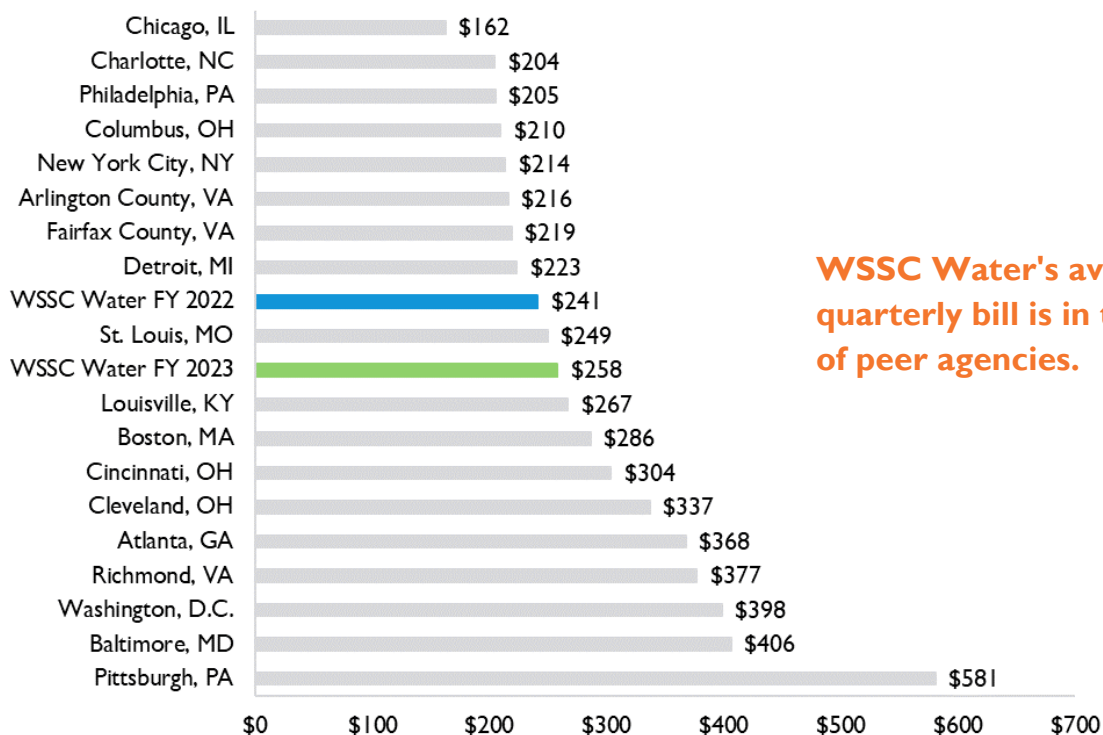
\*The average WSSC Water bill is based on a 3-person household using 55 gallons of water per person per day.

## 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 2021. The chart includes WSSC Water bills at FY 2022 approved and FY 2023 proposed rates. As shown in the chart, the quarterly bills in the other communities range from a low of \$162 in Chicago, Illinois to a high of \$581 in Pittsburgh, Pennsylvania. WSSC Water ranks in the middle of the peer agencies, with quarterly bills of \$241 in FY 2022 and \$258 in FY 2023. This shows that WSSC Water's rates and fees are competitive both locally and nationally.

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

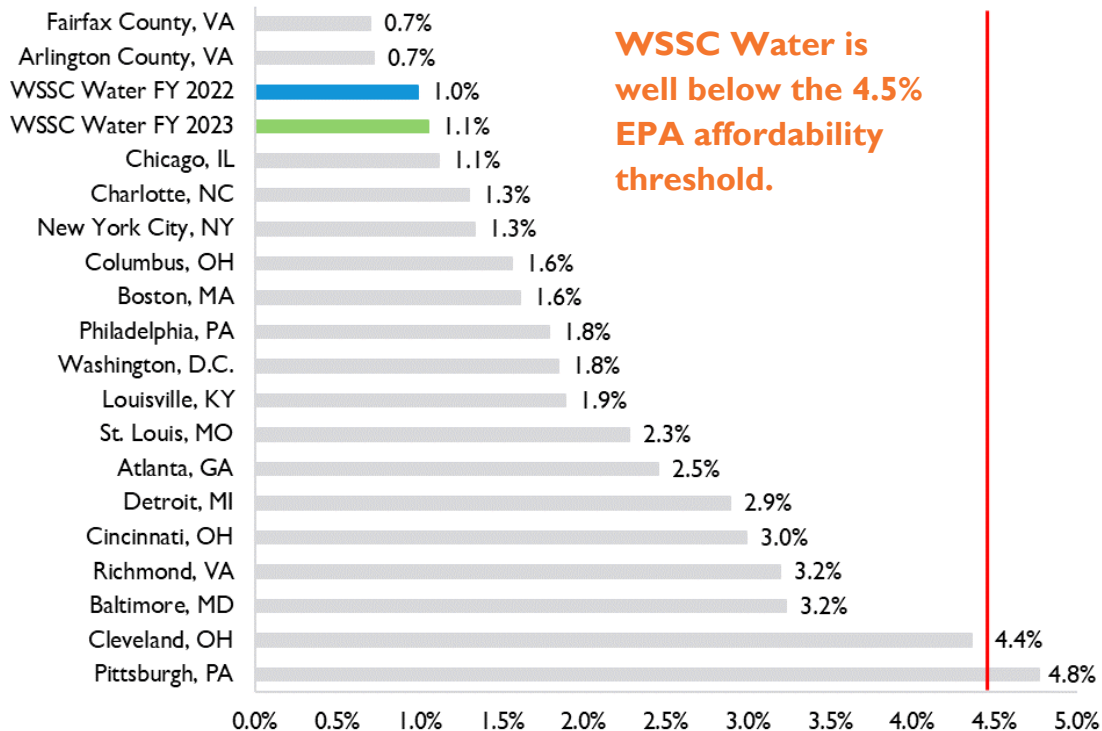


## WATER AND SEWER BILL COMPARISONS (Continued)

### 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 2023 is only 1.1% of the median household income of its customers, a slight increase from the 1.0% in FY 2022. 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 Income  
(165 Gallons per Day)



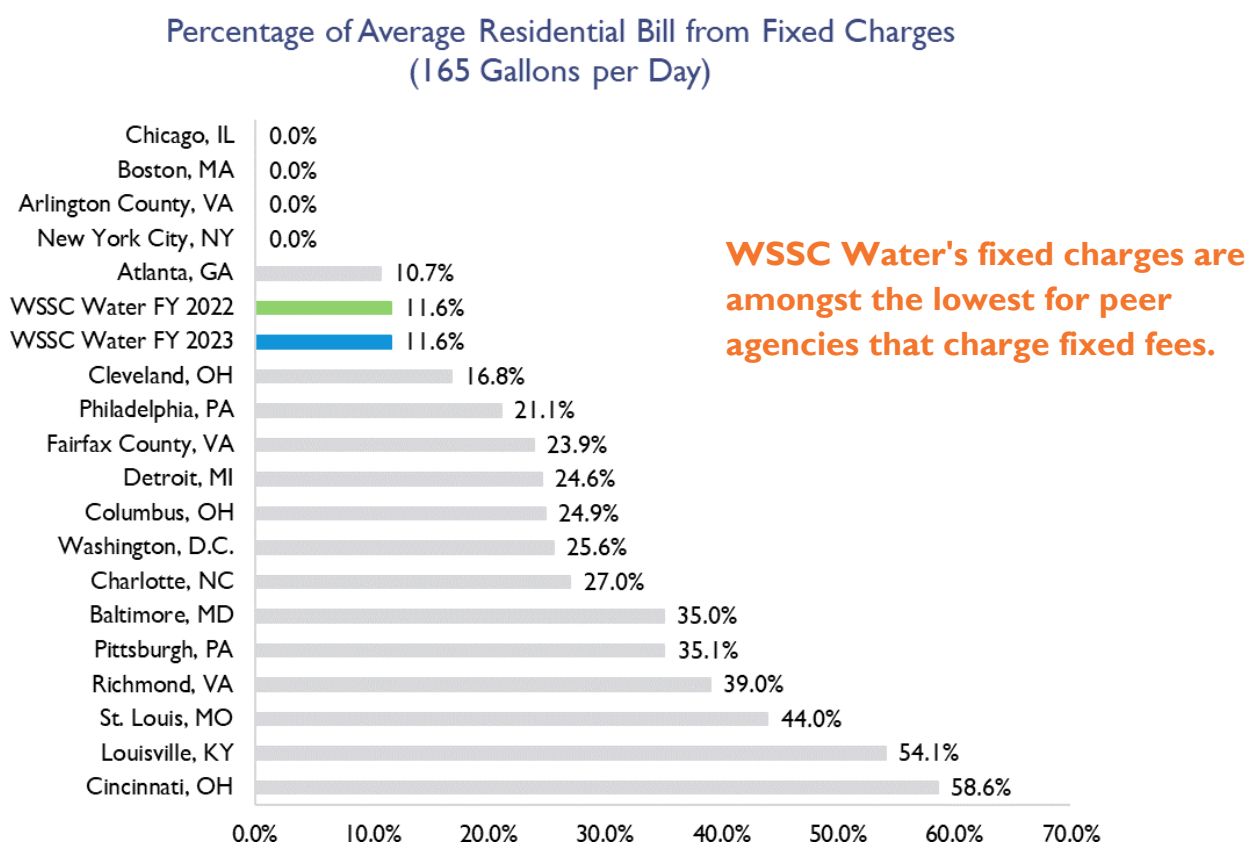
Median household income figures (in 2019 dollars) from the U.S. Census Bureau ([www.census.gov](http://www.census.gov)), American Community Survey 5-Year Estimates for 2015-2019.



## 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 2022 and FY 2023, 11.6% of the average residential bill from WSSC Water is attributable to fixed fees. 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.



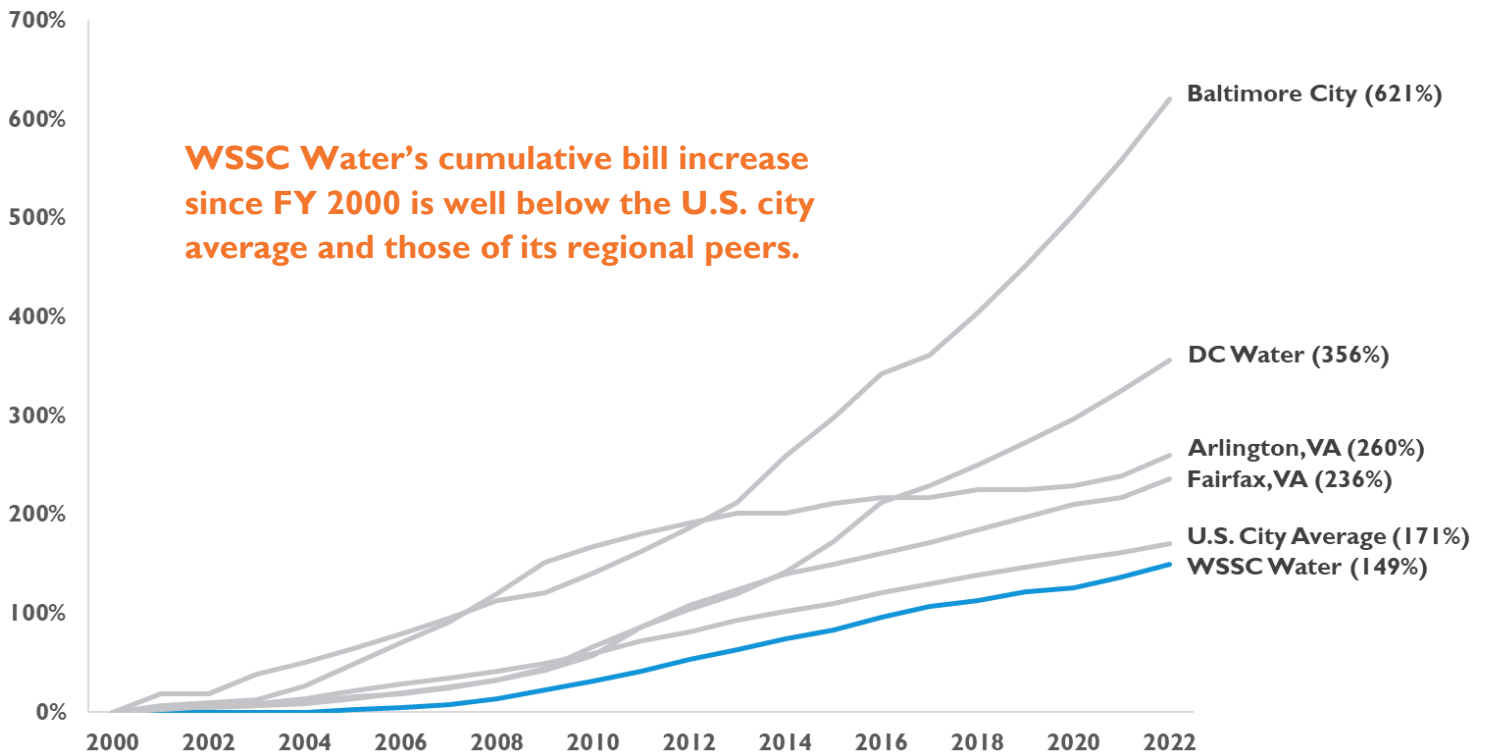


## WATER AND SEWER BILL COMPARISONS (Continued)

### 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 2000-2022. 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 149% over the last 22 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 236% for Fairfax, Virginia to a high of 621% for Baltimore City, Maryland. The U.S. city average increased by 171% over the 22-year analysis period.

FYs 2000-2022 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](http://www.bls.gov)). Values for July of each fiscal year (i.e., July 2021 = FY 2022).

## 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 2020. The data show that in 2020 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 \$114 per month. For cell phone service, the 2020 data for the South Census Region, which includes the State of Maryland, has a monthly cost of about \$106. The average monthly cost of water and sewer services from WSSC Water, based on a three-person household using FY 2020 rates and fees, was only about \$73 in comparison. This means that the monthly cost of water and sewer was only around 64% of the cost of electricity and 68% of the cost of cell phone service in 2020.

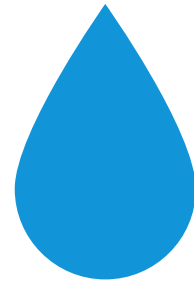
**In 2020, the average household spent per month...**



**\$114**  
**on electricity from**  
**BGE and PEPCO**



**\$106**  
**on cell phone**  
**service**



**\$73**  
**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](http://www.eia.gov)), 2020 Electricity Reports.

Cellular phone service expenditures from the U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)), Consumer Expenditure Survey, September 2021.

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

**SECTION 4**

**SPENDING AFFORDABILITY AND LONG-RANGE  
FINANCIAL PLAN**

## 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 FY 2023 Spending Affordability Guidelines (SAG) rate increase recommended by the two County Councils is 6.5% for both water and sewer volumetric and ready-to-serve charges. The agency prepared the preliminary proposed budget based on the 7.0% water and sewer rate increase to the volumetric and ready-to-serve charges that exceeds the recommended limits established by both the Counties to limit the extent the non-recommended reductions will have on services.

A long-range financial plan (the 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 2023 SAG process.

- Fund Balance – It was assumed for the purpose of preparing the FY 2023 Proposed Budget that, at the end of FY 2022, accumulated net revenues for the water and sewer operating funds would total \$163.2 million. For FY 2023, the total water and sewer operating revenues are \$865.9 million; therefore, at least \$129.9 million will be held in accumulated net revenues in adherence to WSSC Water's 15% reserve policy (see Fiscal Guidelines page 6-1). The budgeted accumulated net revenue of \$179.2 million exceeds the reserve target and is 20.7% of the total operating revenues.
- Revenues – The estimated FY 2023 revenues from water consumption and sewer use charges are \$339.9 million and \$417.1 million, respectively. Water production is assumed to be 163.0 million gallons per day (MGD) in FY 2023 and water consumption is projected to decrease from 125.5 MGD in FY 2022 to 124.5 MGD in FY 2023.
- 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 2023 Capital Budget is \$716.7 million.
- Debt Service – The debt service estimates for FY 2023 assume that \$208.9 million in Water Supply bonds and \$221.2 million in Sewage Disposal bonds will be issued in FY 2023, 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 2023, \$4.0 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 – Nine additional authorized workyears are included. A marker is included for salary enhancements in the FY 2023 budget.

## MAJOR ASSUMPTIONS, WORKLOAD INDICES AND DEMAND PROJECTIONS (Continued)

The following table presents data used during the SAG process to develop the FY 2023 Proposed Budget.

Workload Data	Actual					Projected	
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Water and Sewer Combined Rate Increase (%)	3.0	3.5	4.5	5.0	6.0	5.9	7.0
Population to be Served (000s)*	1,785	1,777	1,801	1,910	1,915	1,920	1,926
Customer Accounts (000s): **	460	460	461	464	467	475	475
Residential (%)	95.6	95.7	95.5	95.4	95.4	95.4	95.4
Commercial and Industrial (%)	3.7	3.7	3.7	3.8	3.7	3.7	3.7
Government and Other (%)	0.7	0.6	0.8	0.8	0.9	0.9	0.9
<b>Water Program:</b>							
Water Production (Average MGD)	163.1	163.9	161.7	162.6	162.8	163.0	163.0
Water Consumption (Average MGD)	130.5	126.6	123.2	128.6	126.4	125.5	124.5
Water Mains Maintained (Miles)	5,647	5,768	5,816	5,844	5,869	5,900	6,000
Water House Connections Maintained (000s)	461	465	469	471	473	476	479
<b>Sewer Program:</b>							
Sewage Treated (Average MGD)	179.0	172.8	218.7	188.3	204.1	192.1	196.9
Sewer Use (Average MGD)	118.6	116.3	113.3	116.0	114.6	113.7	112.7
Sewer Mains Maintained (Miles)	5,549	5,578	5,604	5,624	5,615	5,620	5,700
Sewer House Connections Maintained (000s)	435	438	441	443	445	447	449
<b>House Connections added:</b>							
Water	3,498	2,931	3,480	2,410	2,553	2,700	2,700
Sewer	2,997	2,500	3,152	1,868	1,869	2,100	2,100
New Water & Sewer Bond & Notes Debt Issues (\$ in millions)	455	459	390	234	350	350	430
Average Annual Interest Rate for New Bond Issuance (%)	3.6	3.3	3.6	2.6	2.0	2.3	4.0

\* FY 2020 population served is based on the decennial census which is conducted by the U.S. Census Bureau every 10-years.

\*\* Beginning FY 2020, the data source for the customer accounts is based on the Customer-to-Meter (C2M) billing system.

## PENSION OBLIGATIONS AND OTHER UNFUNDED LIABILITY

WSSC Water makes continued funding contributions as part of its operating budget planning to remedy unfunded liabilities. While these liabilities will continue to persist over the long-term, WSSC Water's management is committed to making substantial forward progress in addressing these liabilities as part of our long-term financial plan, while balancing such need within the context of actuarial review, reasonableness, and affordability. If market and/or actuarial changes reflect a need for more strict and rapid progress in addressing these liabilities, WSSC Water management will consider appropriate action and make course changes as necessary.

### **Pension**

Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension costs are impacted by fluctuations in the market affecting actual and projected investment income and related deferred outflows or inflows. Investment activities are reported as non-operating revenues, therefore pension costs are allocated amongst operating and non-operating costs and/or revenues.

WSSC Water's net pension liability as of December 2020 is \$121,613,000 and the net pension liability is 11.9% of the total pension liability. The actuarial assumptions for pension are: 2.5% inflation factor, 2.75% - 7.5% salary increase, and 7% investment rate of return.

### **Other Post-Employment Benefits (OPEB)**

WSSC Water employees are eligible to continue group insurance coverage after retirement provided that retiring employees have had coverage in effect for two years prior to retirement.

WSSC Water's net OPEB liability as of December 2020 is \$85,245,000 and net OPEB liability is 32.1% of the total OPEB liability. The actuarial assumptions for OPEB are: 2.5% inflation factor, 3% salary increase, and 7% investment rate of return.

More information can be found within WSSC Water's Annual Financial Report or on our website at the following <https://wsscwater.com/financereports>.

# LONG-RANGE FINANCIAL PLAN FOR WATER AND SEWER OPERATING FUNDS

(\$ in thousands)	FY 2022 Approved	FY 2023 Proposed	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected
New Water and Sewer Debt Issues	\$ 409,704	\$ 430,093	\$ 397,210	\$ 374,496	\$ 371,511	\$ 358,063	\$ 330,000
Water and Sewer Combined Rate Increase (Average)	5.9 %	7.0 %	8.5 %	6.0 %	4.0 %	4.0 %	4.0 %
<b>Operating Revenues</b>							
Consumption Charges	\$ 717,803	\$ 757,024	\$ 821,371	\$ 871,750	\$ 907,815	\$ 945,399	\$ 984,541
Account Maintenance Fees (AMF)	31,866	34,048	36,942	39,159	40,725	42,354	44,048
Infrastructure Investment Fees (IIF)	38,808	41,486	45,012	47,713	49,622	51,606	53,671
Plumbing and Inspection Fees	14,350	16,780	17,283	17,802	18,336	18,886	19,453
Rockville Sewer Use	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Miscellaneous	21,600	19,000	19,190	19,382	19,576	19,771	19,969
Interest Income	1,000	500	750	1,000	1,250	1,500	1,500
Uncollectable	-	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
<b>Total Operating Revenues</b>	<b>\$ 828,527</b>	<b>\$ 865,938</b>	<b>\$ 937,648</b>	<b>\$ 993,906</b>	<b>\$ 1,034,424</b>	<b>\$ 1,076,616</b>	<b>\$ 1,120,282</b>
<b>Other Credits and Transfers</b>							
Reconstruction Debt Service Offset	6,000	4,000	2,000	-	-	-	-
SDC Debt Service Offset	5,772	5,772	5,772	5,772	5,772	5,748	5,748
Premium Transfer	-	2,500	-	-	-	-	-
Underwriters Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<b>Total Funds Available</b>	<b>\$ 842,299</b>	<b>\$ 880,210</b>	<b>\$ 947,420</b>	<b>\$ 1,001,678</b>	<b>\$ 1,042,196</b>	<b>\$ 1,084,364</b>	<b>\$ 1,128,030</b>
<b>Operating Expenses</b>							
Salaries & Wages	133,039	137,212	143,387	149,840	156,582	163,629	170,992
Heat, Light & Power	18,493	18,817	19,569	18,776	18,014	18,861	19,521
Regional Sewage Disposal	59,160	60,343	61,550	62,781	64,037	65,317	66,624
All Other	294,977	292,661	298,513	304,483	310,573	316,784	323,120
<b>Total Operating Expenses</b>	<b>\$ 505,669</b>	<b>\$ 509,033</b>	<b>\$ 523,019</b>	<b>\$ 535,880</b>	<b>\$ 549,206</b>	<b>\$ 564,591</b>	<b>\$ 580,257</b>
<b>Debt Service</b>							
Bonds and Notes Principal and Interest	309,045	324,144	345,361	375,671	398,462	419,424	439,234
<b>Other Transfers and Adjustments</b>							
Additional and Reinstated	-	-	-	-	(5,000)	(7,500)	(7,500)
PAYGO	27,585	31,016	44,000	65,000	80,000	80,000	100,000
<b>Total Expenses</b>	<b>\$ 842,299</b>	<b>\$ 864,193</b>	<b>\$ 912,380</b>	<b>\$ 976,551</b>	<b>\$ 1,022,668</b>	<b>\$ 1,056,515</b>	<b>\$ 1,111,991</b>
<b>Net Revenue (Loss)</b>	<b>\$ -</b>	<b>\$ 16,017</b>	<b>\$ 35,040</b>	<b>\$ 25,127</b>	<b>\$ 19,528</b>	<b>\$ 27,849</b>	<b>\$ 16,039</b>
<b>Beginning Fund Balance - July 1</b>	<b>\$ 168,897</b>	<b>\$ 163,173</b>	<b>\$ 179,190</b>	<b>\$ 214,230</b>	<b>\$ 239,357</b>	<b>\$ 258,885</b>	<b>\$ 286,734</b>
Net Increase (Decrease) in Fund Balance	-	16,017	35,040	25,127	19,528	27,849	16,039
Adjustments	(5,724)	-	-	-	-	-	-
<b>Ending Fund Balance - June 30</b>	<b>\$ 163,173</b>	<b>\$ 179,190</b>	<b>\$ 214,230</b>	<b>\$ 239,357</b>	<b>\$ 258,885</b>	<b>\$ 286,734</b>	<b>\$ 302,773</b>
Debt Service Coverage (1.10 - 1.25 is Target)	1.04	1.10	1.20	1.22	1.23	1.24	1.25
Leverage Ratio - Credit Rating Preservation (<10.0)	n/a	10.2	9.5	9.0	8.8	8.4	8.1
Debt Service as a % of Total Expenses (< 40% is Target)	36.7 %	37.5 %	37.9 %	38.5 %	39.0 %	39.7 %	39.5 %
End Fund Balance as a % of Operating Revenue (min. 15%)	19.7 %	20.7 %	22.8 %	24.1 %	25.0 %	26.6 %	27.0 %
Days Operating Reserve-on-Hand (120-150 Days is Target)	70.7	121.1	137.9	145.4	151.4	164.3	164.3
Total Workyears (All Funds)	1,786	1,795	1,795	1,798	1,798	1,798	1,798

## Assumptions:

- The FYs 2024-2028 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 2023 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, AMF and IIF 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.
- Beginning FY 2023, Days Operating Reserve-on-Hand target was revised to provide a more robust reserve and to align with the rating agency calculations which do not include debt service as an operating expense.
- The FY 2022 adjustments reflect uncollectable billing revenue.

**SECTION 5**  
**EXPLANATION OF BUDGET AND SUMMARIES**



## EXPLANATION OF BUDGET AND SUMMARIES

Maryland state law requires that WSSC Water prepare capital and operating budgets each fiscal year. The FY 2023 Proposed Budget shows funding and staff requirements, organizational components and program and fund sources.

### BUDGET FORMULATION

The budgets for all funds are prepared on a modified accrual basis. Expenses are recognized when goods and services are received, and revenues are recognized when water is delivered to the system. WSSC Water's annual audited financial statements are prepared according to Generally Accepted Accounting Principles (GAAP), whereas both the budget and internal financial statements are prepared on a debt service basis. The debt service basis recognizes certain cash expenses not recognized under GAAP (such as principal payments on debt and pension contributions based on a level percentage of payroll). Similarly, certain non-cash expenditures included under GAAP are not recognized under the debt service basis (such as depreciation on capital assets and pension expenses as defined by Governmental Accounting Standards Board Statement 68 – Accounting & Finance Reporting for Pensions).

The budget process begins with submission of requests by all organizational units following the guidance provided by the General Manager. Management reviews these requests before the General Manager presents recommendations to the Commissioners. The Commissioners review the budget and make recommendations before approving a proposed budget document for public hearings. A preliminary proposed budget document must be available to the public by January 15. Hearings on the WSSC Water budget are held in each County or virtually via livestream before February 15. The agency considers comments and testimony given at the public hearings before the proposed budget is transmitted to the Counties. The flow chart on page 5-3 depicts the budget and CIP process.

State law requires that WSSC Water transmit its proposed budget to the Counties by March 1 of each year. The County Councils, County Executives and their staffs review the budget and make recommendations. Both Counties must approve any amendments to the budget on or before June 1. Once the Counties' actions have been received, the agency adopts an approved budget and sets the levels for charges, fees and taxes to finance approved expenditures. The approved budget takes effect on July 1. Once the budget is adopted, total expenditures may not exceed the final total approved budget without an approved budget supplement. Budget supplements must be approved by the Montgomery and Prince George's County Councils and are transmitted to them through their respective County Executives.

### Fiscal Year

The 12-month period used to account for revenues and expenditures commences on July 1 of each year and ends on June 30 of the following year.

### Capital Budget & Capital Improvements Program

Preparation of the six-year Capital Improvements Program (CIP) spans 15 months, beginning in April of each year. After a preliminary staff-level review in May, the General Manager and key management personnel review all CIP project submissions in June to assess the justification for new projects, the criticality and priority of ongoing projects and the overall financial impacts of these projects on spending affordability.

Only the debt service requirements for bond funded capital expenditures in the first budget year of the six-year CIP are included in the operating budget. By July, the General Manager submits a draft CIP to WSSC Water's Commissioners for their consideration, and work sessions are conducted to solicit input from County governments, Maryland-National Capital Park and Planning Commission and local municipality representatives. A draft proposed document is made available to the public in August and public hearings on the CIP are held in September. WSSC Water is required by state law to transmit the Proposed CIP to both County governments by October 1 of each year.

The approved capital budget for a given budget year consists largely of spending for the first year of the six-year CIP, including those projects in the Information Only section. Projects shown in the Information Only section are not required to be in the CIP, but may be included to provide more comprehensive information on important programs or projects. Budget year expenditures in connection with relocations, house connections, new water meters and similar items constitute the remainder of the capital budget for a given year.

## BUDGET FORMULATION (Continued)

### Capital Budget & Capital Improvements Program (Continued)

Between January and May of the following year, each County approves, modifies or deletes projects, and by mid-May the County Councils meet jointly to resolve any differences. By June 1, each Council must enact formal resolutions approving new projects and other program modifications. The agency then has 30 days to adopt these changes before the beginning of the fiscal year on July 1.

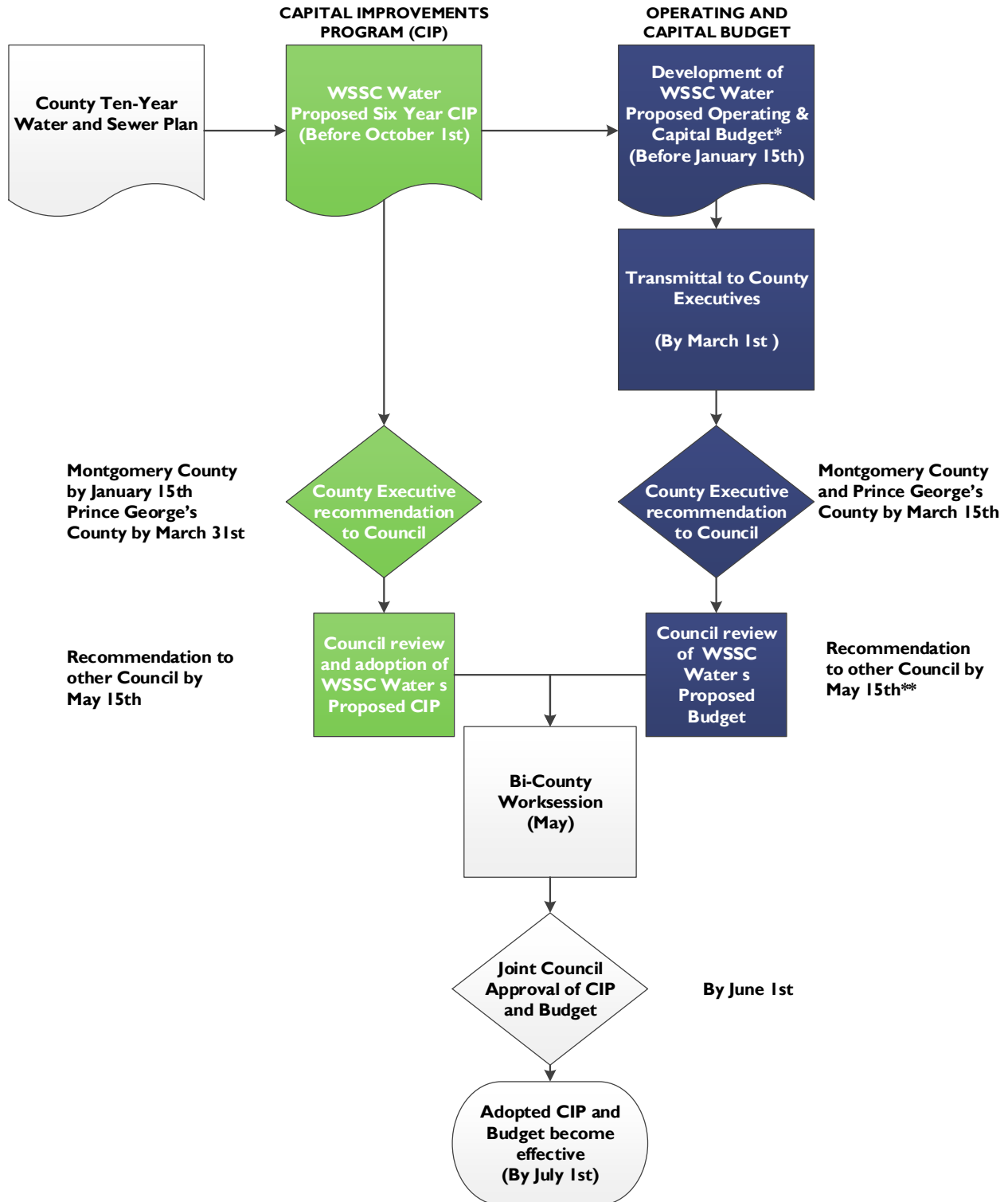
### Operating Budget

Preparation of the proposed operating budget requires integrating several other planning efforts with the budget formulation process. The annual spending affordability review, undertaken jointly with Montgomery and Prince George's Counties, uses a six-year financial model to examine the impacts and affordability of various scenarios involving WSSC Water's future capital and operating needs. This analysis results in the development of maximum "affordable" levels for rate increases, operating expenditures, debt service and new debt in the budget year. These limits, which are formally adopted by the Montgomery and Prince George's County Councils, play a key role in guiding the annual budget process.

Capital needs, developed independently in planning for the six-year CIP, also shape the operating budget by helping to determine debt service requirements and the operating impacts of projects expected to be completed during the budget year (additional operating costs, if present, as well as any expected efficiencies). The annual debt service on outstanding bonds is paid from the agency's operating funds, primarily through water consumption and sewer use charges paid by customers. Thus, the size of the CIP affects the size of the water and sewer bond issues needed in the budget year, which in turn affects customer water and sewer bills.

The CIP is, in turn, driven in part by the development planning and authorization processes of Montgomery and Prince George's Counties, especially as manifested in the Counties' ten-year water and sewer plans. These plans, which guide development activity within the Counties, are updated annually. In addition, since WSSC Water must contribute to the capital and operating expenses of the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains), budget planning by the District of Columbia Water and Sewer Authority (DC Water) - and the budget's subsequent review and approval by DC Water's multi-jurisdictional Board of Directors - can have important impacts on planning for WSSC Water's capital and operating budgets.

# WSSC WATER BUDGET AND CAPITAL IMPROVEMENTS PROGRAM PROCESS



\*Includes the operating budget and first year capital budget of the Proposed Six-Year CIP. Capital budget also incorporates Information Only projects and General Construction Bond projects.

\*\*Incorporates changes to funding in the first year of capital budget.

## FUND STRUCTURE

The budget consists of six separate funds, three in the capital budget (Water Supply Bond, Sewage Disposal Bond and General Construction Bond Funds) and three in the operating budget (Water Operating, Sewer Operating and General Bond Debt Service Funds). The Water Operating and Sewer Operating Funds are the primary funds for operating purposes. The Water Operating Fund pays for water treatment and distribution, and the Sewer Operating Fund pays for sewage collection and treatment. The General Bond Debt Service Fund receives Front Foot Benefit Charges (FFBC) to underwrite the debt service on smaller lateral water and sewer lines.

The respective purpose and revenue source of each fund are described in the table below. Although each fund is essentially a separate entity authorized to expend funds for prescribed purposes and derive revenues from specific rates and charges as prescribed by state law, WSSC Water audited annual financial statements consider only a single operating budget without further fund delineation. Audited financial statements can be found at <https://www.wsscwater.com/financereports>.

Capital Fund	Major Purpose	Major Revenue Source
Water Supply Bond	Construct major water supply treatment and transmission facilities; Reconstruct water distribution system.	Water Supply Bonds and System Development Charges (SDC)
Sewage Disposal Bond	Construct major sewage treatment and transmission facilities; Reconstruct sewerage collection system.	Sewage Disposal Bonds, SDC and Grants
General Construction Bond	Construct minor water and sewer lines and support facilities.	General Construction Bonds and House Connection (H/C) Charges
Operating Fund	Major Purpose	Major Revenue Source
Water Operating	Operate and maintain water facilities and pay debt service on Water Supply Bonds.	Customer Water Bill
Sewer Operating	Operate and maintain sewerage facilities and pay debt service on Sewage Disposal Bonds.	Customer Sewer Bill
General Bond Debt Service	Pay debt service on General Construction Bonds.	FFBC and Deferred H/C Charges

### Water

WSSC Water issues Water Supply Bonds (Capital Fund) and collects SDC to finance the planning, design and construction of major water treatment and transmission facilities and the reconstruction of the water distribution system. The facilities include dams, reservoirs, water filtration plants, water pumping stations, water storage facilities and water supply lines. Water operating revenues - customer payments for water bills - are used to pay for operating and maintaining these water facilities, and to pay the debt service (principal and interest that must be repaid) on Water Supply Bonds. Water consumption charges are based upon metered water use.

### Sewer

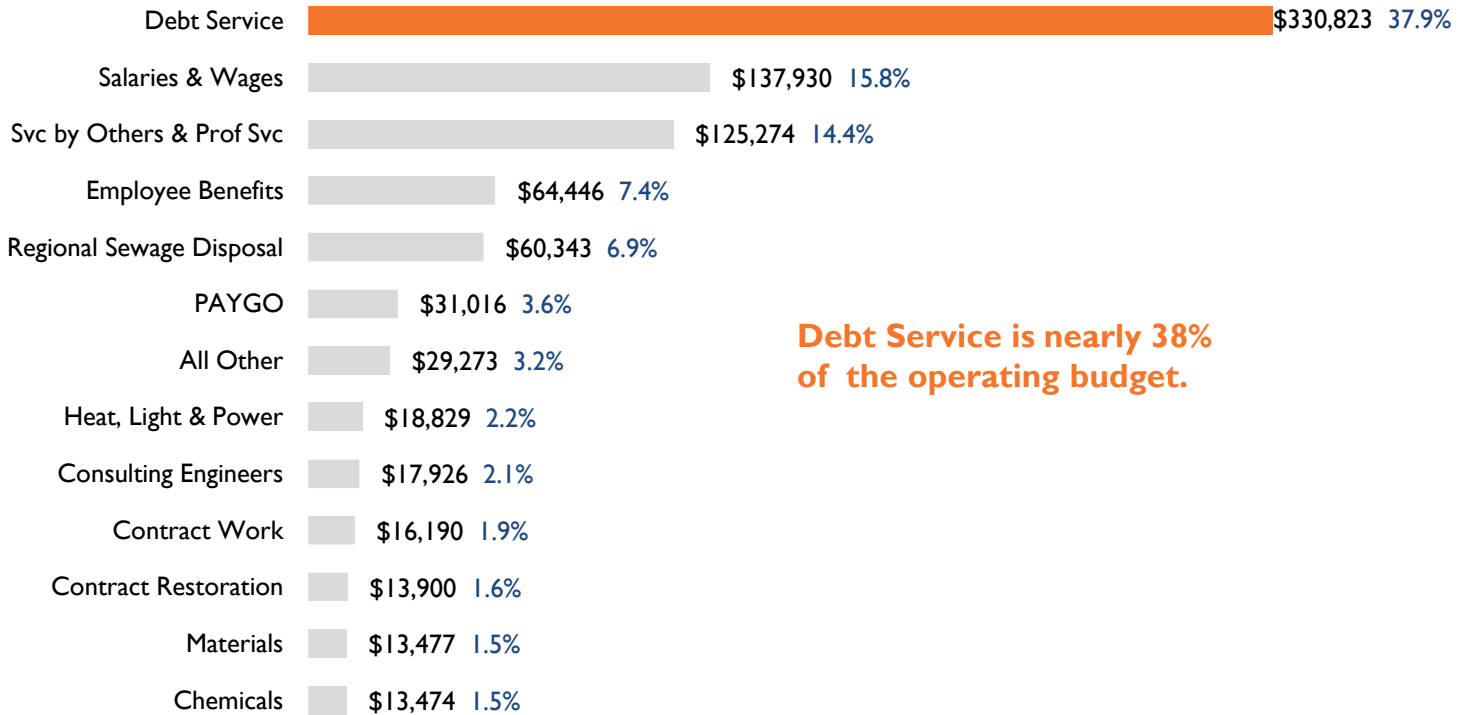
WSSC Water issues Sewage Disposal Bonds (Capital Fund), collects SDC, and receives grants to finance the planning, design and construction of major sewage disposal and treatment facilities and the reconstruction of the sewerage collection system. The facilities include sewage pumping stations and force mains, sewer lines, sewage treatment facilities (including reimbursement to DC Water for construction at Blue Plains) and improvements or modifications to these facilities. Sewer operating revenues - customer payments for sewer bills - are used to pay for operating and maintaining these facilities, and to pay the debt service on Sewage Disposal Bonds. Sewer use charges are generally based upon metered water use.

### General Construction

WSSC Water issues General Construction Bonds (Capital Fund) to pay for the construction of minor water and sewer lines (water distribution lines less than 16" in diameter and sewer lines less than 15" in diameter) and support facilities. General Bond Debt Service Fund revenues - customer payments for FFBC - are used to pay the debt service on construction of minor water and sewer lines. House connection construction costs are underwritten by a direct charge to the applicant.

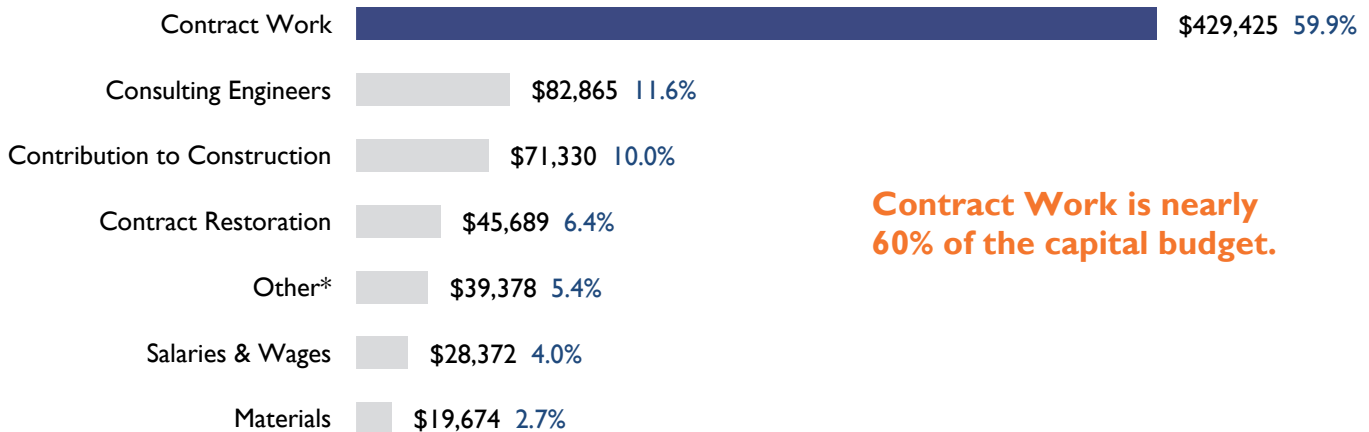
## FY 2023 PROPOSED BUDGET – BY MAJOR EXPENSE CATEGORIES

**Total Operating Budget = \$872,901 (\$ in thousands)**



Includes Water Operating, Sewer Operating and General Bond Debt Service

**Total Capital Budget = \$716,733 (\$ in thousands)**

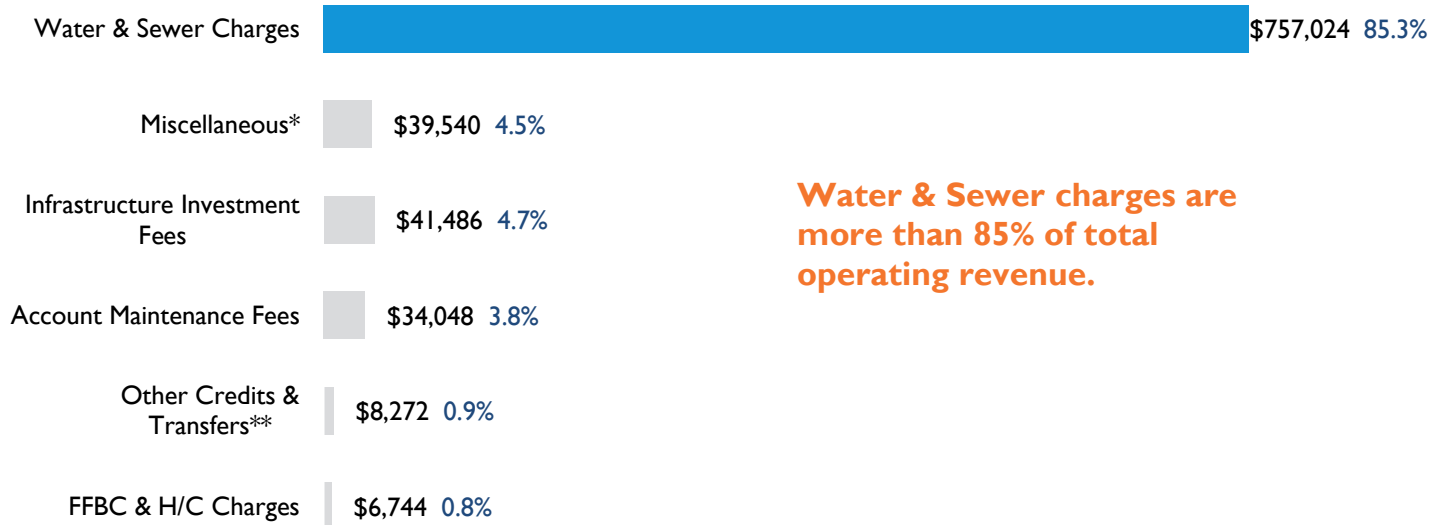


(\*) Includes Land, Professional Services, Water Meters and Non-Departmental Accounts

Includes Water Supply, Sewage Disposal and General Construction Bond

## FY 2023 PROPOSED BUDGET – BY SOURCES

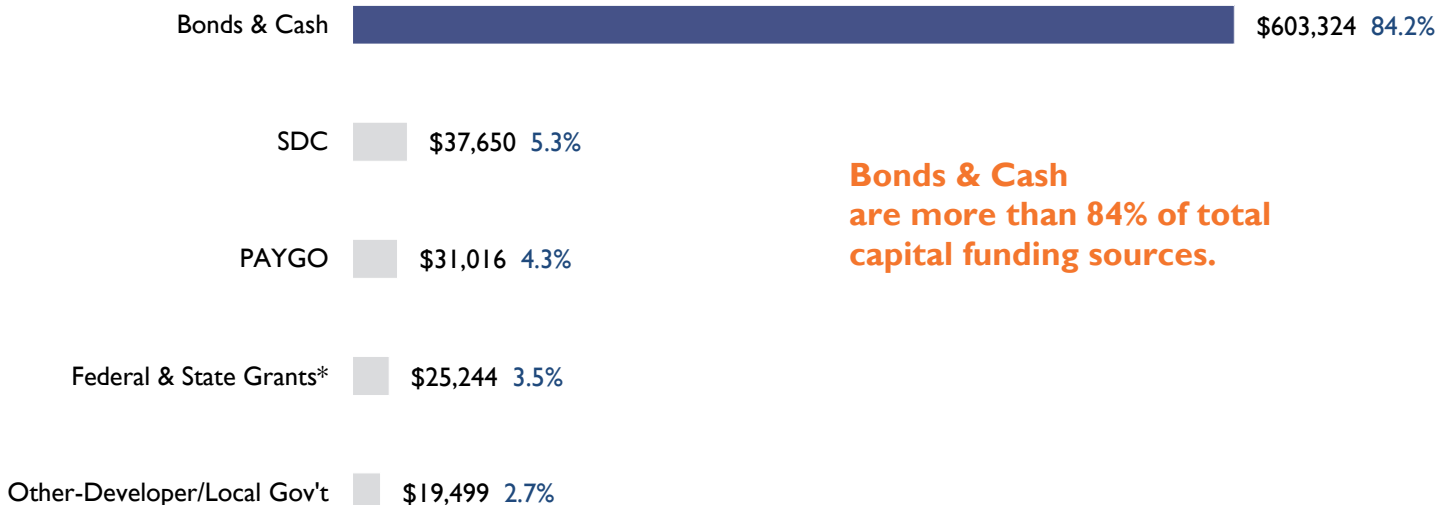
**Total Operating Revenue = \$887,114 (\$ in thousands)**



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

(\*\*) Includes Reconstruction Debt Service Offset (REDO), SDC Debt Service Offset, Premium Transfer, Underwriters Discount and Uncollectable Revenue

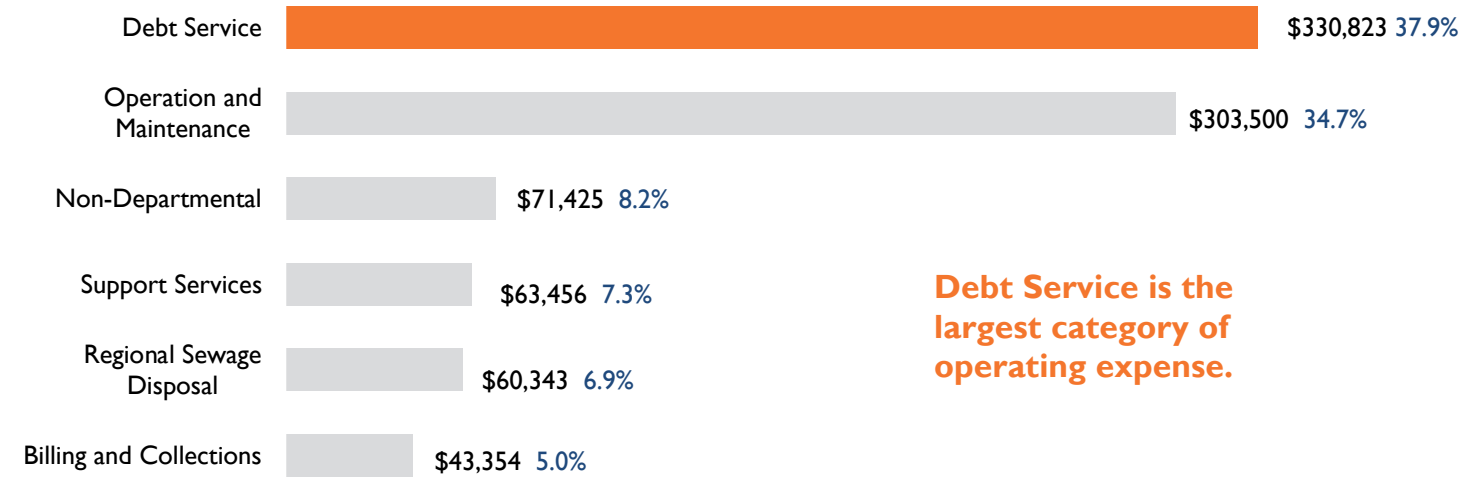
**Total Capital Funding Sources = \$716,733 (\$ in thousands)**



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

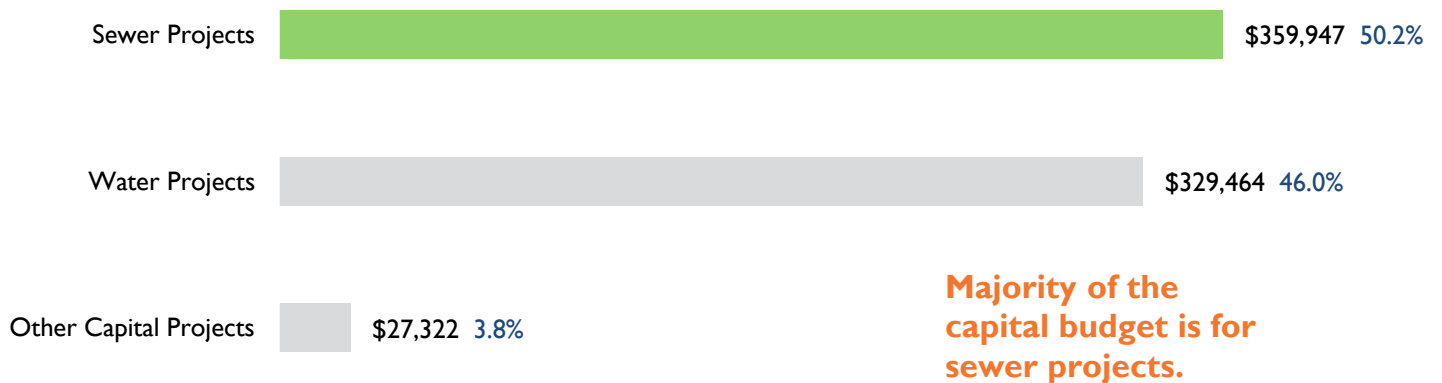
## FY 2023 PROPOSED BUDGET – BY FUND USES

**Total Operating Uses = \$872,901** (\$ in thousands)



Includes Water Operating, Sewer Operating and General Bond Debt Service

**Total Capital Uses = \$716,733** (\$ in thousands)



Includes Water Supply, Sewage Disposal and General Construction Bond

## OPERATING REVENUE & EXPENSE BY MAJOR SOURCE CATEGORY & FUND TYPE

(\$ in thousands)	Water Operating		Sewer Operating		General Bond Debt Service		Total		% Chg
	FY 2022 Approved	FY 2023 Proposed	FY 2022 Approved	FY 2023 Proposed	FY 2022 Approved	FY 2023 Proposed	FY 2022 Approved	FY 2023 Proposed	
Operating Revenues									
Water Consumption Charges	\$ 318,941	\$ 339,892	\$ -	\$ -	\$ -	\$ -	\$ 318,941	\$ 339,892	6.6 %
Sewer Use Charges	-	-	398,862	417,132	-	-	398,862	417,132	4.6 %
FFBC & H/C Charges	-	-	-	-	8,428	6,744	8,428	6,744	(20.0)%
Account Maintenance Fees	16,251	17,276	15,615	16,772	-	-	31,866	34,048	6.8 %
Infrastructure Investment Fees	19,792	21,049	19,016	20,437	-	-	38,808	41,486	6.9 %
Plumbing & Inspection Fees	8,180	9,900	6,170	6,880	-	-	14,350	16,780	16.9 %
Rockville Sewer Use	-	-	3,100	3,100	-	-	3,100	3,100	0.0 %
Miscellaneous	10,200	8,900	11,400	10,100	130	160	21,730	19,160	(11.8)%
Interest Income	500	111	500	389	-	-	1,000	500	(50.0)%
Uncollectable	-	(3,060)	-	(2,940)	-	-	-	(6,000)	100.0 %
Total Operating Revenues	\$ 373,864	\$ 394,068	\$ 454,663	\$ 471,870	\$ 8,558	\$ 6,904	\$ 837,085	\$ 872,842	4.3 %
Other Credits and Transfers									
Other	-	-	-	-	6,000	4,000	6,000	4,000	(33.3)%
REDO	3,060	2,040	2,940	1,960	(6,000)	(4,000)	-	-	0.0 %
SDC Debt Service Offset	2,731	2,731	3,041	3,041	-	-	5,772	5,772	0.0 %
Premium Transfer	-	703	-	1,797	-	-	-	2,500	100.0 %
Underwriters Discount Transfer	910	872	1,090	1,128	-	-	2,000	2,000	0.0 %
Total Funds Available	\$ 380,565	\$ 400,414	\$ 461,734	\$ 479,796	\$ 8,558	\$ 6,904	\$ 850,857	\$ 887,114	4.3 %
Operating Expenses									
Salaries & Wages	72,834	74,462	60,205	62,750	691	718	133,730	137,930	3.1 %
Heat, Light & Power	10,541	11,021	7,952	7,796	8	12	18,501	18,829	1.8 %
Regional Sewage Disposal	-	-	59,160	60,343	-	-	59,160	60,343	2.0 %
All Other	147,825	147,196	147,152	145,465	1,313	1,299	296,290	293,960	(0.8)%
Total Operating Expenses	\$ 231,200	\$ 232,679	\$ 274,469	\$ 276,354	\$ 2,012	\$ 2,029	\$ 507,681	\$ 511,062	0.7 %
Debt Service									
Principal Payments	73,453	75,518	97,449	107,131	5,803	5,332	176,705	187,981	6.4 %
Interest Payments	67,045	65,748	71,098	75,747	1,979	1,347	140,122	142,842	1.9 %
Total Debt Service	\$ 140,498	\$ 141,266	\$ 168,547	\$ 182,878	\$ 7,782	\$ 6,679	\$ 316,827	\$ 330,823	4.4 %
Other Transfers									
PAYGO	8,867	10,452	18,718	20,564	-	-	27,585	31,016	12.4 %
Total Expenses	\$ 380,565	\$ 384,397	\$ 461,734	\$ 479,796	\$ 9,794	\$ 8,708	\$ 852,093	\$ 872,901	2.4 %
Net Revenue (Loss)	\$ -	\$ 16,017	\$ -	\$ -	\$ (1,236)	\$ (1,804)	\$ (1,236)	\$ 14,213	(1,249.9)%
Fund Balance - July 1									
	\$ 37,547	\$ 34,627	\$ 131,350	\$ 128,546	\$ 11,185	\$ 9,949			
Net Increase (Decrease) in Fund Balance	-	16,017	-	-	(1,236)	(1,804)			
Adjustments	(2,920)	-	(2,804)	-	-	-			
Fund Balance - June 30	\$ 34,627	\$ 50,644	\$ 128,546	\$ 128,546	\$ 9,949	\$ 8,145			

Assumption:

The FY 2022 adjustments reflect uncollectable billing revenue.



## CAPITAL FUNDING & EXPENSE BY MAJOR SOURCE CATEGORY & FUND TYPE

(\$ in thousands)	Water Supply Bond		Sewer Disposal Bond		General Construction Bond		Total		
	FY 2022 Approved	FY 2023 Proposed	FY 2022 Approved	FY 2023 Proposed	FY 2022 Approved	FY 2023 Proposed	FY 2022 Approved	FY 2023 Proposed	% Chg
Funds Provided									
Bonds & Notes Issues/Cash on Hand	\$ 251,069	\$ 284,982	\$ 329,510	\$ 291,020	\$ 27,187	\$ 27,322	\$ 607,766	\$ 603,324	(0.7) %
PAYGO	8,867	10,452	18,718	20,564	-	-	27,585	31,016	12.4 %
Anticipated Contributions:									
Federal & State Grants	4,120	4,285	20,351	20,959	-	-	24,471	25,244	3.2 %
SDC	24,718	25,932	6,611	11,718	-	-	31,329	37,650	20.2 %
Other Contributions	2,893	3,813	9,411	15,686	290	-	12,594	19,499	54.8 %
Total Funds Provided	\$ 291,667	\$ 329,464	\$ 384,601	\$ 359,947	\$ 27,477	\$ 27,322	\$ 703,745	\$ 716,733	1.8 %
Construction Costs									
Salaries & Wages	\$ 15,601	\$ 16,120	\$ 8,521	\$ 8,847	\$ 3,327	\$ 3,405	\$ 27,449	\$ 28,372	3.4 %
Contract Work	174,144	198,151	267,089	228,071	3,172	3,203	444,405	429,425	(3.4) %
Consulting Engineers	34,681	39,222	38,901	39,123	6,032	4,520	79,614	82,865	4.1 %
All Other	67,241	75,971	70,090	83,906	14,946	16,194	152,277	176,071	15.6 %
Total Construction Costs	\$ 291,667	\$ 329,464	\$ 384,601	\$ 359,947	\$ 27,477	\$ 27,322	\$ 703,745	\$ 716,733	1.8 %

## PROJECTED CHANGE IN FUND BALANCE

Fund (\$ in thousands)	Fund Balance - July 1st	Operating Revenues	Operating Expenses	Other Credits and Transfers	Adjust.	Fund Balance - June 30th	Fund Balance	
							Increase/ (Decrease)	% Chg
Water Operating								
FY 2022	\$ 37,547	\$ 373,864	\$ (380,565)	\$ 6,701	\$ (2,920)	\$ 34,627	\$ (2,920)	(7.8) %
FY 2023	34,627	394,068	(384,397)	6,346	-	50,644	16,017	46.3 %
Sewer Operating								
FY 2022	131,350	454,663	(461,734)	7,071	(2,804)	128,546	(2,804)	(2.1) %
FY 2023	128,546	471,870	(479,796)	7,926	-	128,546	-	- %
General Bond Debt Service								
FY 2022	11,185	8,558	(9,794)	-	-	9,949	(1,236)	(11.1) %
FY 2023	9,949	6,904	(8,708)	-	-	8,145	(1,804)	(18.1) %

Operating expenses include debt service.

### Explanation of Significant Changes to Fund Balance

#### Water and Sewer Operating Funds

The FY 2023 Proposed Budget ending fund balance is higher than the projected FY 2022 ending balance for the Water Operating Fund by 46.3% or \$16.0 million with the target to build up cash reserve and improve the financial metrics.

#### General Bond Debt Service Fund

The FY 2023 Proposed Budget ending fund balance is 18.1% lower than the projected FY 2022 ending balance for the General Bond Debt Service Fund. Revenues for this fund are derived from FFBC and H/C charges. Developers now build these types of mains and lines that were previously built by WSSC Water for new development. As a result, property owners of newly developed sites do not pay FFBC to WSSC Water. Additionally, as the bonds associated with older sites expire, the impacted property owners cease paying WSSC Water the associated FFBC. Therefore, the revenues for this fund are expected to decrease further in the future. Surplus funds that have accumulated in the General Bond Debt Service Fund are transferred to the Water and Sewer Operating Funds to benefit all ratepayers.

## EXPENSE TRENDS BY FUND

### Operating Budget

#### Water & Sewer Operating Funds - Combined

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Expenses</b>					
Salaries & Wages	\$ 125,100	\$ 131,711	\$ 130,884	\$ 133,039	\$ 137,212
Heat, Light & Power	19,683	15,534	18,234	18,493	18,817
Regional Sewage Disposal	54,809	56,414	58,658	59,160	60,343
All Other	268,103	268,488	247,004	294,977	292,661
<b>Subtotal</b>	<b>\$ 467,695</b>	<b>\$ 472,147</b>	<b>\$ 454,780</b>	<b>\$ 505,669</b>	<b>\$ 509,033</b>
<b>Debt Service</b>					
Principal Payments	153,565	154,238	151,398	170,902	182,649
Interest Payments	121,819	125,507	130,446	138,143	141,495
<b>Subtotal</b>	<b>\$ 275,384</b>	<b>\$ 279,745</b>	<b>\$ 281,844</b>	<b>\$ 309,045</b>	<b>\$ 324,144</b>
<b>Other Transfers</b>					
PAYGO	15,754	-	-	27,585	31,016
<b>Total Expenses</b>	<b>\$ 758,833</b>	<b>\$ 751,892</b>	<b>\$ 736,624</b>	<b>\$ 842,299</b>	<b>\$ 864,193</b>

#### General Bond Debt Service Fund

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Expenses</b>					
Salaries & Wages	\$ 751	\$ 863	\$ 915	\$ 691	\$ 718
Heat, Light & Power	-	-	7	8	12
All Other	825	852	948	1,313	1,299
<b>Subtotal</b>	<b>\$ 1,576</b>	<b>\$ 1,715</b>	<b>\$ 1,870</b>	<b>\$ 2,012</b>	<b>\$ 2,029</b>
<b>Debt Service</b>					
Principal Payments	13,337	9,445	7,985	5,803	5,332
Interest Payments	3,934	3,132	2,151	1,979	1,347
<b>Subtotal</b>	<b>\$ 17,271</b>	<b>\$ 12,577</b>	<b>\$ 10,136</b>	<b>\$ 7,782</b>	<b>\$ 6,679</b>
<b>Total Expenses</b>	<b>\$ 18,847</b>	<b>\$ 14,292</b>	<b>\$ 12,006</b>	<b>\$ 9,794</b>	<b>\$ 8,708</b>

### Capital Budget

#### All Bond Funds – Water Supply, Sewer Disposal and General Construction

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Expenses</b>					
Salaries & Wages	\$ 27,293	\$ 26,388	\$ 25,911	\$ 27,449	\$ 28,372
Heat, Light & Power	213	155	-	222	230
Contract Work	202,734	211,404	217,590	444,405	429,425
Consulting Engineers	51,873	44,478	42,349	79,614	82,865
All Other	104,682	111,960	141,043	152,055	175,841
<b>Total Expenses</b>	<b>\$ 386,795</b>	<b>\$ 394,385</b>	<b>\$ 426,893</b>	<b>\$ 703,745</b>	<b>\$ 716,733</b>

**SECTION 6**  
**FISCAL GUIDELINES**

## FISCAL GUIDELINES

This section discusses fiscal guidelines that correspond to the practices of WSSC Water with respect to revenues, expenditures and debt management. Fiscal planning, generally done within the context of the operating budget and the capital budget/Capital Improvements Program (CIP), reflects and helps shape fiscal guidelines.

## FISCAL CONTROL

The budget process not only reflects those fiscal guidelines currently in force, but is itself a major vehicle for determining and implementing such guidelines. The fiscal guideline statements presented on the following pages are not static. They evolve as the economy and fiscal environment change and as WSSC Water's service population and requirements for services change.

### **Structurally Balanced Budget**

WSSC Water prepares a structurally balanced budget. Budgeted expenditures equal projected revenues from water and sewer services inclusive of recurring net transfers and any mandatory contributions to reserves for that fiscal year. Recurring revenues should fund recurring expenses with minimal reliance on non-recurring (one-time) revenues or resources. Note that for the FY 2023 Proposed Budget, WSSC Water revenues appear higher than the expenditures as there is a budgeted \$16.0 million increase in reserves to improve the Days Operating Reserve-on-Hand metric.

### **Fund Balance Operating Reserves**

WSSC Water maintains a combined unrestricted reserve from the water and sewer operating funds equal to at least 15% of the total water and sewer operating revenues to offset unanticipated variations in water and sewer services revenues that may occur in future years. Use of reserves is as directed by WSSC Water management.

### **Pay-As-You-GO (PAYGO)**

In FY 2014, WSSC Water began to issue debt for 30 years as opposed to the prior practice of 20 years. This change included the introduction of PAYGO. WSSC Water had been budgeting \$31.0 million in PAYGO each fiscal year to reduce the amount of planned debt issued for capital projects. In FY 2022, PAYGO was lowered to \$27.6 million due to financial challenges related to COVID-19 savings plan, but is back to \$31.0 million in FY 2023.

### **Fiscal Plan**

WSSC Water develops and publishes a fiscal plan and provides updated six-year projections of the operating and capital budgets - revenues and expenditures - to ensure that the agency has the best possible knowledge of the impacts of contemplated actions and emerging conditions.

### **Budgetary Control**

Budgetary control over WSSC Water is exercised following a joint review by Montgomery County and Prince George's County governments through the annual review and approval of operating and capital budgets. WSSC Water's Budget Division administers and monitors operating and capital expenditures during the fiscal year.

## FISCAL CONTROL (Continued)

### **Financial Management**

The methodology utilized for budgetary purposes is the “debt service” method of accounting. All internal financial statements are recorded utilizing this method. Annual audited financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Comparisons between the debt service method and GAAP method require adjustments since there are differences in reporting.

### **Audits**

WSSC Water will ensure the conduct of timely, effective and periodic audit coverage of all financial records and actions of WSSC Water, its officials and employees in compliance with local, state and federal regulations and laws.

## EXPENDITURES AND ALLOCATION OF COSTS

### **Content of Budgets**

WSSC Water will include in the operating budget all programs and facilities which are not included in the CIP. There are three major impacts of the CIP on the operating budget: debt service; PAYGO (revenues applied to the CIP for debt avoidance or for projects which are not debt-eligible); and presumed costs of operating new or expanded facilities. Details on the CIP can be found at <https://www.wsscwater.com/fin>.

### **Expenditure Growth**

The Prince George's County Council adopted Resolution No. CR-12-1994 and the Montgomery County Council adopted Resolution No. 12-1558 requiring WSSC Water, to the extent possible, to conform with the County Councils' established spending affordability limits in preparing the capital and operating budgets.

Spending affordability guidelines are adopted each year and include limits on the amount of water and sewer rate increases, operating budget expenditures, new debt issues and debt service that may be approved for expenditure for the first year of the CIP. WSSC Water's General Manager advises the County Councils on spending affordability limits and makes budget recommendations with realistic prospects for the served populations' ability to pay, both in the upcoming fiscal year and in the ensuing years.

WSSC Water, where required by the two County Councils' final action on the programs, must revise the same and then, prior to the commencement of the first fiscal year, approve the operating and capital budget, as well as the six-year CIP.

### **Expenditure Reduction**

WSSC Water will seek expenditure reductions whenever possible through efficiencies, reorganization of services and through the reduction, elimination or re-engineering of programs, guidelines and practices which are no longer cost effective.

### **Private Provision of Services**

WSSC Water will encourage, through matching grants, subsidies and other funding assistance, the participation of private organizations in the provision of desirable services when objectives can be more effectively met through private activity and expertise and where permitted by law.

### **Cost Avoidance and Cost Savings**

WSSC Water will consider investment in equipment, land, facilities and other expenditure actions to reduce or avoid costs in the future.

### **Strategic Sourcing**

WSSC Water will make direct or indirect purchases through a competitive process, except when an alternative method of procurement is specifically authorized by law, is in WSSC Water's best interest and is the most cost-effective means of procuring goods and services. The Strategic Sourcing Team helps manage procurement costs by using a fact-based and data-driven process focused on cost savings, process improvements, supplier innovation and category management. Cross-functional teams led by both strategic sourcing specialists and business unit staff work collaboratively to understand WSSC Water's internal needs via spend analytics, process gap-analysis and defining stakeholder requirements. The benefits to the agency include: encourages cross-functional teams; provides visibility into spending habits; focuses on total cost of ownership; and optimizes category management.

## SHORT-TERM FISCAL AND SERVICE GUIDELINES

Short-term guidelines are specific to the budget year. They address key issues and concerns that frame the task of preparing a balanced budget that achieves WSSC Water's priorities within the context of current and expected environmental, social and governance expectations.

The budget reflects a continued mission 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 the proposed budget seek to achieve the agency's mission through alignment with its strategic priorities.

Budget planning continues to be shaped by the challenges of balancing increasing costs for infrastructure and operations with affordability considerations for our customers. While the average costs to ensure access to clean, safe drinking water and efficient wastewater remain low when compared to other household utilities and expenses, there are still residents who struggle to meet their monthly expenses. WSSC Water offers financial assistance to its customers through a variety of programs, such as the Customer Assistance Program (CAP), the Water Fund and the Connection Pipe Emergency Replacement Loan Program (also known as the PipeER Program).

CAP provides residential customers with a credit for WSSC Water's fixed fees, up to a limit of \$30 per quarterly bill or \$120 per year. The Water Fund, which is administered by a third party, provides one-time or emergency assistance to customers in financial need and is funded entirely by contributions from customers, employees and other sources. The PipeER Program provides \$100,000 annually to eligible residential customers to finance up to \$5,000 for the replacement of a water service line located on their property that connects the agency's main line to the home. At the end of a fiscal year, any unused funds in the PipeER Program are contributed to the Water Fund. Additional information can be found at <https://www.wsscwater.com/assistance>.

Additional factors and events that shaped the budget environment included:

- Flat or declining water consumption revenues
- Sewer revenue reduction to re-baseline
- Compliance with consent decrees
- Aging infrastructure
- Growth in past due accounts
- Uncertainty regarding potential changes in environmental regulations

The FY 2023 Preliminary Proposed Budget calls for a combined 7.0% average increase to both water and sewer volumetric and ready-to-serve charges. This proposed increase is above the Spending Affordability Guidelines (SAG) of 6.5% as recommended by Prince George's and Montgomery Counties' Councils. To develop a budget based on the 7.0% rate increase, \$23.1 million in non-recommended reductions were made to the water and sewer operating funds. The current budget does support some of WSSC Water's strategic priorities, but customers will feel the impact on services.

To cope with these fiscal challenges while ensuring that WSSC Water's priorities are met, the agency reaffirmed its efforts to control and reduce costs, as well as identify opportunities for cost savings. Initiatives instituted included:

- Careful management of labor costs including overtime
- Use of the Supply Chain Management Transformation process to identify savings in operating and capital procurements
- Expansion of innovation programs to improve efficiency and reduce costs

The cumulative effects of the many efficiencies and reductions WSSC Water implemented helped manage slowing revenue growth and tightening budgets.

These short-term fiscal guidelines and actions have been critical in shaping WSSC Water's FY 2023 Proposed Budget. Together with the long-term guidelines discussed elsewhere in this section, the short-term guidelines described here have allowed WSSC Water to construct a fiscally responsible budget consistent with current economic and fiscal realities while achieving the agency's priorities.



## CIP FISCAL GUIDELINES

### **Guideline on Eligibility for Inclusion in the CIP**

Capital expenditures included for projects in the CIP should:

- Comply with Maryland State law that defines major projects for inclusion in the CIP as water mains at least 16" in diameter, sewer mains at least 15" in diameter, water or sewage pumping stations, force mains, storage facilities and other major facilities
- Preserve and improve services by employing annual system reconstruction programs to reconstruct aging capital infrastructure
- Include Information Only projects which are capital projects that are not required to be in the program under Section 23-301 of the Public Utilities Article of the Annotated Code of Maryland, but may be included for any number of reasons such as: fiscal planning purposes; the reader's improved understanding of the full scope of a specific set of projects; or responding to requests from County governments
- Ensure compliance with all legal requirements of both Counties' ten-year water and sewerage plans and directly support the two Counties' approved land use plans and guidelines for orderly growth and development
- Generally have a defined beginning and end and a reasonably long useful life
- Successfully meet WSSC Water's responsibilities and the public's demand for clean water
- Enable decision makers to evaluate the project based on complete and accurate information

Water and sewer capital projects requested by private applicants in support of new development, identified as Development Services Process projects, may only proceed if built at the applicant's expense. The use of ratepayer supported debt for these projects is not allowed.

### **Guideline on Funding CIP with Debt**

Much of the CIP should be funded with debt. Capital projects usually have a long useful life and will serve future ratepayers, as well as current ratepayers. It would be inequitable and an unreasonable fiscal burden to make current ratepayers pay for projects out of current rate revenues. Bond issues, retired over approximately 30 years, are both necessary and equitable.

Projects deemed to be debt eligible should:

- Involve a long-term capital asset, as defined in accordance with accounting principles, and have a reasonably long useful life
- Be ineligible for other potential revenue sources within an appropriate time frame, such as WSSC Water's System Development Charge (SDC), governmental aid or private contributions
- Ensure that tax-exempt debt is issued only for those improvements that meet the Internal Revenue Service requirements for the use of tax-exempt bond proceeds

### **Guideline on WSSC Water Debt Limits**

Projects in the CIP are primarily financed with funds from the Water Supply and Sewage Disposal Bond Funds. The Water Supply and Sewage Disposal Bonds are repaid to bondholders over a 30-year period by annual principal and interest payments (debt service). The annual debt service on outstanding bonds is paid from WSSC Water's operating funds.

Paying principal and interest on debt is the first claim on WSSC Water's revenues. By prudent financial management and the long-term strength of the regional economy, WSSC Water has maintained the highest quality rating of its general obligation bonds, AAA/Aaa/AAA. This top rating by Wall Street rating agencies assures WSSC Water of a ready market for its bonds and the lowest available interest rates on that debt.

## CIP FISCAL GUIDELINES (Continued)

### Guideline on WSSC Water Debt Limits (Continued)

Debt limitation strategies such as PAYGO financing, use of accumulated net revenue (fund balance) and reduction or deferral of planned capital expenditures should always be balanced against affordability considerations and the demands for the resources necessary to serve existing customers and meet environmental mandates.

#### Debt Capacity

The aggregate principal amount of bonds and notes issued by the agency must not exceed the legislated allowable level of the total assessable tax base for all property assessed for County tax purposes within the Washington Suburban Sanitary District (WSSD), in conformance with state law governing WSSC Water. Bonds and notes issued by the agency are limited to an amount outstanding at any time that may not exceed the sum of 3.8% of the total assessable base of all real property and 7.0% of the total assessable personal and operating real property for County taxation purposes within the WSSD.

To maintain the highest credit rating, WSSC Water utilizes financial metrics as a means to monitor debt service levels:

- Water and Sewer Debt Service as a Percentage of Water and Sewer Expenditures - This ratio reflects WSSC Water's budgetary flexibility to adapt spending levels and respond to economic condition changes. Required annual debt service expenditures should be kept at no greater than 40.0% of WSSC Water's water and sewer expenditures. This measure excludes expenditures in the General Bond Debt Service fund.
- Water and Sewer Debt Service Coverage Ratio (DSCR) – This ratio helps assess WSSC Water's ability to pay its debt obligations. The ratio is calculated as the amount of net operating revenue available after operating expenses have been paid to meet the annual interest and principal payments on debt service. WSSC Water's target DSCR is 1.10 - 1.25. This measure excludes the General Bond Debt Service fund.
- Leverage Ratio – This ratio helps assess WSSC Water's ability to pay its debt obligations. The ratio is calculated as net adjusted debt (debt outstanding less cash and cash equivalents) to adjusted funds available for debt service (operating revenues less operating expenses excluding depreciation plus adjustments for miscellaneous revenues and expenses). WSSC Water's target is that net adjusted debt be less than 10.0 times adjusted funds available for debt service.

The results of these metrics are calculated each year in conjunction with spending affordability, the capital budget process and as needed for fiscal planning purposes.

### Guideline on Terms for General Obligation Bond Issues

WSSC Water's debt typically takes the form of general obligation bonds and notes, with the pledge of the levy of an unlimited ad valorem tax upon the assessable property of the WSSD for repayment. However, all the debt service is paid from its water consumption charges, sewer use charges, Ready-to-Serve Charges, Front Foot Benefit Charges, assessments and other available funds. WSSC Water has always paid general obligation debt from its own revenues and has never relied on an ad valorem tax levy to pay its debt service.

Bonds are normally issued in a 30-year series with equal payments over the life of the bond issue, which means payments of interest on the outstanding bonds are higher at the beginning and lower at the end. When bond market conditions warrant, or when a specific project would have a shorter useful life, different repayment terms may be used.

### Guideline on Other Forms of Debt

The use of variable rate debt allows the agency to take advantage of short-term interest rates, which are typically lower, as well as to provide interim financing for the water and sewer projects comprising a portion of the agency's capital program. The agency has established a General Obligation Multi-Modal Bond Anticipation Note Program whereby the notes may bear interest in a weekly mode.

## CIP FISCAL GUIDELINES (Continued)

### **Guideline on Other Forms of Debt (Continued)**

In deciding to utilize this note program, the agency shall consider market conditions, funding needs, the level of variable rate debt outstanding and other relevant issues when determining in which mode the notes will be initially issued and reserves the right to convert to a different mode if market conditions change.

The agency participates in the State of Maryland revolving loan fund offered by the Maryland Water Quality Financing Administration. This loan fund was established by the Maryland General Assembly for providing below market interest rates for qualifying projects. When advantageous to WSSC Water, debt financing via this program is pursued. SDC funds are used to pay for new treatment, transmission and collection (storage) facilities.

### **Guideline on Use of Federal and State Grants and Other Contributions**

Grants and other contributions are used to fund capital projects whenever available on terms that are to WSSC Water's long-term fiscal advantage. Such revenues are used for debt avoidance and not for debt service.

### **Guideline on Operating Budget Impact**

In the development of capital projects, WSSC Water evaluates and displays the funding source and the impact to the operating budget on the project description form. In evaluating the cost of construction or acquiring assets funded with debt, the agency budgets to ensure that funding is available for debt service and the subsequent annual operation and maintenance costs of the asset.

### **Guideline on New Development and Growth**

WSSC Water funds capital facilities needed to accommodate growth with developer contributions and through the SDC. In 1993 the Maryland General Assembly approved legislation authorizing the Montgomery and Prince George's County Councils to establish, and WSSC Water to impose, a SDC. This is a charge on new development to pay for that part of WSSC Water's CIP needed to accommodate growth in WSSC Water's customer base. SDC funds are used to pay for new treatment, transmission and collection (storage) facilities. The SDC is reviewed annually by the County Councils. During periods where SDC revenue may be inadequate to fully fund growth projects on a PAYGO basis, WSSC Water bonds are issued with the related debt service expense repaid from future SDC revenues.

## WSSC WATER MANAGEMENT

### **Productivity**

WSSC Water will seek continuous improvement in the productivity of programs in terms of quantity of services relative to resources expended, through all possible strategies.

### **Risk Management**

WSSC Water will control its exposure to financial loss through a combination of commercial and self-insurance; self-insure against all but the highest cost risks; and aggressively control its future exposure through a comprehensive risk management program.

### **Resource Management**

WSSC Water will seek continued improvement in its budgetary and financial management capacity to reach the best possible decisions on resource allocation and the most effective use of ratepayer resources.

### **Employee Compensation**

WSSC Water will act to contain the growth of compensation costs using various strategies including organizational efficiencies, management efficiencies within its operations and service delivery and productivity improvements within its workforce.

### **Retirement Plan**

WSSC Water will assure the security of benefits for employees, retirees and beneficiaries, as well as the solvency of the Employees' Retirement Plan (Plan) of WSSC Water by providing responsible investment management of the Plan's assets through the Board of Trustees (Board). The Board is composed of two Commissioners, four employees who are participants of the Plan, two representatives of the public, two retirees who are participants in the Plan and the Executive Director of the Plan. The administration of the Plan is managed by the Executive Director.

### **Retiree Other Post-Employment Benefits Trust**

The Retiree Other Post-Employment Benefits Trust (Trust), a single employer contributory fund, was established to address the cost of life insurance and medical benefits for future retirees and beneficiaries. Through an Internal Revenue Code Section 115 Grantor Trust, annual contributions by WSSC Water are set aside and invested. The goal of the Trust is to set aside sufficient assets to meet the future costs of retiree benefits as they are earned by current employees.

The agency appoints trustees responsible for the investment management of the assets for the exclusive benefit of the Plan participants. Current trustees are three employees in key positions that are appointed by the agency. The administration of the Trust has been delegated to the Executive Director of the WSSC Water Employees' Retirement Plan.

## GUIDELINES FOR REVENUES AND PROGRAM FUNDING

### **Diversification of Revenues**

WSSC Water will work in cooperation with the elected leadership in both Counties to implement a combination of a volumetric rate structure with dedicated fixed charges to provide a reliable and stable source of water and sewer revenues to fund operations and maintenance and responsible system reinvestment. Permit and inspection fees and other special service charges will be set in a manner to recover the related costs incurred so that the general ratepayer is not subsidizing private activity.

### **Revenue Projections**

WSSC Water will estimate revenues in a realistic and conservative manner to minimize the risk of a funding shortfall.

### **One-Time Revenues**

WSSC Water will, whenever possible, give highest priority for the use of one-time revenues from any source to the funding of capital assets or other non-recurring expenditures so as not to incur ongoing expenditure obligations for which revenues may not be adequate in future years.

### **Ready-to-Serve Charges/Fixed Fees**

WSSC Water's water and sewer rates produce only the revenues needed to support services and operations. The agency's rate structure is comprised of both variable rates and fixed fees and reflects the costs to provide services to different customers based on their usage characteristics. The Annotated Code of Maryland authorizes a fixed, Ready-to-Serve Charge that represents the fixed costs of delivery of service to customers, regardless of the volume of service used. The Ready-to-Serve Charge is comprised of two components: the Account Maintenance Fee and the Infrastructure Investment Fee.

#### Account Maintenance Fee

The Account Maintenance Fee (AMF) is a fixed fee that recovers the cost of service associated with maintaining and servicing customer accounts. These expenses include the cost of purchasing, maintaining, reading and replacing meters; processing meter readings; generating and mailing customer bills; and providing customer services.

The AMF ensures that revenue will be received to cover the cost of providing customer services and meter maintenance. The fee increases with meter size because it is costlier to purchase and maintain larger meters.

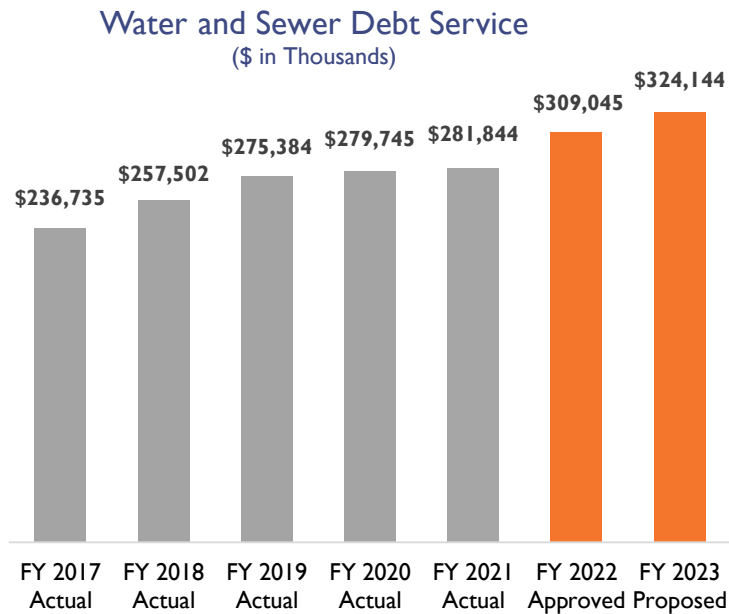
#### Infrastructure Investment Fee

The Infrastructure Investment Fee (IIF) is a fixed fee that funds a portion of the debt service associated with the agency's water and sewer pipe reconstruction programs from the approved CIP.

## WATER AND SEWER DEBT SERVICE GUIDELINES

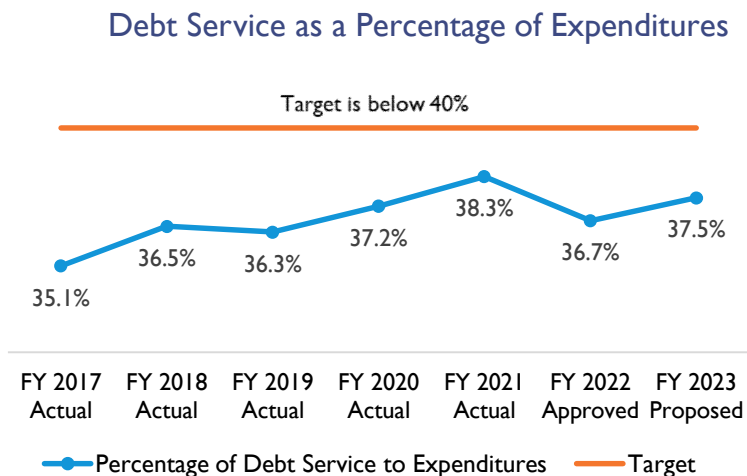
### Debt Service

The largest expenditure in the FY 2023 proposed water and sewer operating budget is debt service. Debt service increased by \$15.1 million from \$309.0 million in FY 2022 to \$324.1 million in FY 2023. The increase is due in part to an estimated ramp-up in expenditures associated with the Potomac Water Filtration Plant Consent Decree, eight new WSSC Water-built projects and the ramp up of Blue Plains' project. 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 about 36.8% of the FY 2023 Proposed CIP and highlights can be found in the FY 2023 to FY 2028 Proposed CIP at <https://www.wsscwater.com/fin>.



### Debt Service as a Percentage of Expenditure

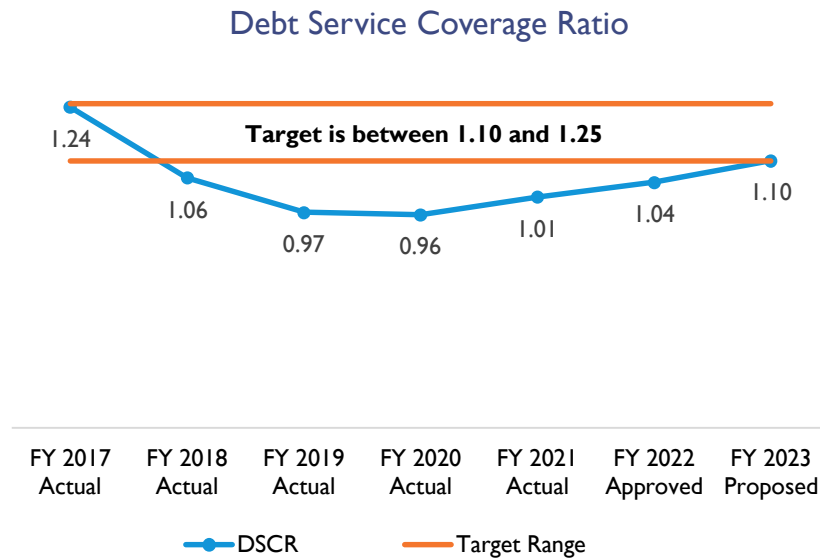
As part of the long-range financial plan, WSSC Water has a target of keeping water and sewer debt service below the targeted 40.0% of total water and sewer expenditures. The chart below shows that the agency continues to be fiscally responsible in meeting this target. For FY 2023, the proposed debt service percentage is 37.5% of water and sewer operating costs.



## WATER AND SEWER DEBT SERVICE GUIDELINES (Continued)

### Debt Service Coverage Ratio

The Debt Service Coverage Ratio (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 2023 is 1.10 which is an improvement from the FY 2022 ratio of 1.04. The improvement in the projected DSCR is achieved by budgeting \$16.0 million in cash reserves as an effort towards maintaining the AAA bond rating.



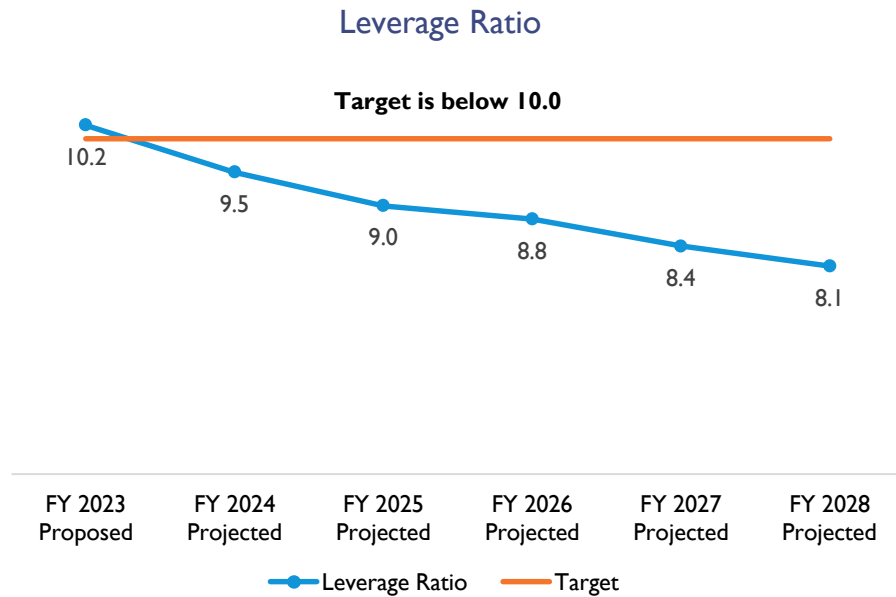
Below is the formula for calculating DSCR where Net Operating Revenue equals Operating Revenue minus Operating Expenses, excluding Debt Service and PAYGO.

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

## WATER AND SEWER DEBT SERVICE GUIDELINES (Continued)

### Leverage Ratio

The leverage ratio is an important financial metric for measuring the ability to pay debt obligations. Beginning FY 2023, WSSC Water included the leverage ratio as one of the metrics to the agency's long-range financial plan. WSSC Water's target for the leverage ratio is a value below 10.0. The projected ratio for FY 2023 is 10.2, which is above the target. However, as shown in the chart below, the ratio is projected to be in the target range beginning in FY 2024 and continue to improve through FY 2028.



Below is the formula for calculating the leverage ratio.

$$\text{Leverage Ratio} = \frac{\text{Net Adjusted Debt}}{\text{Adjusted Funds Available for Debt Service}}$$



## **SECTION 7**

### **REVENUES**

## REVENUES

This section provides assumptions, including discussions of the regional economy. Revenue sources used to fund WSSC Water's Fiscal Year (FY) 2023 Proposed Budget incorporate policy recommendations. WSSC Water currently recovers necessary revenues through both fixed and volumetric charges.

## ECONOMIC OUTLOOK

### Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of WSSC Water's FY 2023 Proposed Budget. Even though it is assumed that these policies will be effective during the budget period, subsequent agency actions, state law and budgetary changes, actual economic conditions and revised revenue projections may result in policy changes.

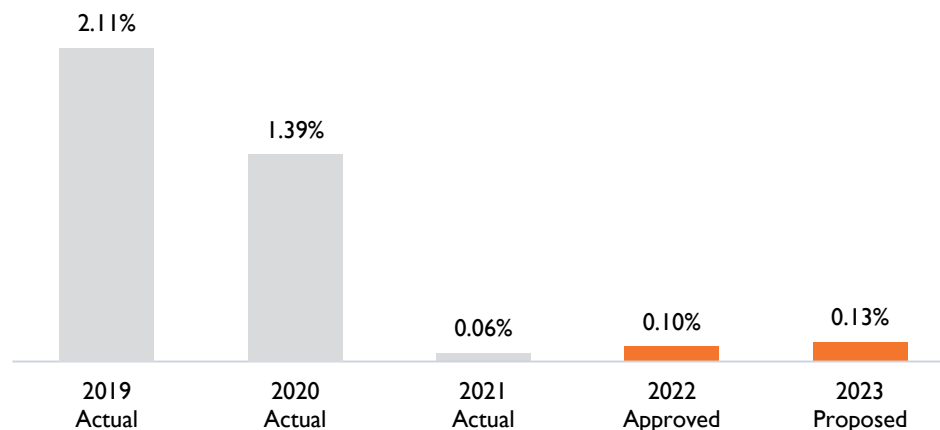
### COVID-19 Impact to Assumptions

The FY 2023 Proposed Operating Budget anticipates continued pressure on revenue resulting from the COVID-19 pandemic challenging customers' ability to pay utility and household expenses. Through the first half of FY 2022 WSSC Water lost approximately \$130 million in revenue due to more than 90,000 customers bill payment delinquencies. To date the agency has not received any federal, state or County financial support other than two hundred fifty-five thousand dollars from the Federal Emergency Management Agency ("FEMA") as reimbursement for COVID-19 related costs. WSSC Water has required budget cuts of roughly \$150 million in FYs 2020 through 2022. Additional non-recommended operating budget cuts of \$23.1 million are included in the FY 2023 Preliminary Proposed Budget across all departments, which will impact services. The FY 2023 operating budget also includes a \$6.0 million adjustment for uncollectable revenue, which is anticipated to grow in future years. WSSC Water ensures protection of public health and safety by providing safe, clean and reliable water, but the budget reductions to the operations will impact the level of service.

### Interest Rates

After cutting rates three times throughout 2019, the Federal Reserve Board, through its Federal Open Market Committee (FOMC), reduced rates twice in March of 2020 to address the effects of the global COVID-19 pandemic, bringing rates back to near zero. Most economists now predict interest rates will remain lower for longer, with predicted rate hikes now delayed to late 2022 or into 2023. As a result, operating investment income is assumed to be \$0.5 million in FY 2023. The return on WSSC Water's short-term investments highly correlate to the federal funds rate with a slight lag period.

### Yield on Investment Income



## ECONOMIC OUTLOOK (Continued)

### Demographic Assumptions

The revenue projections incorporate assumptions based on economic data and analyses used or prepared by the Finance Department. Using economic and demographic assumptions to develop fiscal projections does not mean that all possible factors have been considered. It is likely unanticipated events may affect long-term revenue or expenditure projections. Although the events cannot be quantified, such potential factors should not be ignored in considering possible future developments. These potential factors include the following changes: the level of local economic activity, national economic climate, federal and state tax and expenditure policies, federal and state mandates and financial markets.

### Population Served and Customer Accounts

Based on both the 2020 U.S. Census and WSSC Water's research, the agency's FY 2020 population served is 1.9 million. Subsequent years are assumed to increase approximately 0.3% through FY 2023, based on historical trends.

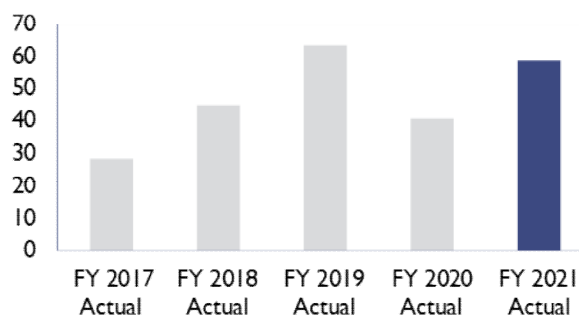
As of June FY 2023, WSSC Water is estimated to have 475,000 customer accounts. Most accounts are residential at 95.4%, followed by commercial and industrial at 3.7%, and government and other at 0.9%.

### Weather Conditions

Weather influences both the supply of and demand for water. Higher rainfall levels generally increase the operating costs of a water utility. When surface water is the source of drinking water, more chemicals may be needed to treat the drinking water. Heavy rain and wet conditions can cause infiltration and inflow into sanitary sewer systems meaning increased wastewater flows and chemical demands for treatment. Higher flow levels increase the amount of time sewer pumps must run to manage the additional flow, increasing utility costs. With extremely rapid or heavy rainfall, additional labor hours are needed to maintain equipment at sewer pump stations throughout the service area. While operating costs increase, demand for the water usually decreases. Demand for water used for irrigation drops during periods of high rainfall. In addition, customers take fewer showers and consume less drinking water because outdoor work decreases and average temperatures are lower on rainy days.

The Washington, D.C. area experienced significant precipitation during FY 2020 and FY 2021 of 40.7" and 58.6", respectively. The FY 2021 precipitation increased 44.2% compared to FY 2020. Water production increased slightly from 162.6 million gallons per day (MGD) in FY 2020 to 162.8 MGD in FY 2021. Normal annual precipitation is 42.7" for Montgomery County and 42.5" for Prince George's County. For the twelve month period through June 2021, Montgomery County received 44.4" and Prince George's County received 55.7".

**Washington D.C. Area  
Total Annual Precipitation  
(in inches)**



## ECONOMIC OUTLOOK (Continued)

### Economic Indicators

Revenue projections depend on the current and national, regional and local economic indicators. The assumptions for each indicator will affect WSSC Water's revenue projections. Such projections are dependent on several factors: public health crises; fiscal and monetary policy; real estate and construction projects; population; income and employment; consumer and business confidence; the stock market; mortgage interest rates; and geo-political risks. Analysts assess the stability and strength of an organization's revenue potential, which includes looking at income, inflation and the general strength of the region.

Prior to the COVID-19 public health emergency, the Maryland Bureau of Revenue Estimates anticipated the continued slowing of underlying economic growth due to several factors, including: the reduction of federal government jobs; restraint on demand due to trade barriers; and the impact of wage and employment growth occurring primarily in lower wage industries. In addition, the changing age demographics of the workforce has and will continue to restrain revenue growth through at least 2040.

### COVID-19 Public Health Crisis

The Maryland Bureau of Revenue Estimates has been monitoring the impact of the COVID-19 public health crisis since March 2020, which continues to catastrophically impact Maryland's economies, particularly Prince George's and Montgomery Counties, which had the most virus cases in the state.

In April 2020, Prince George's County reduced its FY 2021 budget revenue estimates by \$134.0 million or 4.8% below the County's FY 2021 proposed budget revenues. In June 2021 Prince George's County's received \$88.3 million of a total \$176.6 million in American Rescue Plan Act funds, with the remainder to be received in FY 2022, which can be used through FY 2024. In addition, Prince George's County received \$158.6 million in Coronavirus Aid, Relief and Economic Security Act (CARES) funding. Estimated revenue growth may slow due to commercial vacancy rates impacting valuation growth, thereby impacting tax revenues. The County's Approved FY 2022 budget includes a 1.3% increase over the Approved FY 2021 budget and notes the anticipated significant FY 2021 reduction in income taxes did not materialize due to the federal stimulus legislation. The County is home to vital government bureau and higher education facilities.

According to Montgomery County's FY 2021 financial statements, Montgomery County reduced FY 2021 operating and capital budget spending estimates by \$56.2 million by introducing two savings plans and implementing a hiring freeze. Montgomery County received \$183.3 million of CARES receipts for FY 2021 programs. The American Rescue Plan Act committed \$204.1 million to Montgomery County, \$102.0 million for 2021, and the remainder in 2022. Montgomery County also received \$73.3 million in federal and state funding for emergency rental assistance programs. The County's Approved FY 2022 budget includes a 2.3% increase from the Approved FY 2021 budget. The County's employment base includes the U.S. government and contractors in the information, intelligence, biotechnology and high-tech manufacturing industries.

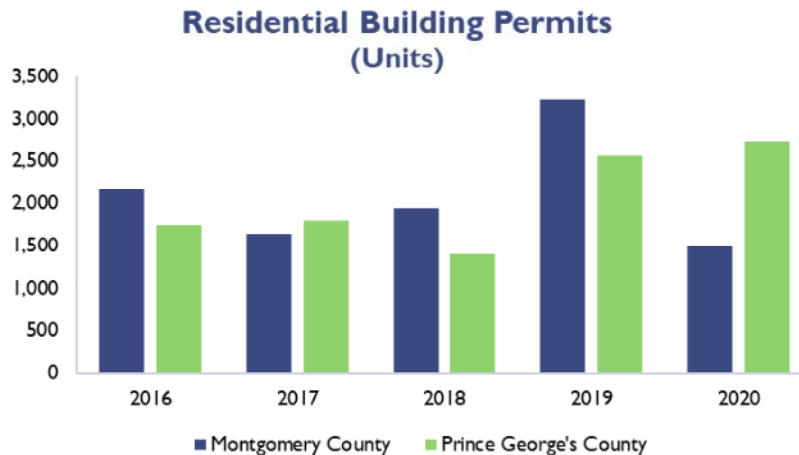
In FY 2021 the State of Maryland received more than \$341 million in FEMA reimbursements. Maryland's FY 2022 and FY 2023 budgets assumed \$80 million and \$100 million respectively in potential revenue volatility. Including the estimated revenue exposure, Maryland's FY 2022 revenues are estimated to increase \$995 million over budget, a 3.4% growth. FY 2023 revenue is estimated to increase 5.5% over FY 2022's revision.

Despite WSSC Water's approximate \$130 million in revenue losses due to over 90,000 account delinquencies and despite repeated requests for direct federal, state and County assistance, no funding has been received. The agency does anticipate receiving \$255 thousand from FEMA for COVID-19 related cost reimbursements in FY 2022.

## ECONOMIC OUTLOOK (Continued)

### Real Estate and Construction Projects

The construction of new residential units in Montgomery County increased 65.6% in 2019 and then decreased 53.9% in 2020. The County had a 1.8% increase in median owner-occupied housing value in 2020. Prince George's County residential construction increased 82.8% in 2019 and 5.9% in 2020. Prince George's County saw increased median owner-occupied housing values of 3.1% over the prior year. Complete 2021 data is not yet available.



Large construction projects in Montgomery and Prince George's Counties also positively impact WSSC Water's revenue. The 16-mile Purple Line light rail system between Montgomery and Prince George's County is under construction. The University of Maryland Capital Region Medical Center, in Prince George's County, opened in 2021 and is the new 205 bed teaching medical center, which includes a level II trauma center, a cardiac surgery center and a neonatal intensive care unit. The 150-acre University of Maryland Discovery District continues to be developed and includes academic, research and commercial components.

### Population

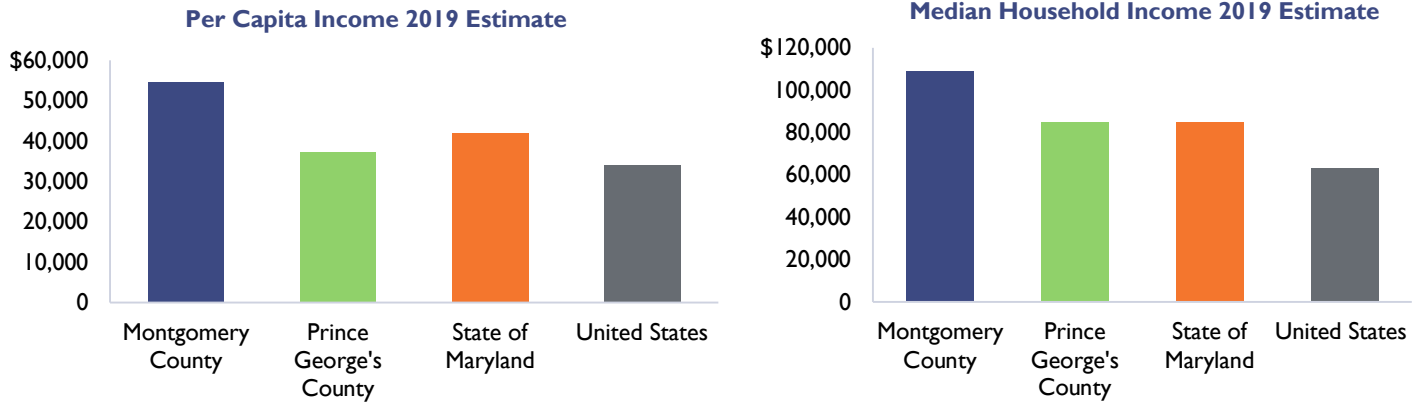
As of the spring of 2020, Montgomery County's population increased 1.1% over the prior period. During the same period Prince George's County's population grew 6.4% as compared to the overall State of Maryland growth rate of 2.2%.

### Per Capita Income and Median Household Income Statistics

According to the U.S. Census Bureau, the higher the per capita income and median household income indicators, the more money people have available to spend. Prince George's County's 2019 per capita income grew 3.7%, more slowly than the 4.0% state increase. Prince George's County median household income growth mirrored the state average of 3.6%. Montgomery County per capita income grew 3.2% for the same period. Montgomery County median household income in 2019 increased 2.4%, more slowly than the state's overall 3.6% increase.

The data represents Census Bureau estimates for calendar year 2019, the latest year data is available. Census Bureau calendar year estimates for 2020 are not scheduled to be available until March 2022.

## ECONOMIC OUTLOOK (Continued)



### Employment

Montgomery County's 2020 unemployment rate grew to 6.3% from 2019's 2.9%, a direct result of the COVID-19 pandemic. The State of Maryland's 2020 unemployment rate was 6.8% versus 3.6% in 2019. As of October 2021, Montgomery County's unemployment rate has decreased to 4.7% versus Maryland's overall 5.1% rate. Montgomery County's Department of Finance forecasts continued economic improvement.

Prince George's County 2020 unemployment rate of 8.2% versus 2019's 3.7% also reflects the devastating economic impact of the pandemic. As of October 2021, the County's rate has improved to 6.4%. Prior to the COVID-19 public health crisis, Prince George's County's overall fiscal outlook was cautiously optimistic, noting the County has not yet returned to pre-recession growth rates.

Additional economic information about Montgomery County and Prince George's County is found in Appendix A.

## RATEPAYER, READY-TO-SERVE AND MISCELLANEOUS REVENUES

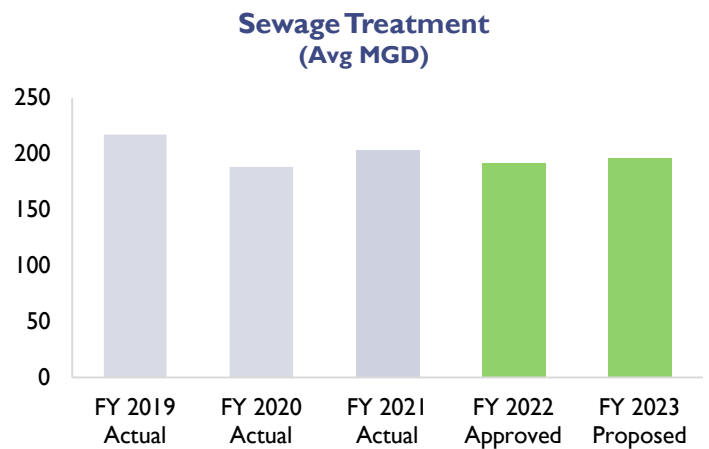
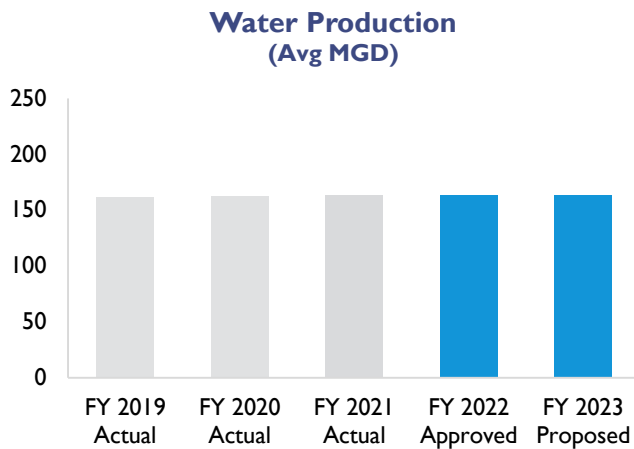
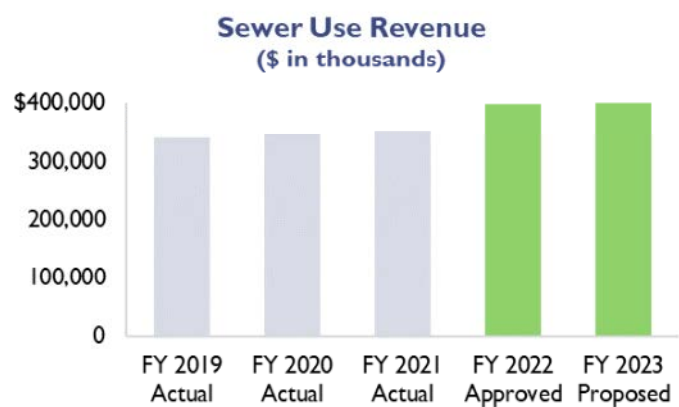
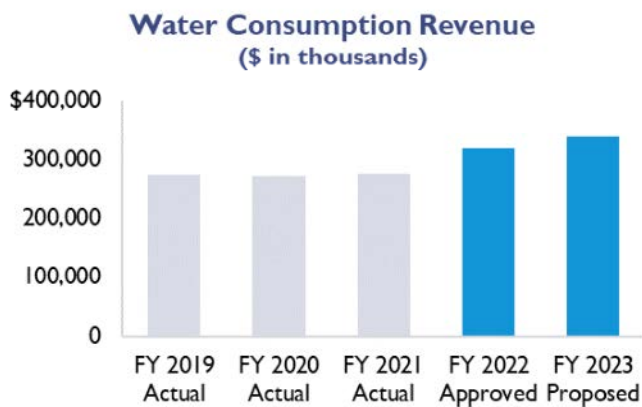
Revenues from the Water and Sewer Operating Funds are estimated at \$865.9 million in FY 2023. This is a \$37.4 million increase, or 4.5%, from the FY 2022 Approved Budget, primarily attributed to an increase in water and sewer use and ready-to-serve charges.

### Water and Sewer Consumption Revenues

The purpose of the water consumption and sewer use charges is to recover those costs for maintenance and operation of pipes, pumping stations, filtration and treatment plants and reservoirs needed to supply water to the Washington Suburban Sanitary District (WSSD), and to pay the principal and interest on bonds.

WSSC Water pays the District of Columbia Water and Sewer Authority (DC Water) for the agency's share of the regional sewage disposal charges incurred by DC Water. State law requires the water consumption and sewer use charges be sufficient to meet all expense provisions.

FY 2023 water production is assumed to be 163.0 MGD and sewer treatment is projected to be 196.9 MGD.



## RATEPAYER, READY-TO-SERVE AND MISCELLANEOUS REVENUES (Continued)

### Water and Sewer Consumption Revenues (Continued)

Water Consumption Charges – revenue is derived from the sale of water by applying an increasing rate schedule per 1,000 gallons of use. The rate charged for each account is based upon the average daily consumption during each billing period. The proposed range of FY 2023 rates is \$6.13 to \$9.35 per 1,000 gallons of water consumed.<sup>1</sup>

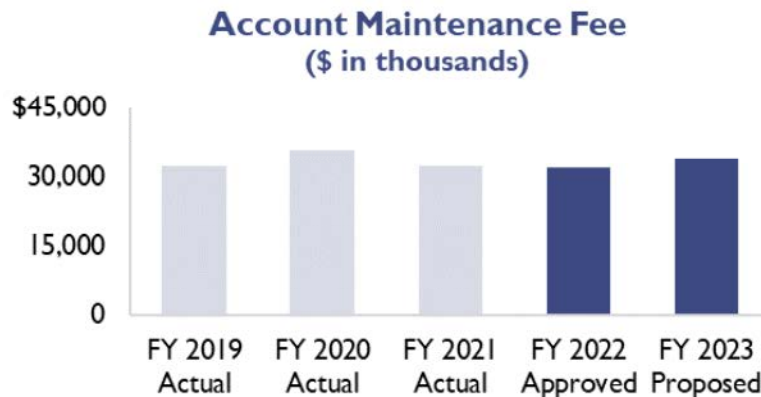
Sewer Use Charges – revenue is derived from applying an increasing rate schedule per 1,000 gallons of metered water use. The rate charged for each account is based upon the average daily water consumption during each billing period. The proposed range of FY 2023 rates is \$8.14 to \$14.99 per 1,000 gallons of metered water. The proposed rate for customers using sewage disposal only is a flat rate of \$142.00 per quarter.<sup>1</sup>

The estimated FY 2023 revenues from water consumption and sewer use charges are \$339.9 million and \$417.1 million, respectively. A 7.0% average rate increase has been incorporated to help pay for debt service, maintenance and infrastructure renewal. Additional information on rates can be found in Section 2.

### Account Maintenance Fee

The Account Maintenance Fee (AMF) is charged to all customers, based on meter size, to defray costs of providing and reading a meter and rendering a water and/or sewer bill. The FY 2023 Proposed Budget of \$34.0 million includes a 7% rate increase, the first increase since FY 2016.

The AMF currently in place was developed in a 2014 study which resulted in a revised fee in FY 2016 based on meter size.



<sup>1</sup> **Disclaimer:** The proposed rates by tier are subject to adjustment pending further revenue analysis. The final weighted average rate increase will be 7.0%, however, shifts in consumption by tier may necessitate varied increases among the individual tiers.



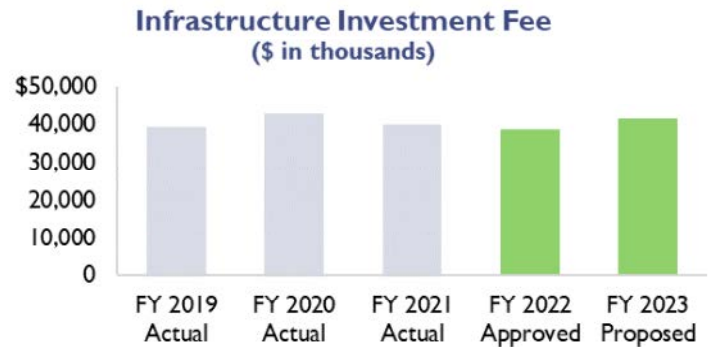
## RATEPAYER, READY-TO-SERVE AND MISCELLANEOUS REVENUES (Continued)

### Infrastructure Investment Fee

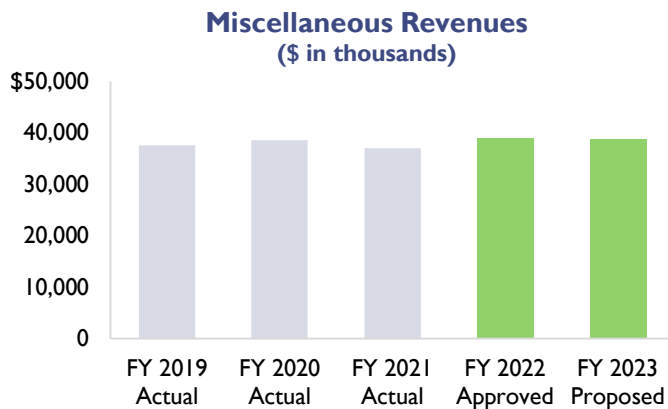
The Infrastructure Investment Fee (IIF) is a fixed fee that funds a portion of the debt service associated with the agency's water and sewer main reconstruction programs in the approved CIP.

The IIF was implemented in FY 2016 with the fee phased-in over two fiscal years. WSSC Water held the fee at the FY 2017 level through FY 2022. The FY 2023 fee reflects the 7% rate increase, the first increase since FY 2017, and is based on meter size.

The FY 2023 Proposed Budget is \$41.5 million.



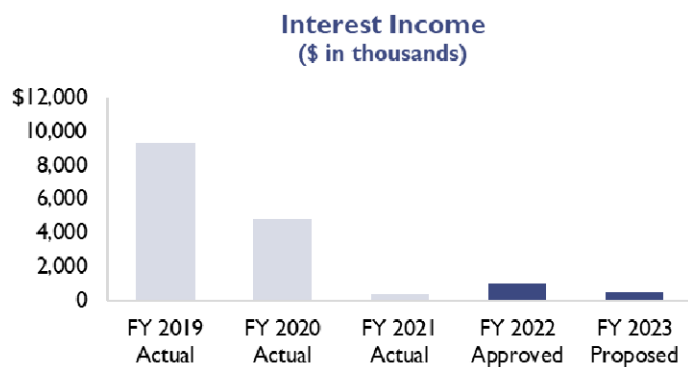
### Miscellaneous Revenues



Miscellaneous Revenues are derived from: plumbing and inspection fees; Rockville sewer use; late payment of bills; repair of agency property (e.g., sewer mains) damaged by individuals; relocation of WSSC Water's sewer lines and/or facilities for the benefit of other parties (e.g., state or County departments of transportation); and sewage haulers' fees which are charged for discharging septic tank clean-out wastes into WSSC Water's sewerage system.

The FY 2023 Proposed Budget Miscellaneous Revenue will remain approximately the same as the FY 2022 Approved Budget, resulting in \$38.9 million in FY 2023 revenue.

### Interest Income



Interest income includes pooled and non-pooled investments, plus interest income from other funds. WSSC Water operates an investment pool, directed by an investment manager, adhering to the agency's adopted Investment Policy. WSSC Water earned an average of 2.10% in interest income on its short-term portfolio for FY 2019 with a decrease to 1.40% in FY 2020, and a further decrease to 0.06% in FY 2021. Estimated returns for FY 2022 and FY 2023 are at 0.03% and 0.13% per annum, respectively. This assumption is based on the limited returns available in the market, with potential rate hikes delayed to 2022 and 2023. As result, interest income is assumed to be approximately \$0.5 million in FY 2023.

## REVENUES AND TRANSFERS IMPACT ON DEBT SERVICE

### Front Foot Benefit Charges and House Connection Assessments

Front Foot Benefit Charge (FFBC) revenues are derived from charges assessed on owners of property abutting water and/or sewer mains who derive a benefit from the construction of these water mains and sewers. This revenue pays a portion of General Construction Bonds. Current FFBC assessment rates are as follows (\$ per foot):

	Water	Sewer
<b>Subdivision</b>		
First 150 Feet	\$4.00	\$6.00
Next 150 Feet	3.00	4.50
Over 300 Feet	2.00	3.00
<b>Business</b>		
All Footage	5.32	7.98

The rates established each year apply mainly to the assessable properties that benefit from that year's construction. The rates cannot be increased and remain in effect during the life of the bonds issued to pay for the construction. Developers now install the water mains and sewers previously built by WSSC Water for new builds. As a result, property owners of newly developed sites do not pay FFBC to WSSC Water. In addition, as the bonds associated with older sites expire, the impacted property owners cease paying WSSC Water the associated FFBC, thereby permanently reducing the agency's FFBC revenues. The continued decline in FFBC revenue is anticipated as bonds mature.

House Connections (H/C) revenues are derived from deferred or amortized house connection payments to cover the cost of building lines from WSSC Water's lateral lines to the property line. These H/C charges may be paid over a multi-year period and revenues shown are those being collected from this method of payment until fully amortized.

The FY 2023 Proposed Budget assumes that FFBC and H/C revenue will decrease approximately \$1.7 million (20.0%) from the FY 2022 Approved Budget.

### Use of Fund Balance

Using a portion of the fund balance is an essential tool for addressing an operating budget that may be impacted by short term revenue volatility, need for debt service relief and/or an extraordinary expense. The decision to use fund balance is at the discretion of WSSC Water's management and may be done in conjunction with other actions to reduce costs or increase revenues. The minimum level of fund balance retained is governed under fiscal policy.

The FY 2023 Proposed Budget assumes no use of fund balance.

### Debt Service Offsets

The System Development Charge (SDC) Debt Service Offset is related to prior fiscal years when capital "growth" expenditures exceeded the available SDC account balance. When there is such an occurrence, WSSC Water issues new SDC supported debt to cover this temporary gap rather than increasing the SDC. The portion of debt is then repaid (offset) through future SDC collections, as allowed by state law. For the FY 2023 Proposed Budget, the SDC offset is programmed at \$5.8 million.

The Reconstruction Debt Service Offset (REDO) is supported through surplus funds from the refinancing of General Construction Bond debt. The offset is used to pay a portion of the debt service for the system reconstruction programs. For the FY 2023 Proposed Budget, REDO will be \$4.0 million.

## REVENUE TRENDS

### Water & Sewer Operating Funds - Combined

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Operating Revenues</b>					
Water Consumption Charges	\$ 273,753	\$ 271,173	\$ 275,019	\$ 318,941	\$ 339,892
Sewer Use Charges	341,496	346,985	353,536	398,862	417,132
Account Maintenance Fees	32,116	35,922	32,346	31,866	34,048
Infrastructure Investment Fees	39,278	42,781	39,886	38,808	41,486
Plumbing & Inspection Fees	13,594	14,425	16,882	14,350	16,780
Rockville Sewer Use	3,106	3,147	3,147	3,100	3,100
Miscellaneous	20,913	21,053	16,948	21,600	19,000
Interest Income	9,306	4,881	392	1,000	500
Uncollectable	-	-	-	-	(6,000)
<b>Total Operating Revenues</b>	<b>\$ 733,562</b>	<b>\$ 740,367</b>	<b>\$ 738,156</b>	<b>\$ 828,527</b>	<b>\$ 865,938</b>
<b>Other Credits and Transfers</b>					
Use of Fund Balance	11,580	11,341	8,000	-	-
REDO	12,500	11,600	9,500	6,000	4,000
SDC Debt Service Offset	5,551	6,695	5,772	5,772	5,772
Premium Transfer	-	7,904	7,151	-	2,500
Underwriters Discount Transfer	-	-	2,000	2,000	2,000
<b>Total Funds Available</b>	<b>\$ 763,193</b>	<b>\$ 777,907</b>	<b>\$ 770,579</b>	<b>\$ 842,299</b>	<b>\$ 880,210</b>

### General Bond Debt Service Fund

(\$ in thousands)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed
<b>Operating Revenues</b>					
FFBC & H/C Charges	\$ 15,809	\$ 12,824	\$ 10,664	\$ 8,428	\$ 6,744
Interest Income	1,127	483	20	-	-
Miscellaneous	268	174	189	130	160
<b>Total Operating Revenues</b>	<b>\$ 17,204</b>	<b>\$ 13,481</b>	<b>\$ 10,873</b>	<b>\$ 8,558</b>	<b>\$ 6,904</b>
<b>Other Credits and Transfers</b>					
REDO	12,500	11,600	9,500	6,000	4,000
Use of Fund Balance	(12,500)	(11,600)	(9,500)	(6,000)	(4,000)
<b>Total Funds Available</b>	<b>\$ 17,204</b>	<b>\$ 13,481</b>	<b>\$ 10,873</b>	<b>\$ 8,558</b>	<b>\$ 6,904</b>

**SECTION 8**  
**CAPITAL BUDGET**

## CAPITAL BUDGET

The principal objective of the capital budget is the programming of planning, design and construction activities on a yearly basis for major water and sewerage infrastructure projects and programs. These projects and programs may be necessary for system improvements for service to existing customers, to comply with federal and/or state environmental mandates or to support new development in accordance with the Counties' approved plans and policies for orderly growth and development. The capital budget has conformed to the Spending Affordability Guidelines (SAG) established by both County governments every year since 1994.

### CIP PROJECT DEVELOPMENT AND APPROVAL PROCESS

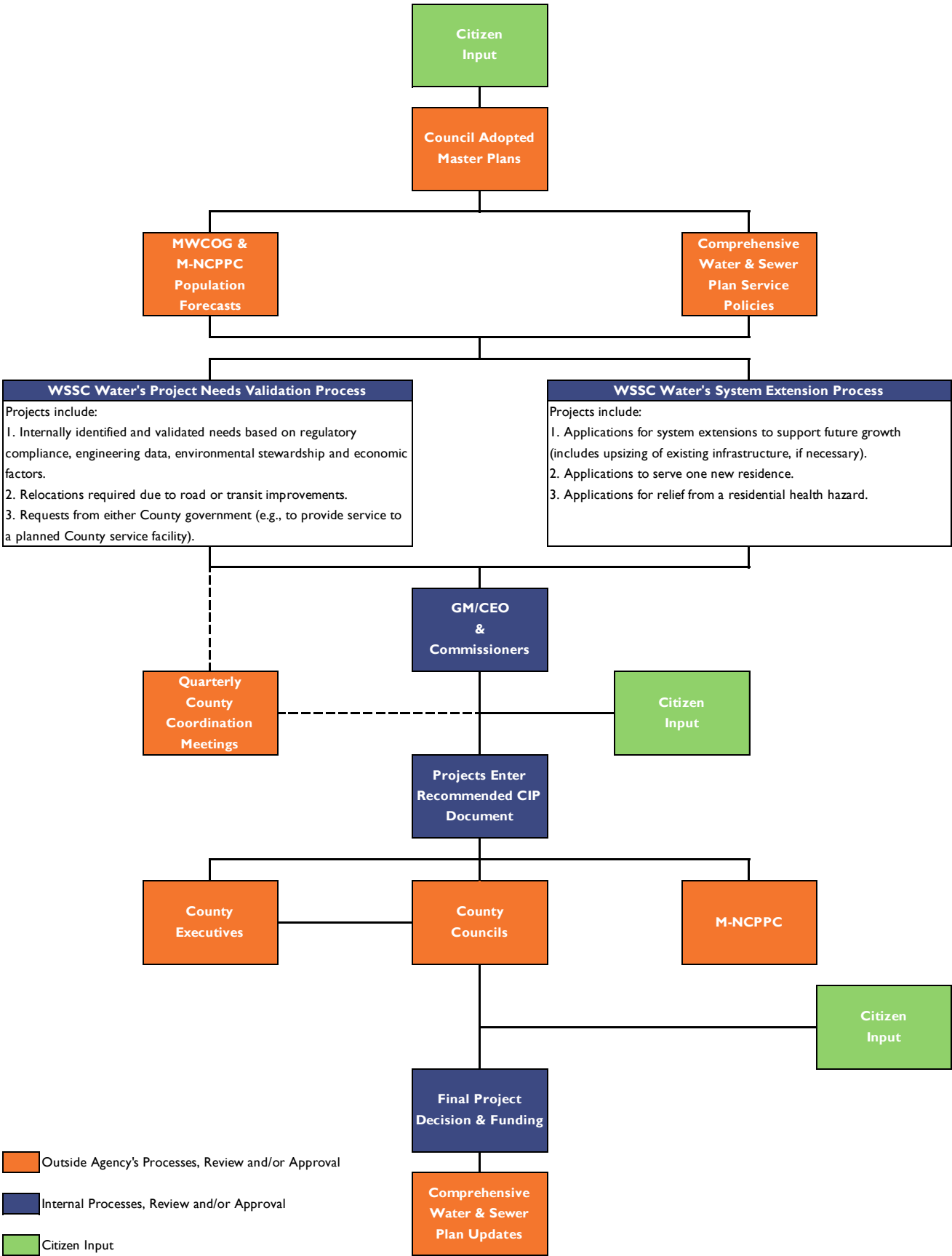
Projects are selected for inclusion in the capital budget based on our Capital Improvements Program (CIP) project development and approval process. The primary objectives of this process are to establish a sound basis for decision-making, to efficiently conduct and document specific work tasks and to successfully implement needed solutions. This is achieved by incorporating engineering data, environmental requirements, economic factors and public interaction. The guiding policy for the process is to have facilities in service when, or before, they are needed so that new development demands on the system do not result in a reduction of the level of service provided to existing customers. This policy provides for unrestricted water supply and no sewage overflows and avoids a water or sewer connection moratorium. It also requires that both the water and wastewater systems are sized to handle the peak or maximum demands, adjusted for weather-related usage. For most facilities, WSSC Water plans enough capacity to last 20 years or more. Other important goals of the process include producing a result that is acceptable to citizens, elected officials, regulatory agencies and WSSC Water at a reasonable cost and providing utility service to the type and location of development that each County governing body has approved, if economically and otherwise feasible.

The CIP project development and approval process is a combination of several internal and external processes. These component processes include the two Counties' master planning and water and sewer planning processes, WSSC Water's Project Needs Validation Process, WSSC Water's System Extension Process and the statutory approval process for the CIP. These various processes incorporate a significant amount of other outside influences and data. For example, they encompass numerous opportunities for citizen input, population forecasts from the Metropolitan Washington Council of Governments (MWCOC) and the Maryland-National Capital Park and Planning Commission (M-NCPPC) and regulatory, engineering, environmental and economic data. The overall CIP project development and approval process is shown in the diagram on the next page.

The two primary avenues through which a project may be added to the CIP are shown in the diagram and are WSSC Water's Project Needs Validation Process and WSSC Water's System Extension Process. The Project Needs Validation Process, which is overseen by WSSC Water's Asset Management Program, systematically identifies and validates the water, wastewater and support services needs of the agency, develops potential solutions to the validated needs and recommends a preferred solution. The System Extension Process addresses projects undertaken by applicants to support future growth, serve one new residence or provide relief from a residential health hazard. Projects may also be included in the CIP in response to relocation requirements due to road or transit improvements, at the request of either County government (e.g., to provide service to a planned County service facility) or when an existing project is split either at the request of the applicant or for administrative reasons (e.g., to afford better project management or to provide greater clarity to the reader). As shown in the process diagram, relocation and County driven projects are generally processed through the Project Needs Validation Process for consistency and transparency.

Additional information about the CIP project development and approval process is provided in the CIP document available through our Communications & Community Relations Office and on our website at <https://www.wsscwater.com/fin>.

CIP PROJECT DEVELOPMENT AND APPROVAL PROCESS (Continued)



## EXPENSE CATEGORIES

The WSSC Water capital budget is comprised of two main expenditure categories: CIP projects and Information Only projects.

### **Capital Improvements Program**

The projects included in the CIP represent a multi-year plan to design and construct the capital facilities required to protect the health and safety of the residents of the two Counties we serve by protecting our source water, providing an adequate supply of safe drinking water, meeting fire-fighting requirements and collecting and adequately treating wastewater before it is returned to the waters of the State of Maryland. WSSC Water strives to maintain a balance between the use of valuable resources and the public's demand for clean water and the treatment of sanitary waste in an ethically, financially and environmentally responsible manner. The estimated total expenditures from the first year of the CIP - the budget year - are included in the expenditure summary on the next page. Detailed project information is provided in the CIP document available through our Communications & Community Relations Office and on our website at <https://www.wsscwater.com/fin>.

### **Information Only**

The Information Only projects section of the CIP document contains projects that are not required to be in the CIP but may be included for any number of reasons such as: fiscal planning purposes, the reader's improved understanding of the full scope of a specific set of projects or responding to requests from County governments. The projects that make up the largest expenditures in this section are as follows: the water and sewer system reconstruction programs, the Engineering Support Program and the Other Capital Programs. The reconstruction programs provide for the systematic replacement and rehabilitation of small diameter water mains and sewer lines. The Engineering Support Program represents a consolidation of a diverse group of smaller, non-CIP sized, projects that support our existing facilities. The Other Capital Programs includes miscellaneous capital projects and expenditures for common operational activities such as relocations, new house connections, water meters, paving and general construction of local lines. Detailed project information is provided in the Information Only projects section of the CIP document. A list of the Information Only projects is shown in the expenditure summary on the next page.

## CAPITAL BUDGET EXPENSE SUMMARY

The total Fiscal Year (FY) 2023 Proposed Capital Budget is \$716.7 million. This is comprised of \$484.0 million in CIP projects, \$252.0 million in Information Only projects and an adjustment of \$19.3 million to account for expenditures funded via developer contributions for projects with a signed System Extension Permit (SEP). The FY 2023 Proposed Capital Budget is \$13.0 million higher than the FY 2022 Approved Capital Budget. The increase is primarily driven by a \$34.8 million increase in expenditures for the Bi-County Water projects in the CIP in the budget year. Key changes leading to the increase are as follows:

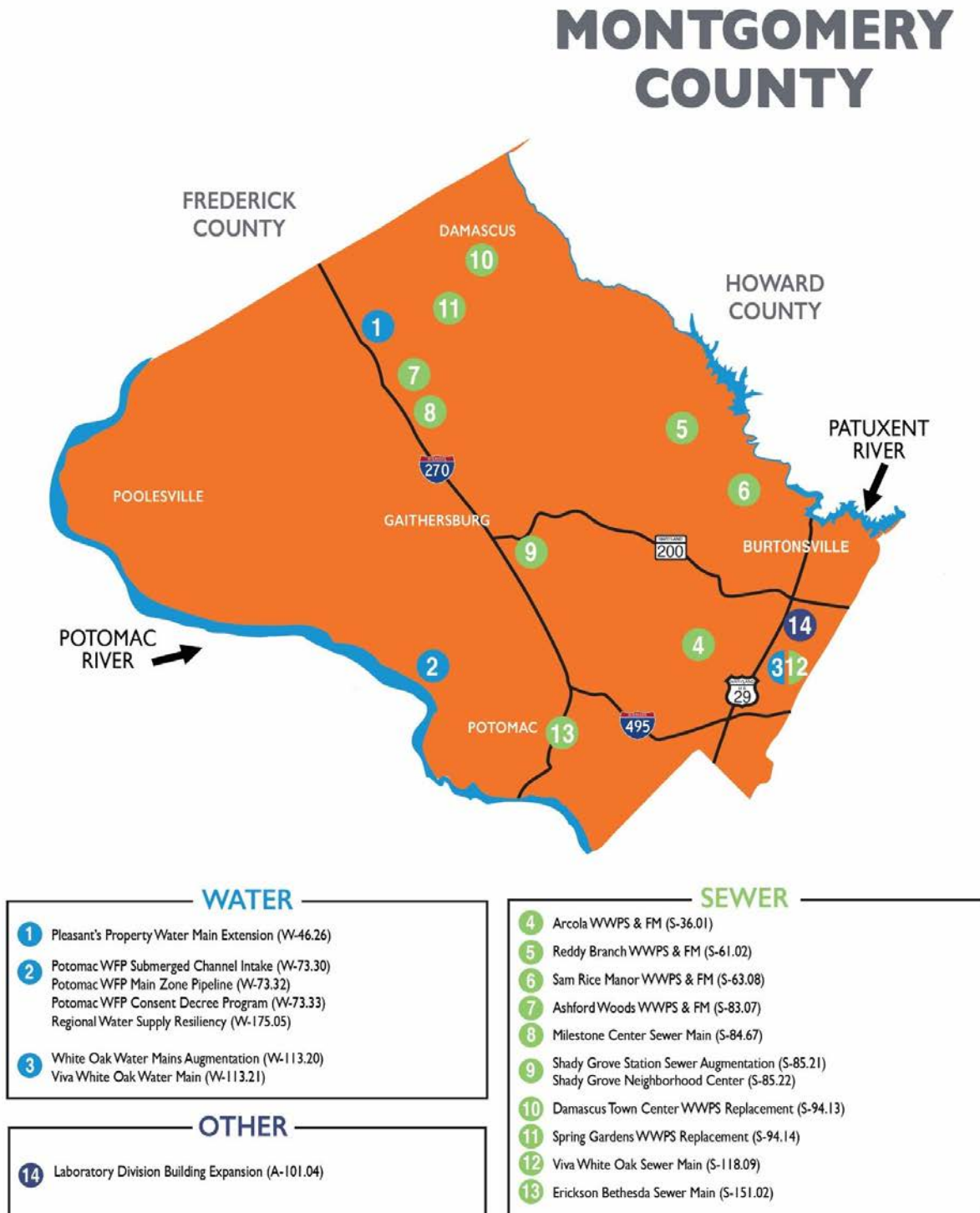
- The ramping up of construction on the Potomac Water Filtration Plant Consent Decree
- The ramping up of expenditures for the Blue Plains Advanced Wastewater Treatment Plant projects
- The addition of eight new WSSC Water-built projects to address aging assets that are at or beyond their useful lives

(\$ in thousands)	FY 2022 Approved	FY 2023 Proposed
<b>Capital Improvements Program:</b>		
Montgomery County Water	\$ 2,864	\$ 2,621
Prince George's County Water	62,481	63,887
Bi-County Water	87,972	122,746
Montgomery County Sewer	8,512	5,512
Prince George's County Sewer	70,103	57,691
Bi-County Sewer	234,947	231,518
<b>Total Capital Improvements Program</b>	<b>\$ 466,879</b>	<b>\$ 483,975</b>
<b>Information Only:</b>		
Water Reconstruction Program	83,563	99,336
Sewer Reconstruction Program	71,083	50,540
Anacostia Depot Reconfiguration	-	1,314
Laboratory Division Building Expansion	9,482	12,320
RGH Building Upgrades	-	1,100
Engineering Support Program	18,000	18,000
Energy Performance Program	3,576	5,717
Water Storage Facility Rehabilitation Program	3,000	4,000
Specialty Valve Vault Rehabilitation Program	2,252	1,691
Other Capital Programs	53,738	57,702
D'Arcy Park North Relief Sewer	290	290
<b>Total Information Only</b>	<b>\$ 244,984</b>	<b>\$ 252,010</b>
<b>Total Capital Expenses</b>	<b>\$ 711,863</b>	<b>\$ 735,985</b>
Adjustment for Developer Contributions	(8,118)	(19,252)
<b>Total Capital Budget</b>	<b>\$ 703,745</b>	<b>\$ 716,733</b>



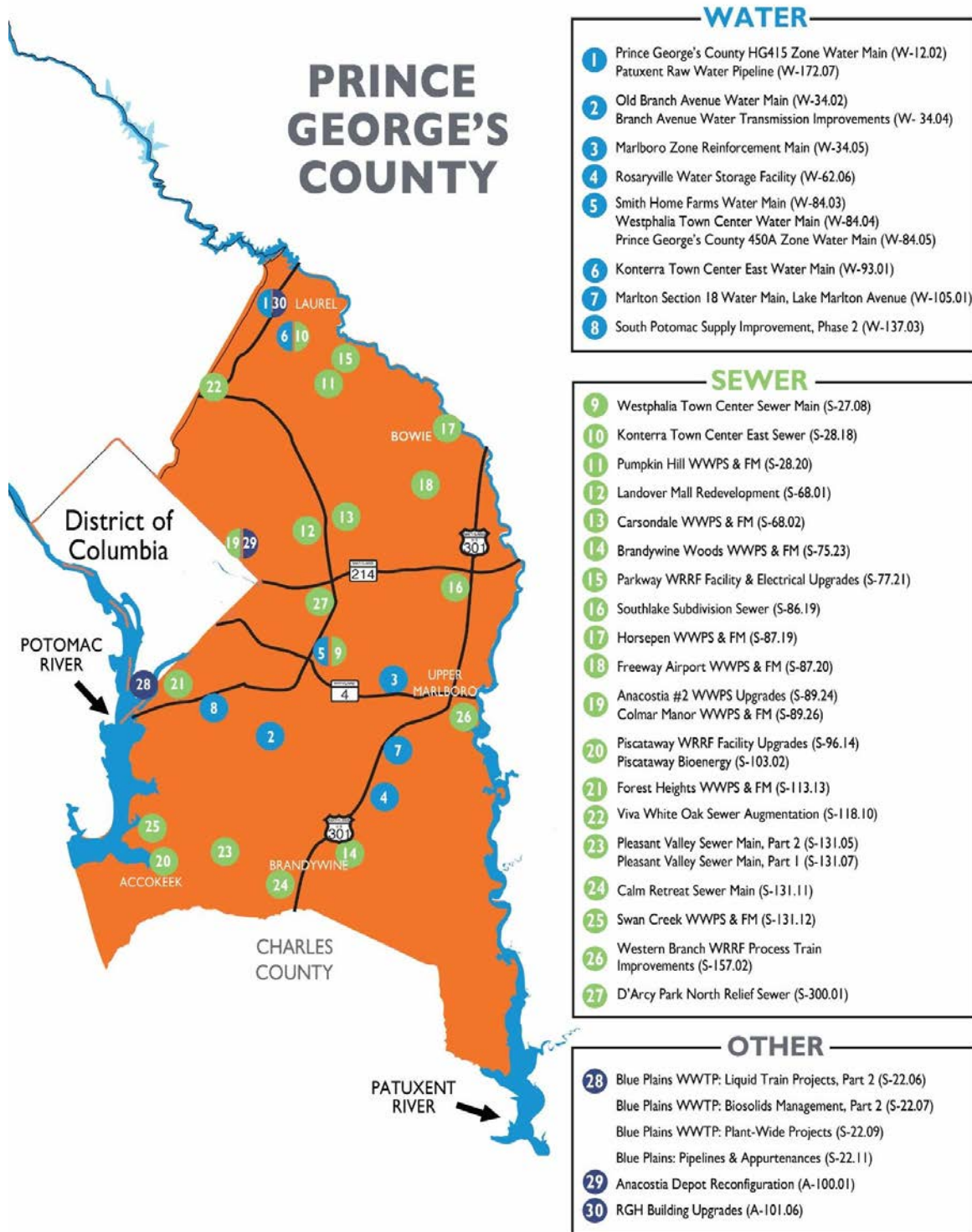
## MAP OF PROJECTS IN MONTGOMERY COUNTY

The map below shows the location of the CIP projects within Montgomery County. It does not include projects with multiple jobsites, such as the reconstruction programs. For more information on all of the CIP projects within Montgomery County, please refer to the CIP document available on our website at <https://www.wsscwater.com/fin>.



## MAP OF PROJECTS IN PRINCE GEORGE'S COUNTY

The map below shows the location of the CIP projects within Prince George's County. It does not include projects with multiple jobsites, such as the reconstruction programs. Additionally, the map shows the location of the four CIP projects associated with the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains) in Washington D.C., which are owned and operated by the District of Columbia Water and Sewer Authority (DC Water). For more information on all of the CIP projects within Prince George's County, please refer to the CIP document available on our website at <https://www.wsscwater.com/fin>.





## HIGHLIGHTED PROJECTS

Below are five highlighted projects from the FY 2023 Proposed Capital Budget. All five of the highlighted projects are major ongoing projects. Each of these projects contribute to WSSC Water's mission 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.

### Potomac Water Filtration Plant Consent Decree Program



This project provides for the planning, design and construction of short-term and long-term capital improvements at the Potomac Water Filtration Plant (WFP) to allow WSSC Water to meet the new discharge limitations identified in the Potomac WFP Consent Decree. The objective of the consent decree is to reduce the amount of solids discharged from the plant to the Potomac River on a daily basis. Preliminary planning work for the Potomac WFP Consent Decree Program began in FY 2016.

The total estimated cost for the Potomac WFP Consent Decree Program is \$182.3 million, including \$1.0 million for supplemental environmental projects. A portion of this

project will be financed by Green bonds. The reduction in solids discharged to the Potomac River addresses the pollution prevention/control and terrestrial and aquatic biodiversity conservation categories from the International Capital Market Association's Green Bond Principles. More information on the utilization of Green bonds for the Potomac WFP Consent Decree Program can be found on our website at <https://www.wsscwater.com/greenbond>.

### Trunk Sewer Reconstruction Program

The Trunk Sewer Reconstruction Program provides for the planning, design and construction required for the rehabilitation of sewer mains and their associated manholes in environmentally sensitive areas (ESAs). This includes both trunk sewers 15" in diameter and greater, along with associated smaller diameter pipe less than 15" in diameter. The smaller diameter pipe is included due to its location within an ESA. The program also includes planning, design and construction for the prioritized replacement of force mains.

The reconstruction work performed under this program includes reduction of infiltration and inflow, replacement of substandard sewer pipes, lining of sewer pipes, pipeline and manhole protection, rebuilding of manholes and correction of structural defects and poor alignment. The reconstruction work in each sewer basin will be prioritized to most effectively prevent sanitary sewer overflows (SSOs) and backups. This program, in combination with the Sewer Reconstruction Program, addresses the terms of the SSO Consent Decree between WSSC Water, the Maryland Department of the Environment (MDE) and the U.S. Environmental Protection Agency, which was entered into on December 7, 2005.



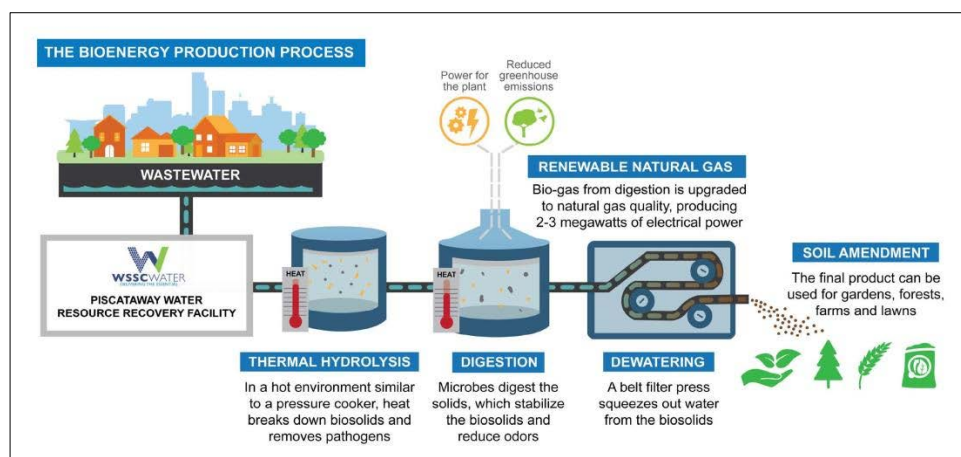
The estimated cost for this program in FY 2023 is \$56.9 million and the total costs over the six-year planning period for the CIP is \$289.2 million. This is an ongoing program and expenditures are expected to continue indefinitely. The work plan and expenditure schedule for the program are updated annually based upon the most recent recommendations from WSSC Water's Asset Management Program.

## HIGHLIGHTED PROJECTS (Continued)

### Piscataway Bioenergy

An exciting project currently underway at the Piscataway Water Resource Recovery Facility (WRRF) is transforming the way WSSC Water handles waste from five existing WRRFs. The Piscataway Bioenergy project - the largest and most technically advanced project ever constructed by WSSC Water - will employ innovative technologies to recover resources and produce green energy. In the coming years, our Piscataway WRRF will evolve into a bioenergy production facility that uses efficiency, technology and sustainability to enhance the financial and environmental health of the region. This \$333.3 million project will serve our customers for the next 100 years.

The Piscataway Bioenergy project will transform how WSSC Water handles biosolids - the nutrient-rich organic materials resulting from the wastewater treatment process - from five existing WSSC Water WRRFs. Using cutting-edge “green” technology, the new facility will significantly reduce the amount of biosolids left over from the treatment process, thus reducing costs to haul and dispose of the product. The remaining biosolids will be significantly cleaner (Class A), making the disposal process much easier and allowing the final product to be sold and distributed as fertilizer. With cleaner Class A biosolids, WSSC Water will also save money by eliminating the use of lime, which is currently applied to Class B biosolids to control odor. This new process will save money for our customers by reducing operating costs by more than \$3 million per year.



As an added benefit, the process to create the Class A biosolids will generate renewable fuel to help run the plant. This new process produces methane gas providing green energy that will help run the Piscataway WRRF. The new process will reduce WSSC Water’s greenhouse gas emissions by 15%.

In addition to critical sustainability benefits, WSSC Water’s investment in bioenergy is a conscientious investment decision to spend now in order to save going forward. Bioenergy will demonstrate significant cost savings over the long-term by reducing power consumption from fossil fuels and reducing disposal costs. The Piscataway WRRF will become WSSC Water’s showcase for achieving optimal value by investing in a green future.

Phase One of the project, which includes design, demolition of existing on-site facilities and relocation of existing utilities, is complete. Phase Two, the construction of the new facility, began in the summer of 2020. Preliminary start-up and testing are planned for spring 2023 and the entire project is expected to be complete and operational in 2024.

A portion of this project is being financed by low-interest loans through MDE’s Water Quality Financing Administration’s Water Quality Revolving Loan Fund Program and a grant from the Maryland Energy Administration.





## HIGHLIGHTED PROJECTS (Continued)

### Laboratory Division Building Expansion



The Laboratory Division Building Expansion project provides for the planning, design and construction of a 19,720 square-foot expansion to the Consolidated Laboratory Facility (CLF) at an estimated cost of \$27.3 million. The expansion is necessary to accommodate the increased analytical workload, ensure that all data meets requirements set forth by the regulators and to improve the safety of WSSC Water's employees and customers. The CLF is a MDE certified laboratory constructed in 2000 to meet the original laboratory program of a maximum of 500,000 tests per year. During the past 22 years, WSSC Water has experienced a significant increase in the analytical workload, number of employees and number of instruments, and also added new functions with the creation of the Water Quality Division. The historical workload of 500,000 tests per year is expected to grow to over 750,000 tests per year in the coming years.

Currently, WSSC Water depends on subcontract laboratories for critical and regulatory analysis that cannot be handled in-house due to space, infrastructure and instrument constraints. Lack of control and supervision by qualified WSSC Water staff on the regulatory samples tested in subcontract laboratories has resulted in errors in the past that could potentially lead to a citation/violation for WSSC Water. Additionally, increased analytical time involved with subcontract analysis may delay response to critical water contamination events, which could jeopardize the safety of WSSC Water's customers. An MDE laboratory audit recommended having separate rooms for analyzing wastewater and drinking water microbiological samples.

### Patuxent Raw Water Pipeline

The Patuxent Raw Water Pipeline project is the final project in a series of three projects that will increase the capacity of the Patuxent WFP from 72 million gallons per day (MGD) to 110 MGD. The first project in the series, the Patuxent WFP Phase II Expansion, added a sixth treatment train and other upgrades at the plant and was completed in October 2018. The Rocky Gorge Pump Station Upgrade project, the second in the series, provided for the modification and expansion of the station and was completed in June 2020. The Patuxent Raw Water Pipeline project is expected to be completed in FY 2025, at which time the Patuxent WFP will be capable of providing up to 110 MGD in emergency situations.

The Patuxent Raw Water Pipeline project provides for the planning, design and construction of a new 48" diameter, 2.5-mile long raw water pipeline from the Rocky Gorge Raw Water Pumping Station to the Patuxent WFP. The work to clean the existing three raw water lines and replace existing valves has already been completed. Construction of the new raw water pipeline began in December 2020. As with any construction project, the work also includes the restoration of any areas disturbed by the construction, including the restoration of paving on any impacted roads. The total estimated cost of the project is \$30.8 million.



## FUNDING SOURCES

The major funding sources for the capital budget are described in Section 6. There are three major types of funding sources for the capital budget: proceeds from bonds and other debt instruments; Pay-As-You-GO (PAYGO) financing; and grants, contributions and other funding sources.

The specific funding sources for all expenditures are identified on each individual capital project description form in the CIP document.

### **Bonds and Other Debt Instruments**

WSSC Water Bonds – legally-binding general obligations constituting an irrevocable pledge of full faith and credit. The money to repay debt comes primarily from ratepayer revenues.

### **PAYGO**

PAYGO – when budgeted, the practice of using current revenues to the extent practical to help fund the capital program, thereby reducing the need for debt financing.

### **Grants, Contributions and Other Funding Sources**

The use of other funding sources is normally conditioned upon specific legislative authority or project approval.

Federal Grants – an award of financial assistance from a federal agency to a recipient in support of a public policy goal, which usually includes some compliance and reporting requirements. For example, U.S. Department of Energy grants related to WSSC Water's Energy Performance Program and Piscataway Bioenergy projects to promote and develop green energy sources.

State Grants – an award of financial assistance from a state agency to a recipient in support of a public policy goal, which usually includes some compliance and reporting requirements. For example, a program for enhanced nutrient removal at existing WRRFs and for the rehabilitation of sewer mains as part of the Chesapeake Bay Program.

Local Government Contributions – payments to WSSC Water for co-use of regional facilities, or funding provided by County governments for projects they are sponsoring.

SDC – anticipated revenue from the charge levied on new development to pay for the construction of major water and sewerage facilities needed to accommodate growth.

Contribution/Other – projects funded by applicants for growth projects where the County Councils have directed that no WSSC Water rate supported debt be used to pay for the project and other funds that do not fit in the above funding sources.

## CAPITAL BUDGET FUNDING SUMMARY

The total funding for the FY 2023 Proposed Capital Budget is \$716.7 million. The funding is comprised of \$603.3 million in bonds, \$31.0 million in PAYGO and \$82.4 million in grants, contributions and other funding sources. The \$13.0 million increase from the FY 2022 Approved Capital Budget is primarily for CIP projects funded by contributions and SDC funding. Key changes leading to the increase in contributions and SDC funding are as follows:

- The addition of five new developer projects
- The Anacostia #2 WWPS Upgrades and Horsepen WWPS & FM projects beginning to enter construction
- The scope change to the Potomac Water Filtration Plant Main Zone Pipeline project including a growth element that allows the project to qualify for partial SDC funding

(\$ in thousands)	FY 2022 Approved	FY 2023 Proposed
<b>Capital Improvements Program:</b>		
Bonds	\$ 383,072	\$ 372,212
PAYGO	27,585	31,016
Federal Grants	4,120	4,285
State Grants	351	351
Local Government Contribution	3,343	5,486
SDC	31,329	37,650
Contribution/Other	17,079	32,975
<b>Total Capital Improvements Program</b>	<b>\$ 466,879</b>	<b>\$ 483,975</b>
<b>Information Only:</b>		
Bonds	224,694	231,112
State Grants	20,000	20,608
Contribution/Other	290	290
<b>Total Information Only</b>	<b>\$ 244,984</b>	<b>\$ 252,010</b>
<b>Total Capital Funding</b>	<b>\$ 711,863</b>	<b>\$ 735,985</b>
Adjustment for Developer Contributions	(8,118)	(19,252)
<b>Total Capital Budget Sources</b>	<b>\$ 703,745</b>	<b>\$ 716,733</b>

## IMPACT OF CAPITAL PROGRAM ON THE OPERATING BUDGET

Capital projects generate future operating budget impacts for debt service, use of reserves and changes in operating costs due to new or renovated facilities.

### Debt Service

Capital projects are financed primarily with long-term, rate-supported debt through the sale of bonds. Water Supply bonds are issued to finance major water treatment, storage and transmission facilities. Sewage Disposal bonds are issued to finance major sewage collection and treatment facilities. These bonds are repaid to bondholders over a 30-year period by annual principal and interest payments (debt service). The annual debt service on outstanding bonds is paid from WSSC Water's operating funds. The primary funding source for the repayment of debt is the revenue generated by water consumption and sewer use charges. These charges are set on an annual basis to cover the operation, maintenance and debt service costs of the agency. In this manner, the initial high cost of capital improvements is spread over time and paid for by future customers who will benefit from the facilities, as well as by current customers. It is through this capital project financing process that the size of the capital budget impacts the size of water and sewer bond issues, which in turn impacts customers' water and sewer bills.

Obtaining funding from other sources and through the use of PAYGO funding (when budgeted) lowers our borrowing requirements, which in turn lowers debt service requirements and ultimately our customers' bills. Other funding sources may include: payments from applicants for new service, including SDC funds for certain projects which are intended to support new development, payments from other jurisdictions for projects which specifically benefit them and state and federal grants. The amounts of these collections may vary from year to year.

Estimating future spending is an important step in forecasting the issuance of new debt at a level which does not exceed the amount necessary to cover actual expenditures. Conservative issuance of long-term debt is essential to keep outstanding debt, debt service and water and sewer rates at moderate levels. The amount of new debt is calculated by adjusting for other funding sources and incorporating expected construction completion rates. Taking into account these adjustments results in an estimated new long-term water and sewer debt requirement of \$430.1 million. The FY 2023 debt service payment is shown in the next section.

### Operating Budget Impacts

The construction of capital projects impacts the water and sewer portion of the operating budget in several ways. The first and largest impact is the payment of debt service associated with major projects programmed in the capital budget.

The second impact from capital projects is less direct, and involves changes to operations, processes or revenue streams when a project is completed. These changes can have positive effects on the operating budget, although the effects are difficult to quantify. For instance, WSSC Water's water and sewer system reconstruction programs for infrastructure improvements are funded through the capital budget and are focused on the aging portions of our extensive network of water distribution mains and sewage collection lines. These efforts include water main rehabilitation, sewer reconstruction and other non-CIP sized pipeline replacements. These efforts are aimed at reducing service interruptions and providing all of WSSC Water's customers with the same high levels of service. The infrastructure work will eliminate some line flushing, reduce the number of complaints to be addressed, reduce the number of leaks and breaks and result in some deferral of costs related to preventive maintenance, costs which are paid out of operating funds.

The third impact of capital projects relates to new facilities that will require operation and maintenance funding in the operating budget. The most significant effect occurs when additional staff must be hired to operate and maintain a new or expanded facility, or in cases where new or increased regulations require new equipment and processes that may increase operating costs for energy, chemicals, monitoring or maintenance. In some cases, where capital projects provide for renovation or replacement of major existing facilities, or encompass smaller infrastructure improvements, the impacts on the operating budget are minimal and may even result in cost savings. Energy Performance Program projects serve to reduce operating expenses when state-of-the-art computerized controls and modern pumping and treatment technology are installed at an existing facility. These improvements increase process efficiencies and lower our overall energy requirements.



## IMPACT OF CAPITAL PROGRAM ON THE OPERATING BUDGET (Continued)

### Operating Budget Impacts (Continued)

The following table summarizes the estimated impact on the FY 2023 Proposed Operating Budget based upon projects included in the FY 2023 Proposed Capital Budget:

(\$ in thousands)	FY 2022 Approved	FY 2023 Projected	FY 2023 Net Impact
<b>Operating - Water and Sewer Program</b>			
Debt Service Expense	\$ 309,045	\$ 324,144	\$ 15,099
Major Capital Projects Net Impact	196	2,802	2,606
<b>Total</b>	<b>\$ 309,241</b>	<b>\$ 326,946</b>	<b>\$ 17,705</b>

Major capital projects which will impact the FY 2023 Proposed Operating Budget are summarized below:

- Little Anacostia Wastewater Pumping Station (WWPS) & Force Main (FM) - This project provides for the planning, design and construction to restore an existing WWPS to service with a capacity of 3.3 MGD. It also includes the planning, design and construction of a new 14" diameter FM. The restored WWPS and new FM will provide adequate pumping capacity to alleviate flow in an existing 30" diameter sewer main which has experienced surcharging, repeated SSOs and caused basement backups. Operating and maintenance costs will increase to support this restored facility.
- Piscataway Bioenergy - This project provides for the engineering, design, construction, maintenance and monitoring and verification necessary to add sustainable energy equipment and systems to produce biogas and electricity at the Piscataway WRRF. The new bioenergy facility will handle waste from five existing WRRFs, employing innovative technologies to recover resources and produce green energy. Preliminary start-up and testing will begin in FY 2023. Once the new facility is fully operational, it is expected to reduce net operating costs by more than \$3.0 million per year as a result of significantly lower expenditures for energy, biosolids disposal and chemicals.

**SECTION 9**  
**DEBT SERVICE**

## DEBT SERVICE

WSSC Water issues bonds, a long-term debt financing instrument, to fund the planning, design and construction of long-lived additions or improvements to its infrastructure. The bonds are repaid to bondholders over a period of years with a series of principal and interest payments known as debt service. In this manner, the initial high cost of capital improvements is spread over time and paid for by customers benefiting from the facilities in the future, as well as by current customers. Due to various federal and state policies, interest costs on the debt are kept low because the interest on WSSC Water debt is exempt from federal and state taxation.

WSSC Water's debt is primarily repaid from water consumption and sewer use charges. Other sources for debt repayment include the Infrastructure Investment Fee (IIF) and the Front Foot Benefit Charge (FFBC). The IIF is a fee that was first implemented in Fiscal Year (FY) 2016 and phased in over two fiscal years. The purpose of the fee is to fund a portion of the debt service associated with the water and sewer reconstruction programs. The FFBC is assessed to owners of property abutting water and/or sewer mains who derive a benefit from the construction of these water and sewer mains.

Should the revenues from these sources be inadequate to service the debt repayments, state law provides for the levy of ad valorem taxes, annually, against all the assessable property within the Washington Suburban Sanitary District (WSSD) by the County Councils of Montgomery and Prince George's Counties, sufficient to pay principal and interest when due and payable. WSSC Water has never needed to invoke this underlying pledge and does not expect to do so. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

## DEBT SERVICE PROGRAM

### Debt Service Budget

The proposed debt service expense is based upon paying the FY 2023 principal and interest payments on current outstanding debt as of June 30, 2021, budgeted new debt issues approved for FY 2022 and the proposed issuance of \$430.7 million in new debt for FY 2023 (\$208.9 million for water; \$221.2 million for sewer; and \$0.6 million for general construction). The new debt issues are necessary to implement the first year of WSSC Water's Proposed Capital Improvements Program (CIP) for FYs 2023-2028, as well as the Information Only projects included in the CIP document. The FY 2023 Proposed Budget for debt service expenses is \$330.8 million, an increase of \$14.0 million or 4.4% more than the FY 2022 Approved Budget of \$316.8 million. The increase is due in part to an estimated ramp-up in expenditures associated with the Potomac Water Filtration Plant Consent Decree, eight new WSSC Water-built projects and the ramp-up of the Blue Plains' projects. The FY 2023 Proposed Budget includes, in addition to debt service payments, all bond sales expenses and bond coupon payment redemption expenses.

### Water Supply and Sewage Disposal – General Obligation Bonds

WSSC Water issues Water Supply and Sewage Disposal bonds to fund a major portion of the construction of long-lived additions or improvements to major water and sewerage facilities, including water filtration plants (WFP), water resource recovery facilities (WRRF), pumping stations and force mains, storage structures, water mains and sewer mains. WSSC Water's fiscal plan for these facilities is known as the CIP and is published separately from the operating and capital budget. Water Supply and Sewage Disposal bonds also help finance projects in the Information Only section of the CIP document. These projects include the water and sewer system reconstruction programs, the Engineering Support Program and the Other Capital Programs.

### General Construction – General Obligation Bonds

General Construction bonds are issued to finance a major portion of the costs of constructing new or replacement facilities for administrative and support activities, modifying existing support facilities, relocating facilities, purchasing water meters and constructing minor small diameter water and sewer line additions. Due to a legislative change, applications for service requested after July 1, 1999 require the applicant to finance and construct the local water and sewer mains needed for new development. WSSC Water will still construct projects serving one residence or providing relief from a residential health hazard.

## DEBT SERVICE PROGRAM (Continued)

### Green Bonds

Green bonds are any type of bond instrument where the proceeds will be exclusively applied to finance eligible green projects. The International Capital Market Association describes the Green bond market as an opportunity to enable and develop the key role that debt markets can play in funding projects that contribute to environmental sustainability. WSSC Water is committed to protecting the natural environment of Montgomery and Prince George's Counties as it executes its mission 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.

Projects focused on the eligible green project categories are qualified to be funded in whole or in part by an allocation of the Green bond proceeds. The projects involve one or more of the following activities:

- Green buildings
- Pollution prevention and control
- Renewable energy
- Water quality
- Climate change adaptation

In the FY 2023 CIP, the following projects will be financed with Green bonds: the Potomac WFP Consent Decree Program, and the Large Diameter Water Pipe & Large Valve Rehabilitation Program. Green bond proceeds will be specifically directed to pay the costs of design, construction, property acquisition and other related costs necessary for the selected projects. WSSC Water will produce an annual report detailing how the Green bond proceeds were used to finance the selected projects, a description of the selected projects and details of the environmental benefits resulting from the projects. Additional information on WSSC Water's Green bond program and reporting can be found on our website at <https://www.wsscwater.com/greenbond>.

### Maryland Water Quality Revolving Loan Fund Program

In addition to borrowing funds in the private financial markets, WSSC Water periodically borrows funds from the Water Quality Revolving Loan Fund Program managed by the Maryland Department of the Environment's Water Quality Financing Administration to fund major capital improvements that are needed to help maintain or improve water quality in the Chesapeake Bay. The fund, established by the State of Maryland, provides low interest loans to local governments to help with a variety of water quality improvement projects such as upgrades of WRRFs, construction of sewers in areas with failing septic tanks, implementation of estuary conservation management plans and the reduction of nonpoint source pollution.

### Rating Agency Reviews

WSSC Water bonds carry AAA/Aaa/AAA credit ratings from the three major bond rating agencies: Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Inc., respectively. These high ratings are critical to ensuring a low cost of debt to WSSC Water customers. High credit ratings translate into low interest rates and considerable savings over the bond repayment period. WSSC Water has been able to secure these ratings primarily due to the quality of its operations, its policy of maintaining a 15.0% or greater operating reserve, the willingness of the agency and local governments to raise the water consumption and sewer use revenues necessary to meet debt service requirements, the underlying credit worthiness of Montgomery and Prince George's Counties and the pledge of the levy of an unlimited ad valorem tax upon the assessable property of the WSSD for repayment. All of these factors are considered evidence of both the ability and willingness of WSSC Water and the Montgomery and Prince George's County governments to support public debt.

## DEBT SERVICE PROGRAM (Continued)

### Rating Agency Reviews (Continued)

While Fitch Ratings, Inc. maintained a AAA credit rating on WSSC Water's latest bond issuance, it did revise the rating outlook from stable to negative. In making this revision, Fitch Ratings, Inc. cited "a sharp weakening in fiscal 2020 financial performance that is expected to be followed by a relatively slow and uncertain near-term recovery...driven primarily by pandemic-related pressures and additional debt to address capital needs." WSSC Water is committed to maintaining its AAA credit rating and the associated low cost of debt to its customers. In support of this commitment, WSSC Water proposed a 9.0% average rate increase during the Spending Affordability Guidelines (SAG) process with the dual goals of delivering a same service level budget and addressing the concerns raised by Fitch Ratings, Inc. in its outlook revision. The two County Councils ultimately recommended a 6.5% average rate increase as part of the SAG process. The FY 2023 Proposed Budget is based on a 7.0% average rate increase. To address the outlook concerns raised by Fitch Ratings, Inc. at the 7.0% average rate increase, \$23.1 million in non-recommended reductions were incorporated into the FY 2023 Proposed Operating Budget. Customers will feel the impacts of these reductions.

## OUTSTANDING DEBT

### Debt Principal and Interest Obligations

Debt Principal and Interest Obligations (\$ in millions)			
Year	Principal	Interest	Total
2022	\$ 171.9	\$ 132.2	\$ 304.1
2023	174.1	124.2	298.3
2024	175.5	117.1	292.6
2025	177.0	112.7	289.7
2026	171.5	105.9	277.4
2027	169.7	99.5	269.2
2028	169.4	93.0	262.4
2029	163.2	86.5	249.8
2030	157.0	80.4	237.4
2031	149.7	74.5	224.2
2032	138.5	69.0	207.5
2033	122.2	64.0	186.1
2034	123.4	59.5	182.9
2035	114.6	55.4	170.0
2036	113.3	51.2	164.5
2037	111.6	47.2	158.8
2038	110.4	43.3	153.8
2039	113.2	39.2	152.5
2040	117.2	35.1	152.3
2041	121.3	30.9	152.2
2042	125.5	26.5	152.0
2043	129.9	21.9	151.9
2044	134.4	17.3	151.7
2045	119.9	12.5	132.5
2046	101.6	8.3	109.9
2047	73.3	4.8	78.1
2048	48.5	2.3	50.8
2049	27.0	0.8	27.8
2050	15.6	0.1	15.7
<b>Total</b>	<b>\$ 3,640.3</b>	<b>\$ 1,615.5</b>	<b>\$ 5,255.7</b>

<sup>1</sup> The debt summary and schedule includes Bonds and General Notes.

For additional information on WSSC Water's debt service, as well as detailed schedules, please refer to our Bond & Note Information Book published annually and listed on our website. You can also refer to the latest publication on our website at <https://www.wsscwater.com/investor>

## OUTSTANDING DEBT (Continued)

### Actual Principal Debt Outstanding

WSSC Water's principal debt amounts outstanding are reflected in the table below. The total debt outstanding for the agency was \$3.6 billion as of June 30, 2021, a 6.3% increase over the June 30, 2020 figure of \$3.4 billion. WSSC Water's outstanding debt has been increasing over the last decade as it complies with the requirements of the Sanitary Sewer Overflow (SSO) Consent Decree and continues to implement its water and sewer reconstruction programs, which are capital-intensive undertakings.

	Outstanding 06/30/20	% of Total	Outstanding 06/30/21	% of Total
Water Supply Bonds <sup>1</sup>	\$ 1,373,814,919	42.3%	\$ 1,514,416,402	43.8%
Sewage Disposal Bonds	1,484,786,080	45.8%	1,535,457,682	44.3%
General Construction Bonds	130,874,001	4.0%	126,375,916	3.6%
Maryland Water Quality Bonds <sup>2</sup>	255,869,091	7.9%	286,212,656	8.3%
<b>Total Bonds</b>	<b>\$ 3,245,344,091</b>	<b>100.0%</b>	<b>\$ 3,462,462,656</b>	<b>100.0%</b>
Water, Sewer and General Notes	177,800,000		177,800,000	
<b>Total Principal Debt Outstanding</b>	<b>\$ 3,423,144,091</b>		<b>\$ 3,640,262,656</b>	

<sup>1</sup>Includes \$101,425,000 in Green Bonds.

<sup>2</sup>Maryland Water Quality Bonds are issued for Water, Sewer and General Construction projects.

### FY 2023 Estimated Debt Outstanding

The estimated principal debt outstanding at the end of FY 2023 is built upon a base of the existing outstanding debt from past issues (as of June 30, 2021), the approved debt issues for FY 2022 and the proposed debt issues in FY 2023, along with the estimated principal payments in FY 2022 and FY 2023. The table that follows shows that the existing outstanding debt of \$3.6 billion as of June 30, 2021 is projected to grow to a total of \$4.1 billion as of June 30, 2023, an increase of 5.8%.

<b>Total Principal Debt Outstanding, June 30, 2021</b>	<b>\$ 3,640,262,656</b>
<b>Less: Estimated Principal Payments</b>	
FY 2022 for All Outstanding Bonds and Notes as of June 30, 2021	(171,907,442)
FY 2023 for All Outstanding Bonds and Notes as of June 30, 2021	(174,052,054)
<b>Total (As of June 30, 2023)</b>	<b>\$ 3,294,303,160</b>
<b>Plus:</b>	
FY 2022 Budgeted New Debt Issues:	
Water Supply Bonds	208,478,000
Sewage Disposal Bonds	201,226,000
General Construction Bonds	600,000
FY 2023 Proposed New Debt Issues:	
Water Supply Bonds	208,929,000
Sewage Disposal Bonds	221,164,000
General Construction Bonds	600,000
<b>Less: Estimated Principal Payments:</b>	
FY 2022 for Budgeted New Issues as of June 30, 2022	(7,316,216)
FY 2023 for Budgeted and Proposed New Issues as of June 30, 2023	(15,288,590)
<b>Total Estimated Debt Outstanding (As of June 30, 2023)</b>	<b>\$ 4,112,695,354</b>

## BORROWING LIMITATION

Bonds and notes issued by WSSC Water are limited under the State of Maryland's Public Utilities Article to an amount outstanding at any time that may not exceed the sum of 7.0% of the total assessable personal property and operating real property and 3.8% of the total assessable base of all real property for County taxation purposes within the WSSD. The following table shows WSSC Water's legal debt limit and remaining debt margin.

Debt Limit per Public Utilities Article:	
7.0% of Total Assessable Personal & Operating Real Property	\$ 161,442,274
3.8% of Total Assessable Tax Base of All Real Property	12,238,025,061
<b>Total Debt Limit (As of June 30, 2021)</b>	<b>\$ 12,399,467,335</b>
<b>Less: Total Estimated Debt Outstanding (As of June 30, 2023)</b>	<b>\$ (4,112,695,354)</b>
<b>Legal Debt Margin</b>	<b>\$ 8,286,771,981</b>

<sup>1</sup>The assessed valuation figures used to calculate the debt limit are based on the totals for Montgomery and Prince George's Counties, which are being used as an approximation of the values for the WSSD.

Shown below are the latest certified assessed valuations for the Counties, the total estimated debt limit and the ratio of debt to permitted debt. The table shows that as of June 30, 2021 the total outstanding debt of \$3.6 billion represented 29.4% of the total estimated debt limit.

Fiscal Year	Total Assessed Valuation <sup>1,2,3</sup>	Total Debt Limit <sup>1</sup>	Total Debt Outstanding <sup>1</sup>	Ratio of Outstanding to Limit
2021	\$ 324,359,609	\$ 12,399,467	\$ 3,640,263	29.4%
2020	313,962,596	11,987,471	3,423,144	28.6%
2019	312,092,573	11,932,586	3,339,928	27.9%
2018	297,032,873	11,364,855	3,202,377	28.2%
2017	284,821,913	10,898,330	2,813,369	25.8%

<sup>1</sup>Values are in thousands of \$ and as of June 30 of each fiscal year.

<sup>2</sup>Sources for the assessed valuation of personal and real property are the Certificate of Supervisor of Assessments of Montgomery County, Maryland, as to the Last Assessment for Taxation of Property in the District of Montgomery County and the Certificate of Director of Finance of Prince George's County, Maryland as to the Last Assessment for Taxation of Property in the District of Prince George's County.

<sup>3</sup>The assessed valuation figures are based on the totals for Montgomery and Prince George's Counties, which are being used as an approximation of the values for the WSSD.



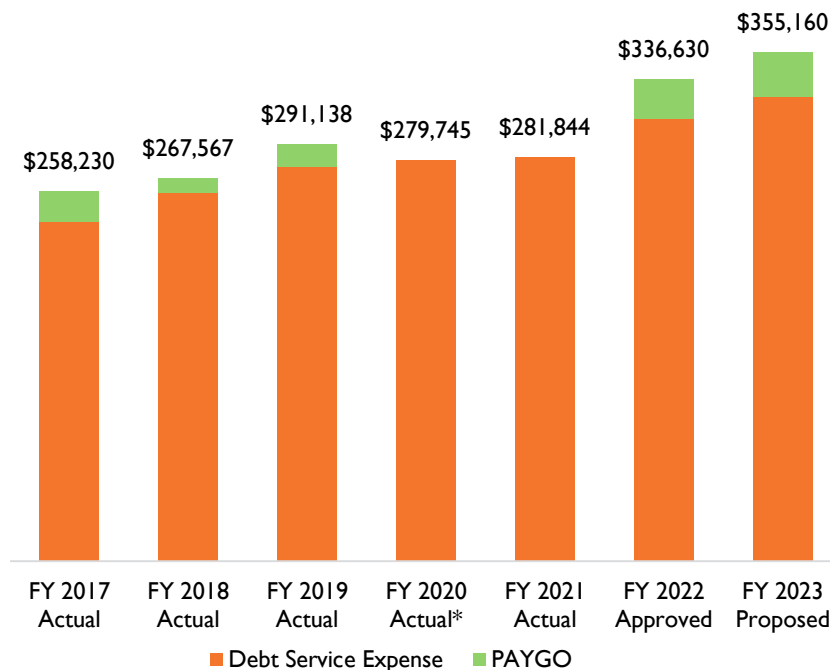
## DEBT SERVICE TRENDS

### Water and Sewer Debt Service (Including PAYGO)

The water and sewer debt service expenses (\$324.1 million in FY 2023 ) are funded by WSSC Water ratepayers through water consumption and sewer use charges and the IIF. WSSC Water programs in Pay-As-You-GO (PAYGO) financing each fiscal year to reduce the amount of planned debt issued for capital projects, thereby lowering future debt service requirements.

The chart that follows shows water and sewer debt service expenses and PAYGO for FYs 2017-2023. WSSC Water's requirements for water and sewer debt service have been increasing, from a total of \$258.2 million in debt service and PAYGO in FY 2017 to an estimated \$355.2 million in FY 2023. This increase is due to the investments WSSC Water is making in its capital-intensive infrastructure, such as system reconstruction work performed under the water and sewer reconstruction programs, SSO Consent Decree work and the Potomac WFP Consent Decree Program.

Water and Sewer Debt Service (Including PAYGO)  
(\$ in thousands)



\*In FY 2020 and FY 2021, PAYGO was reduced to zero as part of the COVID-19 savings plan.

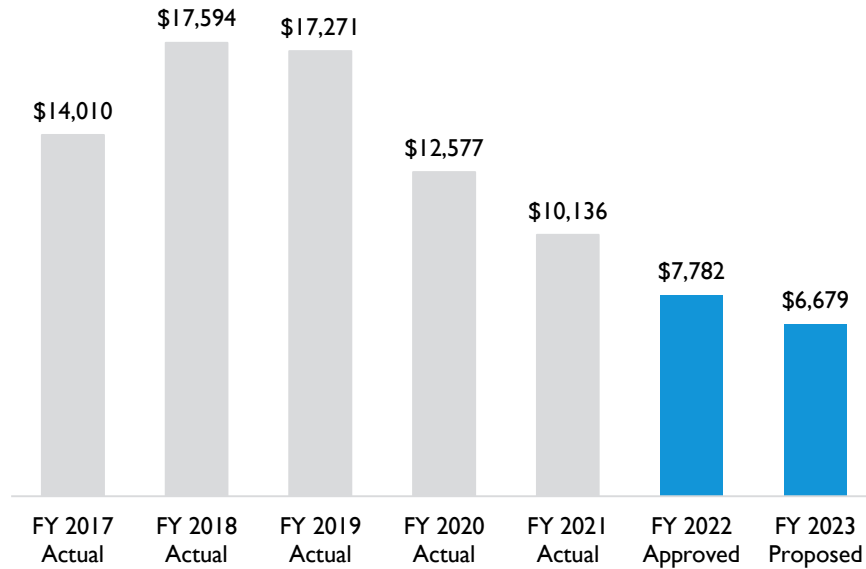
## DEBT SERVICE TRENDS (Continued)

### General Construction Debt Service

The new issuance of General Construction bonds has greatly decreased over the years as funding for system extension projects is primarily paid for by developers. Correspondingly, the debt service requirements for the General Construction bonds has also been decreasing, from \$14.0 million in FY 2017 to an estimated \$6.7 million in FY 2023, a decrease of 52.3%. Principal and interest expenses on General Construction bonds are paid through FFBC and other revenues.

#### General Construction Debt Service

(\$ in thousands)



Note: Debt service expense is net of interfund transfers.

**SECTION 10**  
**WATER QUALITY AND REGULATIONS**

## WATER QUALITY AND REGULATIONS

Water and sewer utilities are heavily impacted by both current and emerging regulations. WSSC Water is committed to protecting the natural environment of Prince George's and Montgomery Counties as it carries out its mandate to provide drinking water and sanitary sewer services. This commitment focuses on those unique natural and manmade features (waterways, woodlands and wetlands as well as parklands, historical sites and residential areas) that have been designated by federal, state and local environmental protection laws and regulations. Specific impact information is included in the evaluation of alternatives by the agency's Asset Management Program, if the environmental features will be affected by the proposed construction of a project.

## WATER QUALITY CAPITAL PROJECTS

A further extension of these protections has been funded by approximately \$146.3 million included in the Fiscal Year (FY) 2023 Proposed Budget which is attributable to meeting environmental regulations. These projects are mandated by the U.S. Environmental Protection Agency (EPA) under the Clean Water Act through the Maryland Department of the Environment in the form of more stringent state discharge permit requirements. These capital projects are listed in the following table.

Project Name	Phase	Proposed FY 2023 (\$ in thousands)
Sewer Reconstruction Program	Ongoing	\$ 50,540
Blue Plains WWTP: Pipelines & Appurtenances	Ongoing	13,714
Trunk Sewer Reconstruction Program	Ongoing	56,891
Potomac WFP Consent Decree Program	Design	25,200
<b>Total Water Quality Projects</b>		<b>\$ 146,345</b>

At WSSC Water, our top priority is to continuously provide the customers with water that meets or surpasses strict federal Safe Drinking Water Act standards. WSSC Water provides updated information about water quality on our website at <https://www.wsscwater.com/waterquality>.



## WATER QUALITY CAMPAIGNS

WSSC Water takes great pride in providing an essential service to our customers in Montgomery and Prince George's Counties. This commitment to safe, clean water is why WSSC Water continues to report zero drinking water quality violations, a tradition that extends for over 100 consecutive years.

### Drinking Water Source Protection

WSSC Water uses a multi-barrier approach to ensure that we supply safe, reliable and high-quality water to customers. The first step of this approach is protecting the sources of our drinking water, the Patuxent and Potomac rivers. One challenge is that the water in these rivers comes from areas far upstream, where there are multiple land uses and potential pollution sources. Due to the size of the watershed surrounding these two rivers, it is important for WSSC Water to form partnerships with regulatory and administrative agencies for each river. This allows the agency to participate in discussions related to land use policy and ensure source water protection is promoted. These partnerships are also important for raising awareness among partners about concerns related to water quality and safety. WSSC Water plays key roles in the Potomac River Basin Drinking Water Source Protection Partnership and the Patuxent Reservoirs Watershed Protection Group.



### Lead Prevention in Drinking Water

Elevated lead levels in water can cause serious health problems, especially for pregnant women and young children. Lead in drinking water is primarily from materials and components associated with service lines and home plumbing.

WSSC Water adds a corrosion inhibitor (orthophosphate) to the water supply which creates a coating on pipes (including those pipes on customers' property) that prevents the pipes from leaching lead. While it is possible that some homes may have lead service lines or lead solder on the private property, WSSC Water's corrosion control methods can reduce the amount of lead leaching into water from these sources. Information about WSSC Water lead prevention methods can be found at <https://www.wsscwater.com/lead>.

While WSSC Water has not seen any lead levels requiring remediation measures, the following steps are recommended to further reduce the risks:

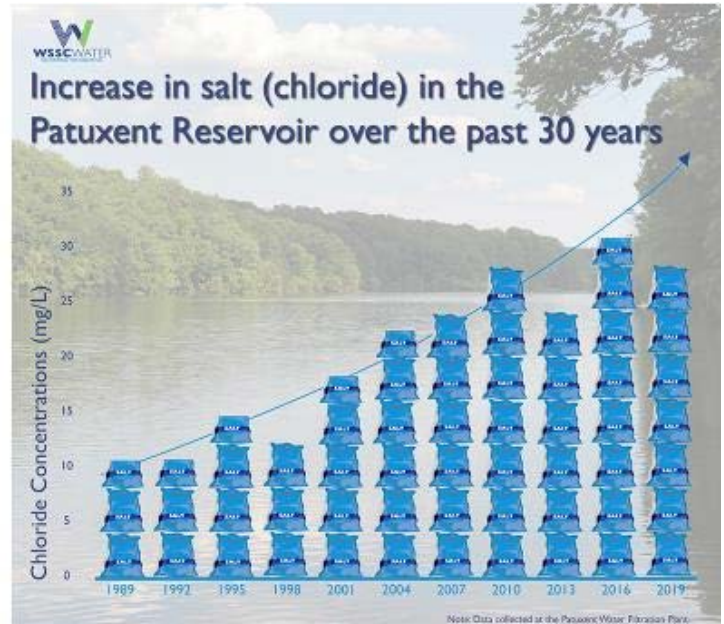
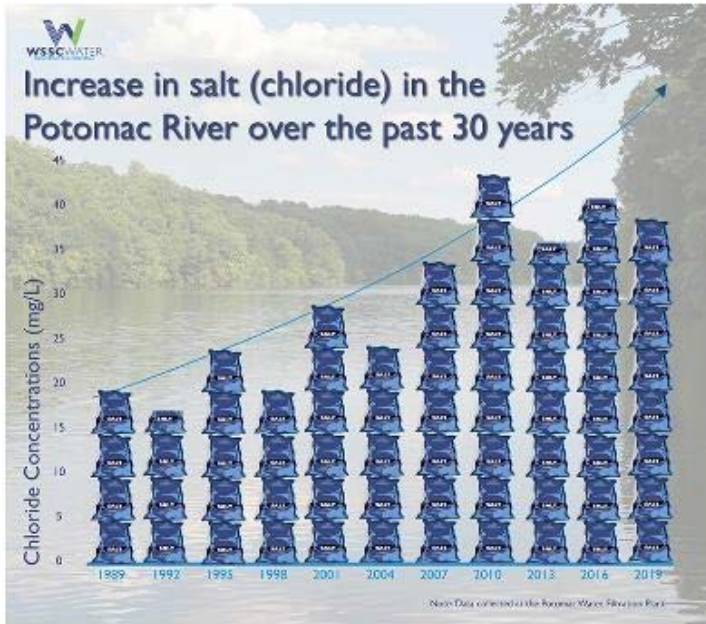
- Run water to flush out any potential lead content: if water has not been used for several hours, run water for 30 seconds to two minutes or until it becomes cold or reaches a steady temperature before using it for drinking or cooking
- Use cold water for drinking, cooking and preparing baby formula
- Periodically remove debris from faucet strainers – recommend twice a year
- Have an electrician check the grounding in the home
- Look for alternative sources (e.g. bottled water) or treatment of water if lead levels are elevated
- Get children tested: contact a local health department or healthcare provider to find out how to get children tested for lead, if concerned about exposure

## WATER QUALITY CAMPAIGNS (Continued)

### Saltwise in Winter

Using salt on walkways, driveways and roads is harmful to the environment. Once the ice and snow melt, the salt does not go away. It seeps into the ground and wells, and travels with stormwater into streams, wells and drinking water reservoirs. It also corrodes pipes. It only takes 1 teaspoon of salt (sodium chloride) to permanently pollute 5 gallons of water to a level that is toxic to freshwater ecosystems. Salt in the water does not dissipate.

WSSC Water monitors the water in the Patuxent River reservoirs as well as the Potomac River, the source water for the Patuxent and Potomac WFPs. Sodium chloride levels in WSSC Water's Patuxent River reservoirs have been steadily increasing and, if the trend continues, could pose a problem in the future.



To keep excess salt out of local waterways, please note the following:

- Shovel snow and clear the pavement before snow turns to ice
- Only use salt if there is ice
- Apply the least amount of deicer necessary; a 12-ounce coffee mug full of salt is enough to treat a 20-foot driveway or 10 sidewalk squares
- Scatter the deicer and leave space between the grains
- When pavement temperatures drop below 15 degrees, salt will not work
- Consider using sand for traction
- Choose a deicer with calcium magnesium acetate which is the most eco-friendly deicer
- Do not pretreat; salt placed on the pavement before a snowfall does not melt it or prevent it from sticking; additionally, weather can change and salt may have to be applied twice if the first application is covered up



## WATER QUALITY CAMPAIGNS (Continued)

### Fats, Oils and Grease

Sanitary sewers are designed and constructed with enough diameter to carry the normal waste discharges from a residence or business. When cooking by-products, fats, oils and/or grease (FOG) are discharged to the sewer, the FOG can cool and accumulate on the interior of the sewer pipes. Over time, this accumulation of FOG restricts the flow and causes blockages in the sewer which can result in overflowing manholes or basement backups. Sanitary Sewer Overflows (SSOs) can discharge to storm drains and creeks, which will ultimately flow to the Chesapeake Bay. Get more information at <https://www.wsscwater.com/canthe grease>.

In addition to permitting and inspection efforts, WSSC Water has partnered with agencies such as the Restaurant Association of Maryland to help the food service industry understand the safest and best ways to dispose of FOG, and to train them in how to use Best Management Practices when dealing with FOG.

### How to Dispose of Cooking Oil and Grease



### Keep The Wipes Out of The Pipes

Unfortunately, many wipes that are labeled “flushable” may go down the toilet, but they do not break apart in the system. The true test to determine if something is flushable: does it dissolve like toilet paper or organic waste? If the answer is no, then it is not flushable.

Literally tons of wipes, still intact, clog pumps at wastewater pumping stations across the nation or end up at WRRFs and then have to be hauled away. WSSC Water has spent over \$1 million to install grinders at several of our wastewater pumping stations to deal with the growing problem of wipes in the pipes. WSSC Water reminds customers to use the trash can for trash.

### Pharmaceuticals and Other Hazardous Wastes

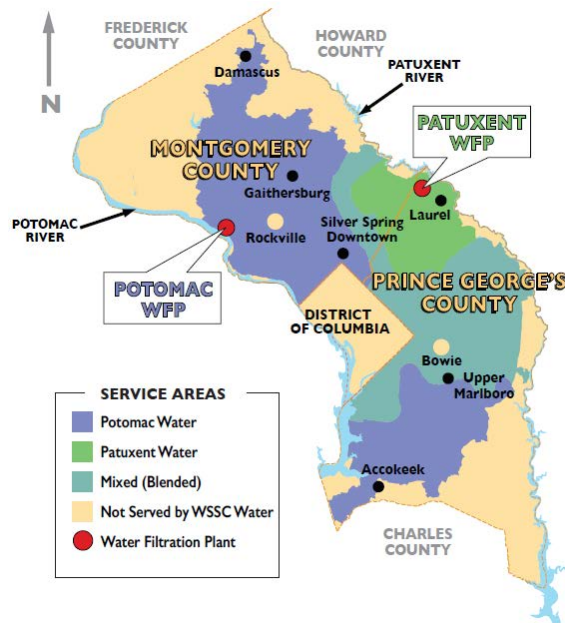
WSSC Water adopted the U.S. Food and Drug Administration recommendations to not dispose of unused or expired pharmaceutical drugs into the sanitary sewer system. Any pharmaceutical flushed down the toilet or discharged to the sanitary sewer could potentially make its way into drinking water sources. WRRFs do not treat for many pharmaceuticals. Proper disposal of these items helps prevent future contamination of the environment.

WSSC Water advises disposing of pharmaceutical drugs in the trash, at a pharmacy or a police station. Additional information on disposal can be found on WSSC Water’s website <https://www.wsscwater.com/waterquality> or by visiting <https://www.fda.gov> and searching for “disposal by flushing”.

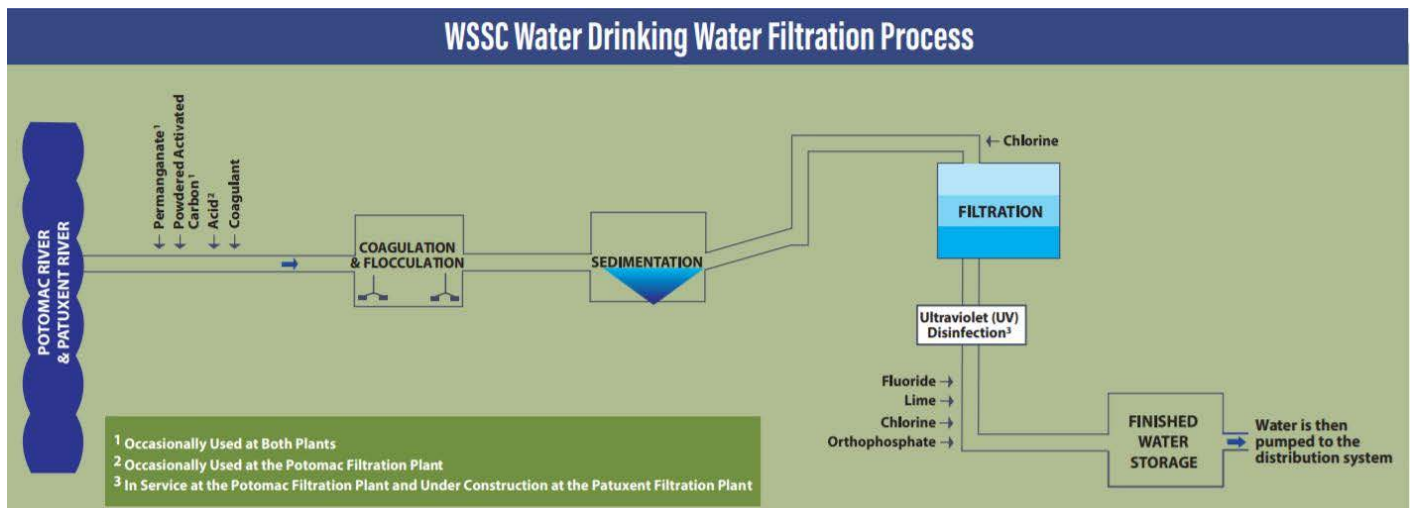
As for other hazardous wastes such as household cleaners, pesticides, paints, motor oil and prescription drugs: never pour them down the drain, in the toilet, on the ground or in storm drains. The best place to take these hazardous substances is to a recycling center. Please contact your County’s solid waste or waste management services for additional information.

## PERFORMANCE OF KEY SERVICES

One of the WSSC Water's primary goals is to provide a safe and reliable supply of drinking water that meets or exceeds the requirements of the Safe Drinking Water Act and other federal and state regulations. The Patuxent and Potomac rivers are the sources of all the water we filter and process. WSSC Water operates and maintains two water filtration plants located in Prince George's and Montgomery Counties. The map below shows the approximate service areas of both plants.



WSSC Water drinking water undergoes extensive purification and treatment after it arrives at the plant and before it is sent to the distribution system for delivery. The filtration process passes all regulatory requirements to ensure the customers receive the best quality water. The graph below illustrates the drinking water filtration process.



### Water Filtration and Treatment - Turbidity

WSSC Water has never exceeded a maximum contaminant level or failed to meet a treatment technique requirement established by the EPA in accordance with the Safe Drinking Water Act.

In addition to traditional approaches to ensuring drinking water quality, WSSC Water continues to place particular emphasis on addressing low-level contaminants, such as disinfection by-products, and maintaining low levels of turbidity (suspended sediment) to ensure public health protection. The agency continues to work closely with local and national professional and research organizations, as well as with state and County agencies and the EPA, to ensure that our treatment methods are cost-efficient and consistent with current research findings.

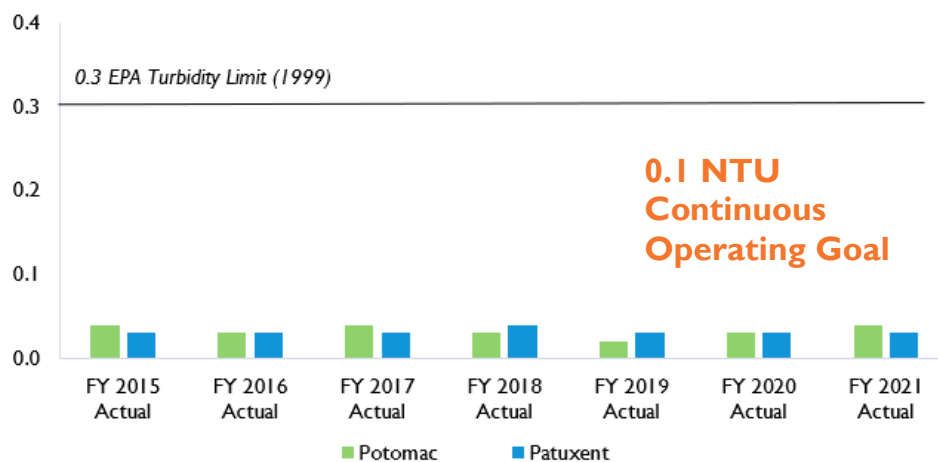


## PERFORMANCE OF KEY SERVICES (Continued)

### Water Filtration and Treatment – Turbidity (Continued)

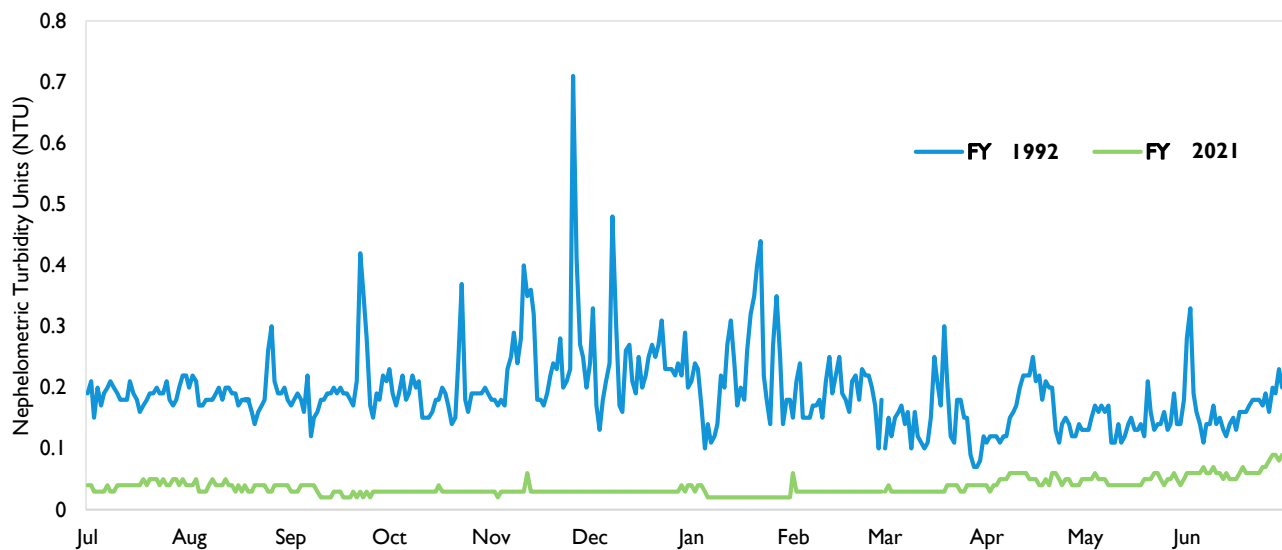
WSSC Water's continued participation in the Partnership for Safe Water Program is indicative of our commitment to protecting our drinking water. A primary goal of this program is to maintain filtered water turbidity well below EPA established limits to effectively guard against *Cryptosporidium*. *Cryptosporidium* is a microbial pathogen found in surface water throughout the U.S. Ingestion of *Cryptosporidium* may cause cryptosporidiosis, an abdominal infection. Although WSSC Water was already meeting the then newly-established maximum average monthly turbidity requirement of 0.5 NTU, a substantial effort was made in FY 1992 to further improve water quality to prevent emerging problems associated with *Cryptosporidium*. The graph below shows the average turbidity for the Potomac and Patuxent Water Filtration Plants (WFPs) for FYs 2015-2021. The EPA reduced the turbidity limit to 0.3 NTU in 1999, still well above the levels being achieved by WSSC Water. A maximum water turbidity of 0.1 NTU level has been and will continue to be a key objective for WSSC Water's Production Department.

**Annual Average Filtered Water Turbidity  
for Potomac and Patuxent WFPs  
in Nephelometric Turbidity Units (NTU)**



Not only has average turbidity been reduced, but also, as shown in the graph below for the Potomac WFP, the magnitudes of the daily peaks associated with variable raw water quality have been substantially reduced from FY 1992 peak levels. This latter measure is of particular importance in ensuring the reliability of the *Cryptosporidium* barrier. Finally, the ultraviolet disinfection systems at both the Potomac and Patuxent WFPs provide an extra barrier of protection against *Cryptosporidium*.

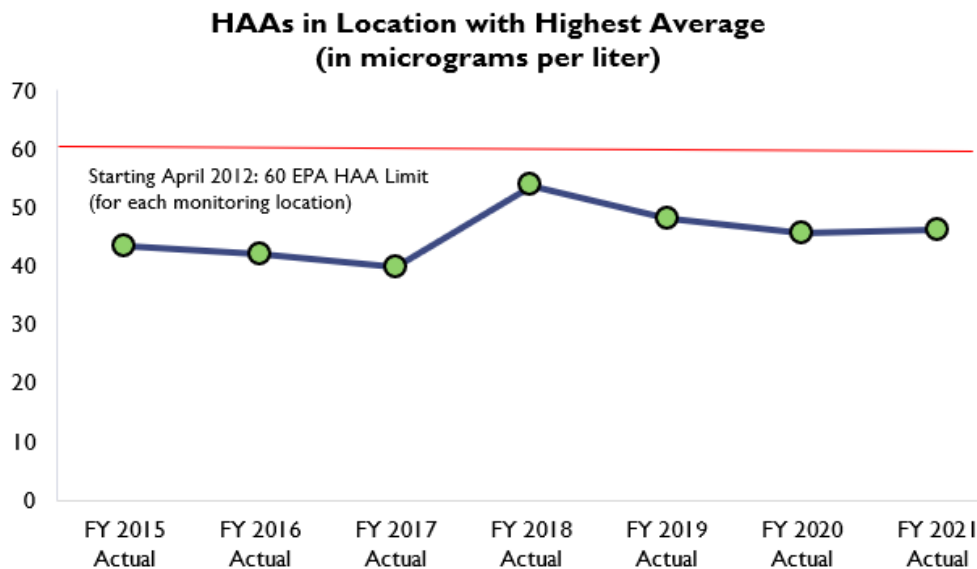
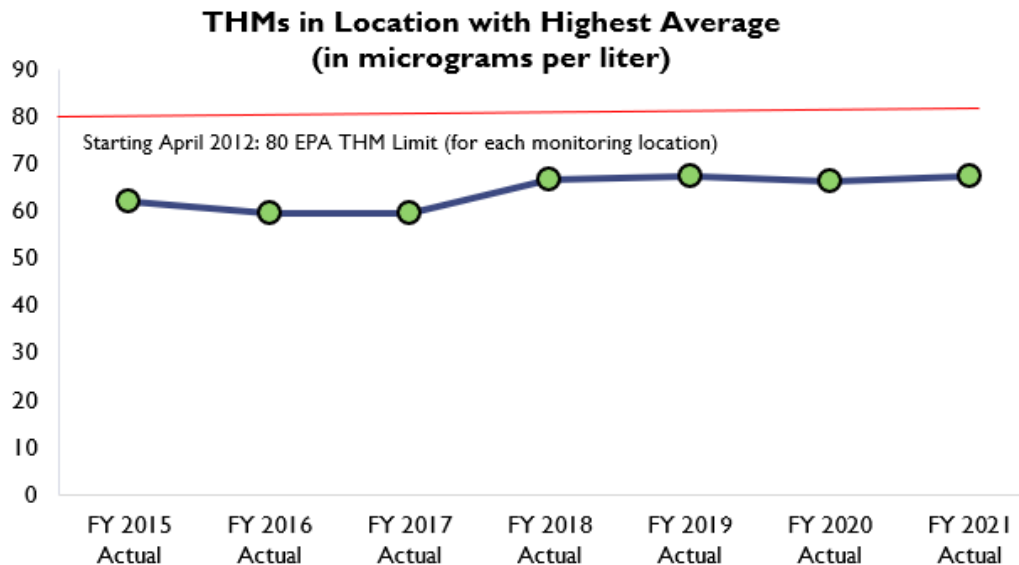
**Daily Average Filtered Water Turbidity for Potomac WFP**



## PERFORMANCE OF KEY SERVICES (Continued)

### Water Filtration and Treatment – Trihalomethanes and Haloacetic

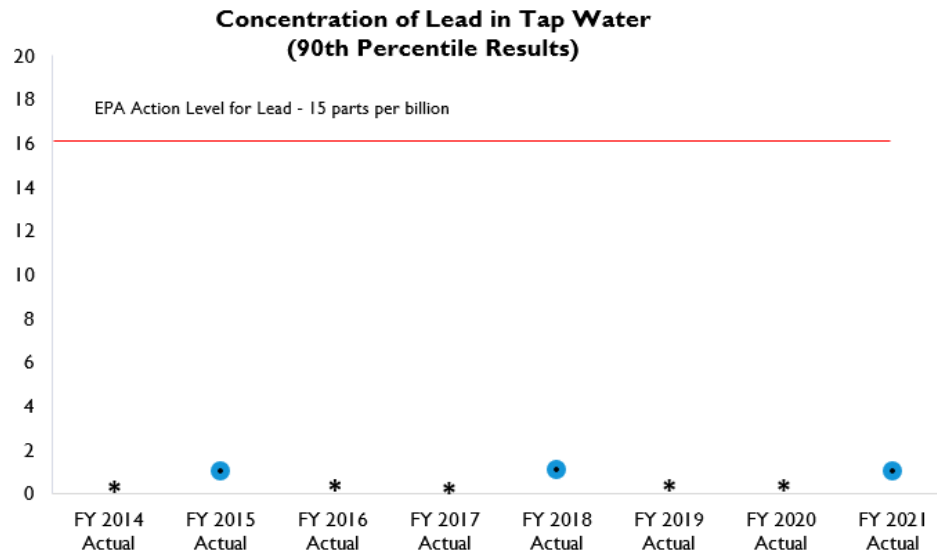
WSSC Water has also been aggressively pursuing enhanced coagulation (optimization of coagulant doses and pH levels to improve total organic carbon removal) to enhance disinfection by-product precursor removal, thereby lessening the formation of potential carcinogens in the finished water. Effective January 2001, the EPA reduced the standard for trihalomethanes (THMs) from 100 to 80 micrograms or lower of total THMs per liter in finished water. At the same time, the EPA also established a maximum contaminant level for haloacetic acids (HAAs) of 60 micrograms of five HAAs per liter in finished water. As shown in the figures below, WSSC Water is meeting the THM and HAA standards with the help of its enhanced coagulation initiatives. The Stage 2 Disinfection By-products Rule builds upon earlier rules and strengthens public health protection from disinfection by-products by requiring drinking water systems to meet maximum contaminant levels at each compliance monitoring location (as a locational annual average) instead of as a system-wide average as in previous rules. The annual average is shown below as the highest quarterly running annual average for a given fiscal year.



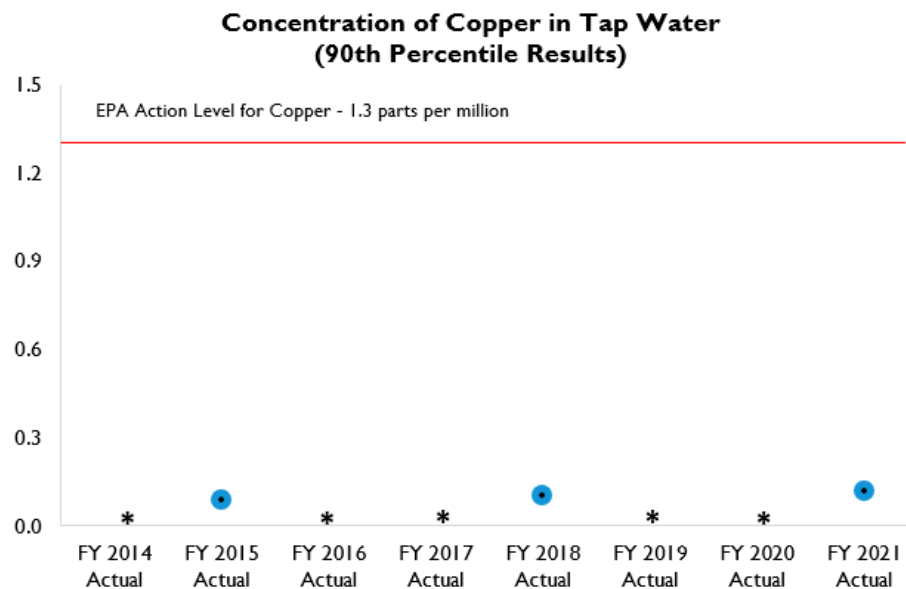
## PERFORMANCE OF KEY SERVICES (Continued)

### Water Filtration and Treatment – Tap Water Lead and Copper

Elevated levels of lead and copper in drinking water can cause serious health problems. WSSC Water continues its corrosion control program (using fine pH adjustment and the addition of orthophosphate) to minimize potential lead and copper corrosion in customer plumbing. The State of Maryland confirmed WSSC Water's treatment is optimized for corrosion control against lead and copper. As a result of treatment optimization, the state has allowed WSSC Water to be on a reduced monitoring schedule (both frequency of monitoring and number of samples) for much of the past two decades, with occasional periods of increased monitoring associated with treatment changes such as the implementation of orthophosphate addition. Results from the required triennial monitoring continue to indicate the 90<sup>th</sup> percentile lead and copper levels are well below the tap water action levels. The most recent round of monitoring was performed in FY 2021 with the 90<sup>th</sup> percentile for lead at <1.0 parts per billion. The next round of monitoring will be conducted in early FY 2024.



\*No sampling required in these years.

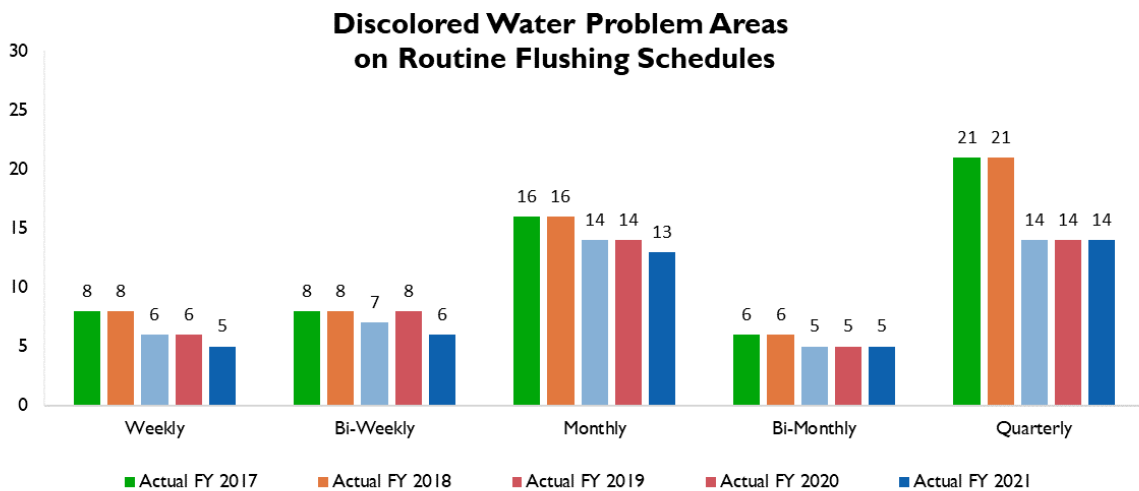
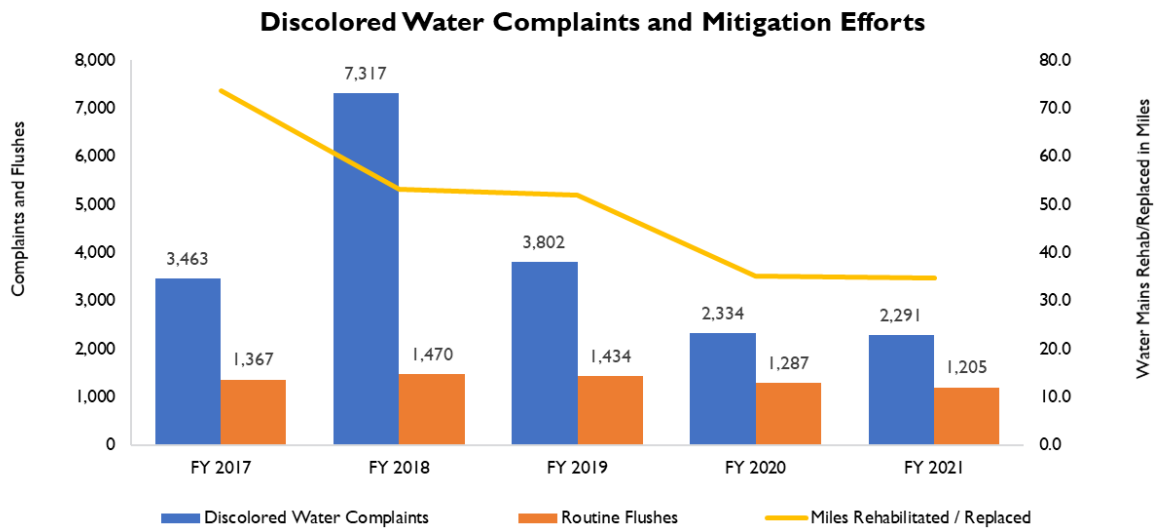


\*No sampling required in these years.

## PERFORMANCE OF KEY SERVICES (Continued)

### Discolored Water

Unlined cast iron pipe eventually leads to discolored water in the distribution system as the water chemically reacts with the pipe to form iron oxides (rust) and accumulates deposits of iron and manganese that can become dislodged. This is a serious inconvenience for the affected customers, limiting and disrupting their normal water use. To combat this problem, an aggressive program was begun in FY 1996 to periodically flush water mains in the affected areas to keep the water clear. At the same time, WSSC Water augmented its ongoing program to resolve such problems by mechanically cleaning and relining the old mains with a new cement mortar lining. Cleaning and lining were discontinued in FY 2001 and WSSC Water focused on programmatic replacement of the affected water mains. In FY 2021 the agency replaced nearly 30 miles of distribution mains and 5 miles of transmission mains. In addition, total discolored water events decreased from 2,333 to 2,310. The total routine flushing of water mains has decreased from an average of 1,442 from FY 2015 through FY 2020 to just over 1,200 in FY 2021.

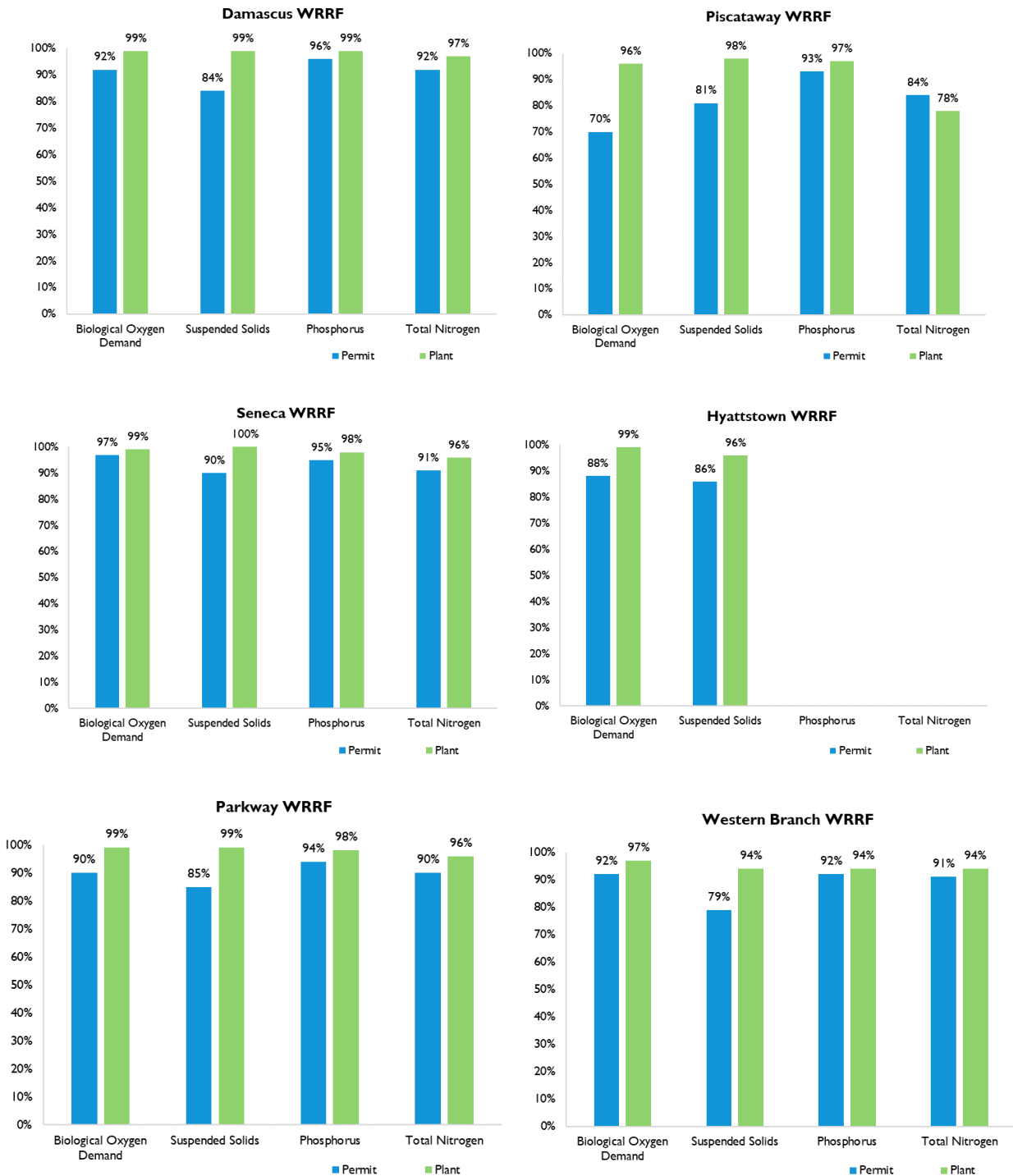


The graph above shows the number of chronic problem areas requiring regular flushing on a weekly, bi-weekly, monthly, bi-monthly, quarterly, or semi-annual basis since FY 2017. FY 2021 flushing reductions are attributable to both the impact of the water main replacement programs and reduced water main breaks, resulting in reduced customer complaints.

## PERFORMANCE OF KEY SERVICES (Continued)

### FY 2021 Percentage Removal of Substances Regulated by Discharge Permits

The following graphs present actual FY 2021 plant performance for WSSC Water's six Water Resource Recovery Facilities (WRRFs) in terms of the percentage of specific substances removed compared to state and federal discharge permit requirements. The substances regulated differ from plant to plant, depending (in part) on the river or stream into which the treated water is discharged. For FY 2023, the Production Department will continue to pursue its goal of meeting or surpassing the permit requirements for each plant.



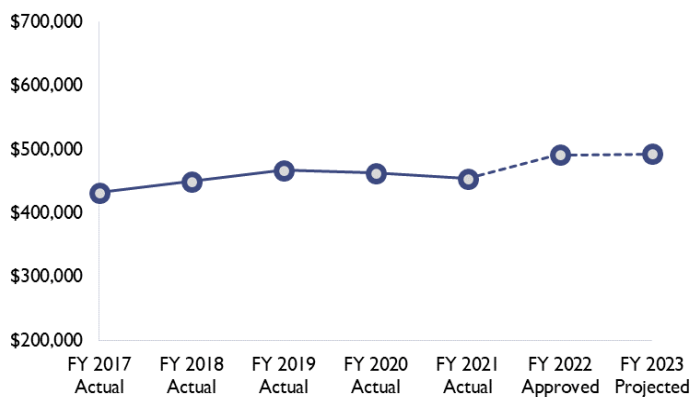
Note: Permit should be less than Plant.

## PERFORMANCE OF KEY SERVICES (Continued)

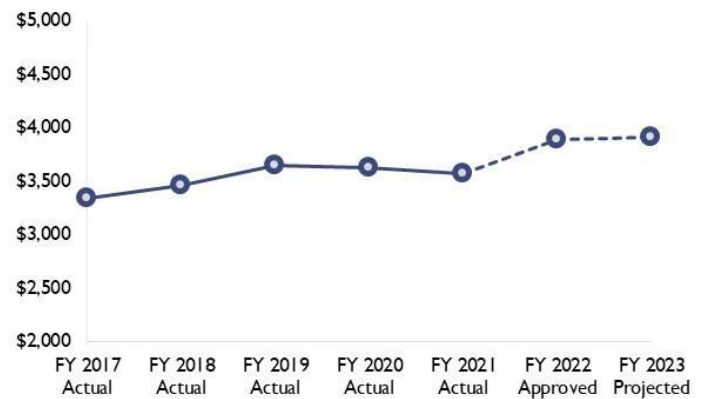
### Water and Wastewater Operations

WSSC Water's top priority is to continuously provide a safe and reliable supply of drinking water that meets all strict federal Safe Drinking Water Act standards. At the same time the agency works closely with local and national professional and research organizations, as well as with state and County agencies and the EPA, to ensure that our treatment methods are cost-efficient and consistent with current research findings. Despite inflation and the increased maintenance cost of our infrastructure systems, the agency continues to focus on being fiscally responsible with the water and wastewater operating costs. In the graph below showing the Wastewater Treatment Cost per 1,000 Customer Accounts, the FY 2021 cost is lower than in FY 2020 due to reduced professional and contractual services costs and lower administrative cost along with the increased number of customer accounts in FY 2021. Similarly, the Wastewater Operating Cost per Million Gallons of Sewage Treated graph also shows the FY 2021 result significantly lower than in FY 2020. The decrease is mainly due to reduced professional and contractual services costs and lower administrative costs along with the increased sewage treatment volume in FY 2021.

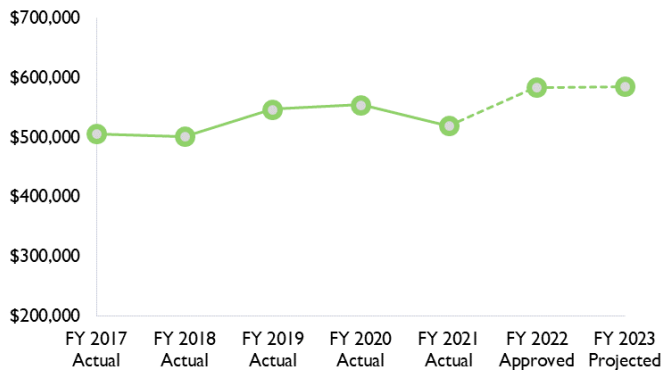
Water Production Cost per 1,000 Customer Accounts



Water Operating Cost per Million Gallons Produced



Wastewater Treatment Cost per 1,000 Customer Accounts



Wastewater Operating Cost per Million Gallons Treated



**SECTION II**  
**ORGANIZATIONAL BUDGETS AND MEASURES**

## ORGANIZATIONAL BUDGETS AND MEASURES

This section discusses expenses by organizational unit, assumptions related to WSSC Water's workforce and compensation, including retiree benefits.

### COMPARATIVE EXPENSES BY ORGANIZATIONAL UNIT ALL OPERATING AND CAPITAL FUNDS

Organization	FY 2021 Actual		FY 2022 Approved		FY 2023 Proposed		Change
	Work Years	Amount	Work Years	Amount	Work Years	Amount	
Governance & General Manager's Office							
Commissioners'/Corporate Secretary's Office*	1.3	\$ 336,736	2.0	\$ 410,432	2.0	\$ 482,667	\$ 72,235
Office of the Inspector General*	9.1	1,583,404	10.0	1,628,871	10.0	1,637,327	8,456
General Manager's Office	8.0	1,468,198	8.0	1,480,154	8.0	1,523,287	43,133
General Counsel's Office	26.0	11,629,036	28.0	10,481,323	28.0	10,471,543	(9,780)
Strategy & Partnerships							
Intergovernmental Relations Office	4.0	618,550	4.0	778,837	4.0	763,053	(15,784)
Strategy & Innovation Office***	16.4	3,132,386	19.0	5,830,574	14.0	4,975,033	(855,541)
Communications & Community Relations Office	15.7	2,209,678	19.0	2,957,801	19.0	2,864,137	(93,664)
Human Resources Office	33.6	6,261,856	36.0	8,049,422	37.0	8,063,501	14,079
Equal Employment Opportunity Office **	0.3	91,728	1.0	237,823	-	-	(237,823)
Customer Service Department	110.3	13,707,446	94.0	14,197,482	94.0	16,896,230	2,698,748
Operations							
Asset Management Office	5.2	1,716,700	6.0	1,794,247	7.0	2,655,229	860,982
Police & Homeland Security Office	34.3	4,723,371	40.0	5,951,878	40.0	5,395,339	(556,539)
Engineering & Construction Department	350.1	418,369,910	376.0	685,173,258	375.0	693,066,980	7,893,722
Production Department****	315.1	142,937,206	332.0	152,791,839	339.0	159,859,607	7,067,768
Utility Services Department	478.8	89,645,814	512.0	122,030,861	511.0	119,306,343	(2,724,518)
Administration							
Office of Supplier Diversity & Inclusion	9.0	1,156,168	9.0	1,292,695	10.0	1,241,714	(50,981)
Procurement Office***	21.6	2,176,338	27.0	2,717,721	32.0	3,396,690	678,969
General Services Department	85.6	34,832,371	96.0	41,149,538	98.0	40,691,054	(458,484)
Finance Department	62.4	7,881,472	64.0	8,271,660	64.0	8,356,577	84,917
Information Technology Department	91.7	56,111,012	103.0	61,389,484	103.0	59,553,406	(1,836,078)
Other							
Human Resources Non-Departmental	-	29,393,327	-	31,665,326	-	33,781,806	2,116,480
Finance Non-Departmental							
Debt Service	-	291,979,579	-	316,827,000	-	330,823,374	13,996,374
PAYGO	-	-	-	27,585,000	-	31,016,000	3,431,000
Other (Social Security, Retirement, etc.)	-	53,559,633	-	51,914,428	-	53,653,366	1,738,938
Retirement Trust Chargeback	-	-	-	(769,300)	-	(840,455)	(71,155)
Total	1,678.5	\$1,175,521,919	1,786.0	\$1,555,838,354	1,795.0	\$1,589,633,808	\$ 33,795,454

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

(\*\*) Equal Employment Opportunity Office is now called Equity, Engagement and Inclusion and is consolidated into the Human Resources Office.

(\*\*\*) The transfer of the Strategic Sourcing Team workyears from the Strategy & Innovation Office to the Procurement Offices accounts for the change in workyears for these two organizations.

(\*\*\*\*) The Production Department workyears increased to provide staffing for the Biosolids Management Division.



## ORGANIZATIONAL UNIT AND FUND MATRIX – ALL OPERATING AND CAPITAL FUNDS

For each organizational unit, the Organizational Unit and Fund Matrix illustrates the funds to which costs are charged.

Budget:  Fund Type:	Operating			Capital		
	Water Operating	Sewer Operating	General Bond Debt Service	Water Supply	Sewage Disposal	General Construction
<b>Governance &amp; General Manager's Office</b>						
Commissioners'/Corporate Secretary's Office	X	X	X	X	X	X
Office of the Inspector General	X	X	X	X	X	X
General Manager's Office	X	X	X	X	X	X
General Counsel's Office	X	X	X	X	X	X
<b>Strategy &amp; Partnerships</b>						
Intergovernmental Relations Office	X	X	X	X	X	X
Strategy & Innovation Office	X	X	X	X	X	X
Communications & Community Relations Office	X	X	X	X	X	X
Human Resources Office	X	X	X	X	X	X
Customer Service Department	X	X				
<b>Operations</b>						
Asset Management Office	X	X				
Police & Homeland Security Office	X	X	X	X	X	X
Engineering & Construction Department	X	X		X	X	X
Production Department	X	X			X	
Utility Services Department	X	X		X	X	X
<b>Administration</b>						
Office of Supplier Diversity & Inclusion	X	X	X	X	X	X
Procurement Office	X	X	X	X	X	X
General Services Department	X	X	X	X	X	X
Finance Department	X	X	X	X	X	X
Information Technology Department	X	X	X	X	X	X
<b>Other</b>						
Human Resources Non-Departmental	X	X	X	X	X	X
<b>Finance Non-Departmental</b>						
Debt Service	X	X	X			
PAYGO	X	X				
Other (Social Security, Retirement, etc.)	X	X	X	X	X	X
Retirement Trust Chargeback	X	X				

## WORKFORCE AND COMPENSATION

The workforce and compensation assumptions proposed for Fiscal Year (FY) 2023 incorporate the policy and guideline recommendations discussed in the Sections 4 and 6.

### Salaries & Wages Summary

	<u>FY 2023 Proposed</u>	
	<u>Work Years</u>	<u>Amount</u>
Base Positions Funded Full Year	1,795	\$ 160,109,463
Overtime		7,600,400
<b>Subtotal</b>		<b>167,709,863</b>
Lapse on Base Positions*		(8,376,281)
<b>Subtotal</b>		<b>159,333,582</b>
Salary Enhancements		6,889,869
Salary - 6 Commissioners		78,500
<b>Total</b>	<b>1,795</b>	<b>\$ 166,301,951</b>

\*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 2023 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 2023. 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. Annual employer contributions to the Employees' Retirement Plan are actuarially-determined and set at a level percentage of pay. This ratio is currently 16.9% of pay and has remained consistent over a number of years. The Employees' Retirement Plan is administered by an Executive Director who is appointed by the General Manager.

## WORKFORCE AND COMPENSATION (Continued)

### Employee Benefits (Continued)

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. Employer contributions to the Trust are actuarially-determined and set at a level dollar amount above the annual retiree claims expense. This amount, \$5.4 million in recent years, has been contributed to the Trust in addition to the payments made to directly cover the costs of annual retiree claims. 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.

## **APPENDICES**

APPENDIX A  
ECONOMIC INDICATORS AND TRENDS

**Top 20 Customers - Water and Sewer Usage**

Rank	Name of Customer
1	National Institutes of Health
2	Howard County Department of Public Works
3	University of Maryland
4	U.S. Navy
5	General Services Administration (GSA)
6	Leisure World
7	Andrews Air Force Base
8	Advanced Conservation Technologies (ACT)
9	Southern Management Corp
10	Franklin Park Apartments
11	National Institute of Standards and Technology (NIST)
12	Charles County Government Building
13	Coca Cola Bottling Company
14	Prince George's Hospital
15	MGM Resorts
16	Gateway Apartments
17	MedImmune LLC
18	The Enclave Silver Spring Apartments
19	Cinnamon Run at Peppertree Farm Apartments
20	Fort Detrick - Forest Glen Annex

## ACTIVE CUSTOMER ACCOUNTS

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

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Customer Accounts Both Counties	459,751	460,072	460,825	463,755	466,884
Percent Change (%)		0.1%	0.2%	0.6%	0.7%
<b>By Type of Customer*</b>					
Residential	439,601	440,164	440,087	442,536	445,503
Percent Change (%)		0.1%	0.0%	0.6%	0.7%
Commercial and Industrial	17,169	16,921	16,852	17,455	17,402
Percent Change (%)		-1.4%	-0.4%	3.6%	-0.3%
Government and Other	2,981	2,987	3,886	3,764	3,979
Percent Change (%)		0.2%	30.1%	-3.1%	5.7%
<b>By Type of Property*</b>					
Single-Family Residence	341,245	341,514	341,093	341,776	343,414
Townhouse	90,355	90,880	91,244	92,883	94,823
General Commercial	17,164	16,915	16,844	17,446	16,050
Garden Apartment	4,070	3,911	3,890	3,861	3,978
Multi-Unit (Individually Metered)	2,625	2,630	2,619	2,615	2,626
High-Rise Apartment	458	442	442	426	468
Other	3,834	3,780	4,693	4,748	5,525
	459,751	460,072	460,825	463,755	466,884

\* 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.

# Brief Economic Facts

## MONTGOMERY COUNTY, MARYLAND

Montgomery County is Maryland's most populous jurisdiction and one of its most affluent, has a stable and significant office market, and is a major economic engine for the state. It is home to an array of ground breaking innovations such as mapping the human genome, developing life-saving therapies, building premier cybersecurity defenses, and driving world-class IT advancements. Federal facilities in the county include the National Institutes of Health, the National Institute of Standards and Technology, and the Food and Drug Administration. The county is also home to educational and research organizations such as the Johns Hopkins University's Montgomery County Campus, the Howard Hughes Medical Institute, the Henry M. Jackson Foundation, and the Universities at Shady Grove.

Montgomery County's private sector industries generate \$75.1 billion in economic output in areas including information technology, telecommunications, biotechnology, software development, aerospace engineering, professional services and



government/federal contractors. Leading private employers include Adventist, Choice Hotels, Emergent BioSolutions, GEICO, Giant Food, HMSHost, Kaiser Permanente, Lockheed Martin, Marriott Intl., AstraZeneca, Supernus, Verizon, and WeddingWire.

Recent developments include the start of construction for the Purple Line, a 16-mile light rail from Montgomery County to Prince George's County, and a new mixed-use development in the heart of the Wheaton Triangle called the Wheaton Revitalization Project with completion scheduled for 2020.

### LOCATION

Driving distance from Rockville:	Miles	Kilometers
Atlanta, Georgia	624	1,005
Baltimore, Maryland	38	61
Boston, Massachusetts	436	702
Chicago, Illinois	670	1,078
New York, New York	225	363
Philadelphia, Pennsylvania	136	219
Pittsburgh, Pennsylvania	207	333
Richmond, Virginia	118	190
Washington, DC	16	26

### CLIMATE AND GEOGRAPHY<sup>1</sup>

Yearly Precipitation (inches)	43.5
Yearly Snowfall (inches)	24.9
Summer Temperature (°F)	74.4
Winter Temperature (°F)	35.1
Days Below Freezing	86.3
Land Area (square miles)	495.4
Water Area (square miles)	10.1
Elevation (feet)	10 to 880

### POPULATION<sup>2,3</sup>

	Montgomery County Households	Montgomery County Population	Maryland part of Washington DC metro*	Maryland
2000	324,565	873,341	2,065,242	5,296,486
2010	357,086	971,777	2,303,870	5,773,552
2020**	391,401	1,052,050	2,490,650	6,141,900

\*Calvert, Charles, Frederick, Montgomery and Prince George's counties

\*\*Projections

Selected places population (2010): Germantown 86,395; Silver Spring 71,452; Rockville 61,209; Bethesda 60,858; Gaithersburg 59,933; Aspen Hill 48,759; Wheaton 48,284

### POPULATION DISTRIBUTION<sup>2,3</sup> (2018)

Age	Number	Percent
Under 5	65,806	6.3
5 - 19	201,186	19.1
20 - 44	338,122	32.1
45 - 64	283,937	27.0
65 and over	163,516	15.5
Total	1,052,567	100.0
Median age		39.4 years



888-246-6736 | [Open.Maryland.gov](https://open.maryland.gov)

2019.2

# Brief Economic Facts MONTGOMERY COUNTY, MARYLAND

## LABOR AVAILABILITY<sup>3,4,5</sup> (BY PLACE OF RESIDENCE)

Civilian Labor Force (2018 avg.)	County	Labor Mkt. Area*
Total civilian labor force	554,989	1,594,853
Employment	537,429	1,529,652
Unemployment	17,560	65,201
Unemployment rate	3.2%	4.1%
Residents commuting outside the county to work (2013-2017)	Number	Percent
	213,809	39.2%

### Employment in selected occupations (2013-2017)

Management, business, science and arts	310,808	56.1%
Service	85,142	15.4%
Sales and office	100,206	18.1%
Production, transp. and material moving	26,114	4.7%

\* Montgomery, Frederick and Prince George's counties, MD and Washington, D.C.

## MAJOR EMPLOYERS<sup>6,7</sup> (2018-2019)

Employer	Product/Service	Employment
National Institutes of Health*	HQ / medical research	17,580
U.S. Food and Drug Admin.*	HQ / R&D and standards	13,855
Naval Support Activity Bethesda*	Medical services	12,000
Marriott International	HQ / hotels and motels	5,800
Adventist HealthCare	HQ / medical services	4,290
Montgomery College	Higher education	3,155
National Oceanic and Atmospheric Admin.*	HQ / weather analysis and reporting	2,920
National Institute of Standards and Technology*	HQ / testing and standards; R&D	2,835
Tricare	Medical services	2,725
Kaiser Foundation Hlth. Plan	Medical services	2,640
U.S. Nuclear Reg. Comm.*	HQ / utilities regulation	2,340
AstraZeneca	HQ / pharmaceuticals, R&D, manufacturing	2,320
GEICO	HQ / insurance	2,270
Holy Cross Hospital	Medical services	2,000
Verizon	Telecommunications	2,000
Westat	HQ / research, surveys	2,000
Suburban Hospital	Medical services	1,815
Henry M. Jackson Found. for the Adv. of Military Medicine	HQ / R&D in the social sciences and humanities	1,780
Lockheed Martin	HQ / defense, aerospace	1,610
Leidos	IT, technical services	1,100

Excludes post offices, state and local governments, national retail and national foodservice; includes higher education

\* Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included

## EMPLOYMENT<sup>4</sup> (2018, BY PLACE OF WORK)

Industry	Estab-lishments	Annual Empl.	Avg. Emp. %	Avg. Wkly. Wage
Federal government	105	47,494	10.1	\$2,276
State government	12	1,258	0.3	905
Local government	243	41,855	8.9	1,280
Private sector	32,614	380,855	80.8	1,376
Natural resources and mining	55	337	0.1	793
Construction	2,489	23,568	5.0	1,397
Manufacturing	422	12,720	2.7	2,563
Trade, transportation and utilities	3,908	56,389	12.0	901
Information	564	10,288	2.2	2,183
Financial activities	3,057	28,856	6.1	2,260
Professional and business services	8,387	106,262	22.5	1,832
Education and health services	4,411	76,074	16.1	1,054
Leisure and hospitality	2,359	44,210	9.4	512
Other services	6,957	22,035	4.7	1,008
Total	32,975	471,349	100.0	1,457

Includes civilian employment only

## HOURLY WAGE RATES<sup>4</sup> (2018)

Selected Occupations	Median	Entry	Experienced
Accountants	\$37.65	\$25.84	\$49.21
Biochemists and biophysicists	44.31	32.63	54.29
Biological technicians	29.04	20.82	35.21
Bookkeeping/accounting clerks	23.91	15.79	28.32
Computer systems analysts	46.63	30.59	54.93
Computer user support specialists	27.11	18.37	33.10
Customer service representatives	18.29	11.93	23.22
Electrical engineers	56.06	36.95	68.56
Electronics engineering technicians	34.61	23.99	40.90
Freight, stock and material movers, hand	13.89	11.25	16.60
Industrial truck operators	17.76	14.68	20.97
Inspectors, testers, sorters	27.48	18.66	32.05
Network administrators	47.82	32.90	58.31
Packers and packagers, hand	12.64	10.81	14.62
Secretaries	20.71	13.51	24.32
Shipping/receiving clerks	16.99	12.65	20.66
Team assemblers	16.53	10.94	20.25

Wages are an estimate of what workers might expect to receive in Montgomery County and may vary by industry, employer and locality



# Brief Economic Facts MONTGOMERY COUNTY, MARYLAND

## SCHOOLS AND COLLEGES<sup>3,8</sup>

### Educational Attainment - age 25 & over (2013-2017)

High school graduate or higher	91.1%
Bachelor's degree or higher	58.3%

### Public Schools

Number: 134 elementary; 40 middle; 26 high
Enrollment: 162,680 (Sept. 2018)
Cost per pupil: \$15,829 (2017-2018)
Students per teacher: 14.5 (Oct. 2018)
High school career / tech enrollment: 12,958 (2017)
High school graduates: 10,970 (July 2018)

### Nonpublic Schools Number: 311 (Sept. 2018)

Higher Education (2018)	Enrollment	Degrees
-------------------------	------------	---------

#### 2-year institution

Montgomery College	21,720	2,577
--------------------	--------	-------

#### Major 4-year institutions

Uniformed Services University of the Health Sciences	NA	NA
Washington Adventist University	1,131	216

Universities at Shady Grove - Degree programs offered by 9 University System of Maryland institutions including UMCP, UMB, UB, UMBC, UMES, UMUC, Bowie, Salisbury and Towson.  
Johns Hopkins Univ. - Offers coursework and graduate degree programs at the university's Montgomery County Campus.

## TAX RATES<sup>9</sup>

	Montgomery Co.	Maryland
<b>Corporate Income Tax (2019)</b>	none	8.25%
Base – federal taxable income		
<b>Personal Income Tax (2019)</b>	3.20%	2.0%-5.75%*
Base – federal adjusted gross income		
*Graduated rate peaking at 5.75% on taxable income over \$300,000		
<b>Sales &amp; Use Tax (2019)</b>	none	6.0%
Exempt – sales for resale; manufacturer's purchase of raw materials; manufacturing machinery and equipment; purchases of materials and equipment used in R&D and testing of finished products; purchases of computer programs for reproduction or incorporation into another computer program for resale		
<b>Real Property Tax (FY 20)</b>	\$0.7166	\$0.112
Effective rate per \$100 of assessed value		
In addition to this rate, there are some miscellaneous taxes and/or special taxing areas in the county; in an incorporated area, a municipal rate may also apply		
<b>Business Personal Prop. Tax (FY 20)</b>	\$1.7915	none
Rate per \$100 of depreciated value		
Exempt – manufacturing and R&D machinery, equipment, materials and supplies; manufacturing, R&D and warehousing inventory		
In an incorporated area, a municipal rate may also apply; municipal exemptions may be available		
<b>Major Tax Credits Available</b>		
Enterprise Zone, Job Creation, More Jobs for Marylanders, R&D, New Jobs, Biotechnology and Cybersecurity Investment, A&E District		

## INCOME<sup>3</sup> (2013-2017)

Distribution	Montgomery Co.	Percent Households Maryland	U.S.
Under \$25,000	9.4	14.2	21.3
\$25,000 - \$49,999	13.0	17.1	22.5
\$50,000 - \$74,999	13.9	16.5	17.7
\$75,000 - \$99,999	12.1	13.1	12.3
\$100,000 - \$149,999	19.6	18.7	14.1
\$150,000 - \$199,999	12.3	9.7	5.8
\$200,000 and over	19.8	10.7	6.3
Median household	\$103,178	\$78,916	\$57,652
Average household	\$140,141	\$103,845	\$81,283
Per capita	\$51,162	\$39,070	\$31,177
Total income (millions)	\$51,746	\$226,495	\$9,658,475

## HOUSING<sup>3,10</sup>

**Occupied Units (2013-2017)** 369,242 (65.6% owner occupied)

### Housing Transactions (2018)\*

Units sold	11,809
Median selling price	\$438,521

\*All multiple listed properties; excludes auctions and FSBO

## BUSINESS AND INDUSTRIAL PROPERTY<sup>6</sup>

Already home to over 300 biotech companies, the county is planning additional development along the I-270 and Rt. 29 corridors, adding to its global reputation as a technology center. Over 1.5 million sf of urban, transit-oriented office space is under construction in downtown Bethesda including Marriott's new corporate headquarters.

**Viva White Oak** - Broke ground in 2018 on a 300-acre mixed-use devt. focusing on advanced technologies, adjacent to the new U.S. FDA HQ campus.

**Montgomery College Germantown Campus Science and Technology Park** - Up to one million sf planned, including an academic and training facility tied in with the college's biotech program, a business incubator, and build-to-suit facilities.

**Great Seneca Science Corridor** - 17.5 million sf is being developed into one of the nation's premier areas for scientific research and development.

### Business Incubators

Alexandria LaunchLabs (Gaithersburg); Bethesda Green; BioHealth Innovation (Rockville); Germantown Innovation Center; GovCon (Rockville); Rockville Innovation Center; Silver Spring Innovation Center

Market Profile Data (2018)	Low	High	Average
<b>Land – cost per acre</b>			
Industrial	\$146,200	\$2,500,000	\$972,430
Office	\$350,000	\$7,323,262	\$2,494,334
<b>Rental Rates – per square foot</b>			
Warehouse / Industrial	\$9.75	\$18.60	\$12.72
Flex / R&D / Technology	\$8.00	\$34.50	\$17.41
Class A Office	\$19.81	\$55.00	\$31.25

# Brief Economic Facts MONTGOMERY COUNTY, MARYLAND

## TRANSPORTATION

**Highways:** I-270 (“The Technology Corridor”), I-370, I-495, U.S. Route 29 and the ICC (MD 200); ten-minute access to I-95

**Rail:** 12 Metrorail stations, including three of the system’s busiest; 11 future Purple Line rail stops; Amtrak, MARC and CSX Transportation offer long-distance passenger and commuter service as well as freight rail service

**Bus:** 234 Metrobuses operating on 41 routes in the county, plus extensive service via the county’s Ride-On bus system

**Truck:** More than 130 local and long-distance trucking establishments

**Water:** Served by the Port of Baltimore with a 50’ channel; a leading U.S. automobile and break-bulk port; seven public terminals including the state-of-the-art Intermodal Container Transfer Facility

**Air:** Commercial passenger and air cargo services are available through Baltimore/Washington International Thurgood Marshall, Washington Dulles International, and Ronald Reagan Washington National Airports; commuter and corporate air service is available at the Montgomery County Airpark (4200’ runway)

## RECREATION AND CULTURE

**Parks and Recreation:** More than 410 different parks, including national, state, regional and neighborhood, featuring tennis courts, ball fields and totalling 34,600 acres; more than 100 miles of trails provide recreational opportunities

**Golf:** Nine public golf courses, 22 private golf courses, and more than a dozen country clubs, including the Tournament Players Club at Avenel; county hosted the 2011 US Open at Congressional Country Club

**Sports:** 11 public pools and 50 private community pools; public and private tennis courts throughout the county; year-round amateur and professional sports as well as thoroughbred racing

**Cultural:** The Music Center at Strathmore’s 1,978-seat concert hall and adjacent education center; Olney Theatre Center in Olney; American Film Institute’s Silver Theatre, the Round House Theatre, Bethesda Blues and Jazz Supper Club, and the Fillmore featuring Live Nation in Silver Spring

**Arts & Entertainment Districts:** Bethesda, Silver Spring, Wheaton

**Attractions:** Clara Barton National Historic Site, National Capital Trolley Museum, Chesapeake & Ohio Canal National Historical Park, Sugarloaf Mountain Vineyard and Brookside Gardens

**Events:** Sugarloaf Craft Festival, Montgomery County Agricultural Fair, SILVERDOCS Film Festival, Quicken Loans National Golf Tournament, and Seneca Creek State Park Light Festival

## UTILITIES

**Electricity:** Potomac Electric Power Company, Baltimore Gas and Electric and the Allegheny Power System; customers of investor-owned utilities and major cooperatives may choose their electric supplier

**Gas:** Natural gas supplied by Washington Gas; BGE serves the northern section of the county; customers may purchase gas from other natural gas suppliers

**Water and Sewer:** Washington Suburban Sanitary Commission (WSSC) maintains and operates the county’s water and sewer system; the City of Rockville operates its own water and sewer system

**Telecommunications:** Verizon Maryland, Comcast and RCN provide cable television, high-speed wired and wireless internet and telephone services in the county; services available include Ethernet, VoIP, and Verizon FiOS

## GOVERNMENT<sup>11</sup>

**County Seat:** Rockville

**Government:** County executive and nine county council members elected for four-year terms; charter form of government allows for the separation of the executive from the legislative branch; lawmaking powers are vested in an elected legislative body

Marc B. Elrich, County Executive 240.777.2500

Nancy Navarro, President, County Council 240.777.7964

**Website:** [www.montgomerycountymd.gov](http://www.montgomerycountymd.gov)

**County Bond Rating:** AAA (S&P); Aaa (Moody’s); AAA (Fitch)

**Montgomery County Economic Development Corporation**

David Petr, President and CEO

1801 Rockville Pike, Suite 320

Rockville, Maryland 20852

Telephone: 240.641.6700

Email: [connect@thinkmoco.com](mailto:connect@thinkmoco.com)  
[thinkmoco.com](http://thinkmoco.com)

### Sources:

1 National Oceanic and Atmospheric Administration (1981-2010 normals); Maryland Geological Survey

2 Maryland Department of Planning

3 U.S. Bureau of the Census

4 Maryland Department of Labor, Office of Workforce Information and Performance

5 U.S. Bureau of Labor Statistics

6 Montgomery County Economic Development Corporation

7 Maryland Department of Commerce

8 Maryland State Department of Education; Maryland Higher Education Commission

9 Maryland State Department of Assessments and Taxation; Comptroller of the Treasury

10 Maryland Association of Realtors

11 Maryland State Archives; Maryland Association of Counties



World Trade Center • 401 E. Pratt Street • Baltimore, MD 21202  
Telephone: 410.767.6300 • TDD/TTY: 410-333.6926

888-246-6736 | [Open.Maryland.gov](http://Open.Maryland.gov)

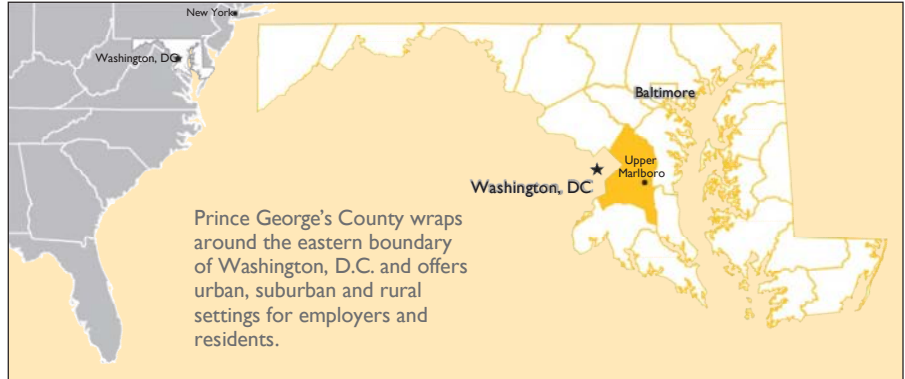
# Brief Economic Facts

## PRINCE GEORGE'S COUNTY, MARYLAND

Prince George's County wraps around the eastern boundary of Washington, D.C. and offers urban, suburban and rural settings. The region is served by three international airports and the Port of Baltimore. The county boasts a friendly business climate, skilled workers and an outstanding quality of life.

Prince George's has one of the largest technology and aerospace sectors in the state and a growing hospitality sector. Major private employers include SGT, Inovalon, Verizon, and MGM National Harbor, with private sector industries generating \$25.6 billion in economic output. Woodmore Towne Centre and National Harbor are recent, high-quality mixed-use developments, and Westphalia Town Center and Towne Square at Suitland Federal Center are currently under development.

Prince George's County has significant federal facilities, such as Joint Base Andrews, NASA Goddard Space Flight Center, FDA, NOAA, USDA Beltsville Agricultural Research Center, and



the U.S. Citizenship and Immigration Services headquarters currently under construction. Academic facilities include the University of Maryland College Park, the state's flagship public university, and other major institutions. The county's commitment to business growth is reflected by the recent location or expansion of 2U and Kaiser Permanente of the Mid-Atlantic. The county's healthcare sector is also growing, led by the UM Capital Region Medical Center currently under construction.

### LOCATION

Driving distance from Upper Marlboro:	Miles	Kilometers
Atlanta, Georgia	626	1,007
Baltimore, Maryland	37	60
Boston, Massachusetts	433	697
Chicago, Illinois	703	1,131
New York, New York	222	357
Philadelphia, Pennsylvania	133	214
Pittsburgh, Pennsylvania	239	385
Richmond, Virginia	107	173
Washington, DC	18	29

### CLIMATE AND GEOGRAPHY<sup>1</sup>

Yearly Precipitation (inches)	44.1
Yearly Snowfall (inches)	13.9
Summer Temperature (°F)	75.8
Winter Temperature (°F)	36.0
Days Below Freezing	92.0
Land Area (square miles)	487.0
Water Area (square miles)	12.2
Shoreline (miles)	119
Elevation (feet)	sea level to 440

### POPULATION<sup>2,3</sup>

	Prince George's County Households	Prince George's County Population	Maryland part of Washington DC metro*	Maryland
2000	286,610	801,515	2,065,242	5,296,486
2010	304,042	863,420	2,303,870	5,773,552
2020**	321,691	916,150	2,490,650	6,141,900

\*Calvert, Charles, Frederick, Montgomery and Prince George's counties

\*\*Projections

Selected places population (2010): Bowie 54,727; Clinton 35,970; Chillum 33,513; College Park 30,413; South Laurel 26,112; Suitland 25,825; Laurel 25,115

### POPULATION DISTRIBUTION<sup>2,3</sup> (2018)

Age	Number	Percent
Under 5	59,457	6.5
5 - 19	169,455	18.6
20 - 44	316,076	34.8
45 - 64	243,720	26.8
65 and over	120,600	13.3
Total	909,308	100.0
Median age		37.5 years



888-246-6736 | [Open.Maryland.gov](https://open.maryland.gov)

2019.2

# Brief Economic Facts PRINCE GEORGE'S COUNTY, MARYLAND

## LABOR AVAILABILITY<sup>3,4,5</sup> (BY PLACE OF RESIDENCE)

Civilian Labor Force (2018 avg.)	County	Labor Mkt. Area*
Total civilian labor force	504,423	1,773,625
Employment	483,850	1,702,679
Unemployment	20,573	70,946
Unemployment rate	4.1%	4.0%
Residents commuting outside the county to work (2013-2017)	Number	Percent
	284,654	60.6%
Employment in selected occupations (2013-2017)		
Management, business, science and arts	184,439	38.7%
Service	98,360	20.6%
Sales and office	105,938	22.2%
Production, transp. and material moving	41,404	8.7%

\* Prince George's, Anne Arundel and Montgomery counties, MD and Washington, D.C.

## MAJOR EMPLOYERS<sup>6,7</sup> (2018-2019)

Employer	Product/Service	Employment
University System of Maryland*	Higher education	20,250
Joint Base Andrews Naval Air Facility Washington**	Military installation	17,500
U.S. Internal Revenue Svc.**	Revenue collection	4,735
U.S. Census Bureau**	Demographic research	4,605
NASA - Goddard Space Flight Center**	Space research	3,000
United Parcel Service (UPS)	Mail and package delivery	3,000
MGM National Harbor	Casino gaming	2,785
Marriott International	Hotels and motels	2,200
Prince George's Community College	Higher education	2,045
Natl. Maritime Intelligence-Integration Office**	Maritime intelligence analysis	1,890
University of Maryland Capital Region Health	Medical services	1,800
Verizon	Telecommunications	1,800
U.S. Dept. of Agriculture**	Agricultural research	1,725
Melwood	Social services	1,400
National Oceanic and Atmospheric Admin.**	Weather analysis and reporting	1,375
Doctors Community Hospital	Medical services	1,300
MedStar Southern Maryland Hospital Center	Medical services	1,240
Adelphi Laboratory Center**	Military installation	1,235

Excludes post offices, state and local governments, national retail and national foodservice; includes higher education

\*Includes UMCP, UMUC and Bowie State University

\*\*Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included

## EMPLOYMENT<sup>4</sup> (2018, BY PLACE OF WORK)

Industry	Estab-lishments	Annual Empl.	Avg. Emp. %	Avg. Wkly. Wage
Federal government	114	26,762	8.3	\$2,055
State government	15	22,001	6.9	1,025
Local government	298	41,073	12.8	1,233
Private sector	15,760	231,228	72.0	998
Natural resources and mining	19	103	0.0	929
Construction	1,757	26,703	8.3	1,360
Manufacturing	335	7,649	2.4	1,201
Trade, transportation and utilities	3,457	60,430	18.8	803
Information	151	3,499	1.1	1,438
Financial activities	1,306	11,674	3.6	1,110
Professional and business services	3,250	40,726	12.7	1,399
Education and health services	2,337	34,977	10.9	1,048
Leisure and hospitality	1,625	35,696	11.1	484
Other services	1,515	9,767	3.0	791
Total	16,187	321,065	100.0	1,118

Includes civilian employment only

## HOURLY WAGE RATES<sup>4</sup> (2018)

Selected Occupations	Median	Entry	Experienced
Accountants	\$38.16	\$25.13	\$48.26
Bookkeeping/accounting clerks	22.15	15.61	26.55
Computer systems analysts	45.13	31.76	52.95
Computer user support specialists	25.68	16.37	31.06
Customer service representatives	16.65	11.99	20.96
Electronics engineering technicians	34.35	26.69	41.95
Freight, stock and material movers, hand	12.30	10.99	15.75
Industrial truck operators	20.38	14.71	24.18
Maintenance workers, machinery	27.05	19.30	31.40
Mechanical engineers	48.75	33.28	71.57
Network administrators	50.74	35.93	61.09
Packaging and filling machine operators	11.14	10.83	11.80
Packers and packagers, hand	12.04	10.87	14.52
Secretaries	20.72	14.55	24.51
Shipping/receiving clerks	18.22	12.32	21.40
Team assemblers	17.10	11.75	21.34
Telemarketers	13.54	11.58	15.91

Wages are an estimate of what workers might expect to receive in Prince George's County and may vary by industry, employer and locality

# Brief Economic Facts PRINCE GEORGE'S COUNTY, MARYLAND

## SCHOOLS AND COLLEGES<sup>3,8</sup>

### Educational Attainment - age 25 & over (2013-2017)

High school graduate or higher	86.1%
Bachelor's degree or higher	31.9%

### Public Schools

Number: 121 elem.; 36 middle/combined; 24 high; 9 charter
Enrollment: 132,667 (Sept. 2018)
Cost per pupil: \$14,850 (2017-2018)
Students per teacher: 14.0 (Oct. 2018)
High school career / tech enrollment: 7,574 (2017)
High school graduates: 7,898 (July 2018)

### Nonpublic Schools Number: 135 (Sept. 2018)

Higher Education (2018)	Enrollment	Degrees
-------------------------	------------	---------

#### 2-year institution

Prince George's Community College	11,890	1,057
-----------------------------------	--------	-------

#### Major 4-year institutions

Bowie State University	6,320	1,034
Capitol Technology University	743	157
University of Maryland, College Park	41,200	11,160
Univ. of Maryland University College	60,270	12,665

Undergraduate and graduate courses are offered at the Laurel College Center through 6 Maryland public colleges/universities. Central Michigan and Embry-Riddle Aeronautical Universities offer courses at Joint Base Andrews.

## TAX RATES<sup>9</sup>

	Prince George's Co.	Maryland
<b>Corporate Income Tax (2019)</b>	none	8.25%
Base – federal taxable income		
<b>Personal Income Tax (2019)</b>	3.20%	2.0%-5.75%*
Base – federal adjusted gross income		
*Graduated rate peaking at 5.75% on taxable income over \$300,000		
<b>Sales &amp; Use Tax (2019)</b>	none	6.0%
Exempt – sales for resale; manufacturer's purchase of raw materials; manufacturing machinery and equipment; purchases of materials and equipment used in R&D and testing of finished products; purchases of computer programs for reproduction or incorporation into another computer program for resale		
<b>Real Property Tax (FY 20)</b>	\$1.00	\$0.112
Effective rate per \$100 of assessed value		
In addition to this rate, there are some miscellaneous taxes and/or special taxing areas in the county; in an incorporated area, the county rate will vary and a municipal rate will also apply		
<b>Business Personal Property Tax (FY 20)</b>	\$2.50	none
Rate per \$100 of depreciated value		
Exempt – manufacturing and R&D machinery, equipment, materials and supplies; manufacturing, R&D and warehousing inventory		
In an incorporated area, the county rate will vary and a municipal rate may apply; municipal exemptions may be available		
<b>Major Tax Credits Available</b>		
Enterprise Zone (incl. Focus Area), Job Creation, More Jobs for Marylanders (Tier 1), R&D, Biotechnology and Cybersecurity Investment, Revitalization, Arts & Entertainment Dist.		

## INCOME<sup>3</sup> (2013-2017)

Distribution	Pr. George's Co.	Maryland	U.S.
Under \$25,000	11.6	14.2	21.3
\$25,000 - \$49,999	17.3	17.1	22.5
\$50,000 - \$74,999	18.8	16.5	17.7
\$75,000 - \$99,999	14.6	13.1	12.3
\$100,000 - \$149,999	20.0	18.7	14.1
\$150,000 - \$199,999	9.5	9.7	5.8
\$200,000 and over	8.2	10.7	6.3
Median household	\$78,607	\$78,916	\$57,652
Average household	\$95,699	\$103,845	\$81,283
Per capita	\$34,391	\$39,070	\$31,177
Total income (millions)	\$29,350	\$226,495	\$9,658,475

## HOUSING<sup>3,10</sup>

Occupied Units (2013-2017) 306,694 (61.8% owner occupied)

### Housing Transactions (2018)\*

Units sold	9,956
Median selling price	\$286,098

\*All multiple listed properties; excludes auctions and FSBO

## BUSINESS AND INDUSTRIAL PROPERTY<sup>6</sup>

The county offers a range of business locations, including urban mixed-use developments at Metro stations, suburban office parks, a Foreign Trade Zone countywide, State Enterprise Zone, Opportunity Zones, and distribution and manufacturing parks with rail and highway access. The University of Maryland Discovery District provides opportunities for direct collaboration with one of the top universities in the nation. Class A office space with great access is available in Laurel, Calverton, Bowie, College Park, Beltsville, Greenbelt, Hyattsville, Largo, and many other locations.

Prince George's County enacted landmark legislation establishing a \$50 million Economic Development Incentive Fund (EDIF) that provides loans, guarantees and conditional loans for projects in the county that create jobs and investment.

### Business Incubators

Bowie Business Innovation Center, Bowie  
Maryland International Incubator, College Park  
Prince George's County Innovation Station, Largo  
Technology Advancement Prog., Univ. of MD at College Park

Market Profile Data (2018)	Low	High	Average
----------------------------	-----	------	---------

### Land – cost per acre

Industrial	\$40,000	\$800,000	\$250,000
Office	\$125,000	\$2,000,000	\$300,000

### Rental Rates – per square foot

Warehouse / Industrial	\$3.75	\$14.48	\$7.31
Flex / R&D / Technology	\$6.00	\$19.00	\$11.14
Class A Office	\$16.00	\$36.00	\$21.14



# Brief Economic Facts PRINCE GEORGE'S COUNTY, MARYLAND

## TRANSPORTATION

**Highways:** I-95, I-495, U.S. 1, U.S. 50, U.S. 301, Baltimore-Washington Parkway (MD 295), and Intercounty Connector (MD 200)

**Mass Transit:** MARC (MD Area Regional Commuter) serves the Baltimore-Washington corridor, with nine locations in the county; WMATA (Washington Metro Area Transit Authority) provides 70 bus routes and rail service; 15 stations on the Blue, Orange and Green Metro rail lines; local bus system with 28 routes

**Rail:** CSX Transportation and Norfolk Southern Railway; Amtrak Metroliner passenger service from D.C. to New York with intermediate stops, including the Capital Beltway Station at New Carrollton; and the 16 mile/21 station Purple Line light rail transit system under construction, connecting Prince George's and Montgomery counties

**Truck:** All major motor freight common carriers serve the county

**Water:** Served by the Port of Baltimore, a leading U.S. automobile and break-bulk port, with a 50' channel and seven public terminals including the state-of-the-art Intermodal Container Transfer Facility; one of only four ports on the East Coast able to accommodate Neo-Panamax ships

**Air:** Baltimore/Washington International Thurgood Marshall Airport, accessible by bus, train and shuttle van; Ronald Reagan Washington National Airport, minutes from the Capital Beltway and accessible by bus and metro; and Washington Dulles International Airport, accessible by bus and car

## RECREATION AND CULTURE

**Parks and Recreation:** Maryland-National Capital Park and Planning Commission manages nearly 26,000 acres of parkland with over 90 miles of paved hiker/biker/equestrian trails; 127 neighborhood parks; 39 community centers; 27 recreational buildings; 10 aquatic facilities; three ice rinks; four golf courses; 214 tennis courts and an indoor/outdoor tennis facility; the Prince George's Equestrian Center and the Show Place Arena; an airport (the oldest in operation); a marina; and the Prince George's Sports and Learning Complex

**Sports:** Comcast Center, Maryland Stadium, Samuel Riggs IV Alumni Center, FedEx Field (home of the Washington Redskins), and a 10,000 seat AA baseball stadium

**Cultural and Historical:** Clarice Smith Performing Arts Center at the University of Maryland; many historical sites and museums; the Smithsonian Institutions, the Kennedy Center, and the National Gallery of Art are just across the county line in the nation's capital

**Arts & Entertainment District:** Gateway Arts District

**Attractions:** Six Flags America theme park; MGM National Harbor, a luxury waterfront dining, retail, entertainment and gaming resort on the Potomac River; and Tanger Outlets with 80 designer and name brand stores

## UTILITIES

**Electricity:** Baltimore Gas and Electric, Potomac Electric Power Company, and Southern Maryland Electric Cooperative, Inc.; customers may choose their electric supplier

**Gas:** Natural gas supplied by Baltimore Gas and Electric and Washington Gas; customers may choose their gas supplier

**Water and Sewer:** Washington Suburban Sanitary Commission

**Telecommunications:** Verizon, Comcast, Level 3 Communications and others have significant fiber throughout the county; AT&T, Sprint, Cavalier, Cox, and other carriers and resellers also offer services on proprietary and leased lines

## GOVERNMENT<sup>11</sup>

**County Seat:** Upper Marlboro

**Government:** County executive elected at large and nine county council members elected by district for four-year terms; charter form of government allows for the separation of the executive from the legislative branch; lawmaking powers are vested in an elected legislative body

Angela D. Alsobrooks, County Executive 301.952.4131

Todd M. Turner, Chair, County Council 301.952.3060

**Website:** [www.princegeorgescountymd.gov](http://www.princegeorgescountymd.gov)

**County Bond Rating:** AAA (S&P); Aaa (Moody's); AAA (Fitch)

**Prince George's County Economic Development Corporation**

David Iannucci, President and CEO

1801 McCormick Drive, Suite 350

Largo, Maryland 20774

Telephone: 301.583.4650

Email: [info@pgcedc.com](mailto:info@pgcedc.com)

[www.pgcedc.com](http://www.pgcedc.com)

### Sources:

1 National Oceanic and Atmospheric Administration (1981-2010 normals); Maryland Geological Survey

2 Maryland Department of Planning

3 U.S. Bureau of the Census

4 Maryland Department of Labor, Office of Workforce Information and Performance

5 U.S. Bureau of Labor Statistics

6 Prince George's County Economic Development Corporation

7 Maryland Department of Commerce

8 Maryland State Department of Education; Maryland Higher Education Commission

9 Maryland State Department of Assessments and Taxation; Comptroller of the Treasury

10 Maryland Association of Realtors

11 Maryland State Archives; Maryland Association of Counties

## APPENDIX B - GLOSSARY

Account Maintenance Fees	(Also referred to as AMF) A charge on customer water and sewer bills designed to recover the fixed cost of servicing a customer account independent of the amount of water used or sewage generated. The Account Maintenance Fee includes the cost of purchasing and reading meters; processing meter readings and generating, mailing, and collecting bills; and providing customer services. Prior to 1992, these costs were included in the water and sewer rate structure rather than identified and billed as a separate fee.
Accrual	The recognition of revenue or expenses at the time they are earned or incurred, regardless of when the money is received or paid out.
Accumulated Net Revenue	See Fund Balance.
Ad Valorem Tax	A property tax based “according to the value” of the property. Such taxes are levied on real and personal property according to the property’s assessed valuation and the tax rate.
Advanced Metering Infrastructure	(Also referred to as AMI) An automated system that communicates remotely with metering devices to measure, collect and analyze consumption data. The system includes both hardware and software and can provide comprehensive real-time information to both the consumer and the utility.
American Water Works Association	(Also referred to as AWWA) An international, nonprofit, scientific and educational organization providing water management solutions.
Applicant	Any firm, corporation, Municipality, agency, person, or persons who owns or develops property requiring water or sewer service provided by systems, facilities, and/or service connections within the Washington Suburban Sanitary District.
Asset Management Program	(Also referred to as AMP) A multi-year effort to create an organization-wide Asset Management Plan which identifies the infrastructure needs for a 30-year planning period. This information will serve as the basis for future investment decision making and management of water, wastewater, communications, and buildings and grounds infrastructure.
Authorized Workyears	Employee workyears that are funded in the adopted budget and may be filled during the budget year.
Balanced Budget	A financial plan showing estimated or planned revenues equaling expenses.
Biosolids	Solids produced as a byproduct of treating sewage to produce clean water; also referred to as sludge.

## APPENDIX B - GLOSSARY

Blue Plains Advanced  
Wastewater Treatment Plant

(Also referred to as Blue Plains) The regional wastewater treatment plant owned and operated by the District of Columbia Water and Sewer Authority. Approximately 62.0% of the wastewater from the Washington Suburban Sanitary District is treated at Blue Plains. WSSC Water's shares in the operating and capital costs of Blue Plains in accordance with the terms of a regional agreement signed by the Maryland and Virginia suburbs and the District of Columbia.

Blue Plains Inter-Municipal  
Agreement

Provides for the inter-jurisdictional (Washington, D.C., Fairfax County, VA, Montgomery County, MD, Prince George's County, MD, and WSSC Water) allocation of wastewater flow capacity, including operating and capital costs associated with wastewater collection, treatment and biosolids management.

Bond

A written promise to pay a sum of money on a specific date at a specified interest rate.

Capital Budget

The annual request for capital funding for the first year of the Capital Improvements Program including those projects in the Information Only Section, new house connection construction, relocations and major systems contracts, water meter purchases, other engineering contracts, and for the associated administrative and support costs.

Capital Expenditures

An amount spent for the planned purchase of long-term assets (such as filtration/treatment plants and pump stations, storage, joint-use facilities, and equipment upgrades).

Capital Improvements Program

(Also referred to as CIP) The comprehensive presentation of capital project expenditure estimates, funding requirements, capital budget requests, and program data for the construction of all major water and sewerage projects planned by WSSC Water over a six-year period.

Capital Project

A WSSC Water effort involving expenditures and funding for the creation, expansion, renovation, or replacement of major facilities and other assets having relatively long lives. Expenditures within capital projects may include costs of planning, design, land, construction, contract supervision, and associated administrative and support costs.

Commission

A six-member Commission governing WSSC Water, comprised of three Commissioners appointed from each County by the County's Executive, confirmed by their respective County Councils. Each Commissioner serves a four-year term.



## APPENDIX B - GLOSSARY

Consumer Price Index	(Also referred to as CPI) A measure that examines the change in the cost of a fixed basket of consumer goods and services, such as housing, utilities, transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging the changes; the goods are weighted according to their importance. The CPI is a commonly accepted indicator of inflation, as changes in CPI are used to assess price changes associated with the cost of living.
Cryptosporidium	A microbial contaminant of raw water that can potentially cause chronic or fatal intestinal disorders. In 1993, cryptosporidium was identified as the primary source of an outbreak of water-borne disease in Milwaukee that caused more than 400,000 illnesses and over 100 deaths.
Customer Assistance Program	(Also referred to as CAP) WSSC Water program providing financial assistance to approved residential customers.
Customer-to-Meter	Oracle Customer-to-Meter (C2M) is a billing system providing a comprehensive billing and customer service platform.
Debt Service	The annual payment of principal and interest on bonded indebtedness.
District of Columbia Water & Sewer Authority	(Also referred to as DCWASA or DC Water) Provides drinking water, sewage collection and sewage treatment to District of Columbia.
Energy Performance Program	(Also referred to as EPP) The program provides for the engineering audit, design and construction necessary to replace and upgrade energy consuming equipment and systems at all major WSSC Water facilities. The program stipulates a reduction in energy usage and costs greater than, or equal to, the annual capital costs to be incurred.
Engineering Support Program	(Also referred to as ESP) The consolidation of a diverse group of projects whose unified purpose is to support the extensive water and sewer infrastructure and numerous support facilities that are owned, operated, and maintained by WSSC Water. The ESP does not include major projects included in the CIP or projects to serve new development.
Enhanced Nutrient Removal	(Also referred to as ENR) Enhanced Nutrient Removal is the next step in the natural technological progression of wastewater treatment processes, starting with primary treatment, through secondary and advanced treatment, then biological nutrient removal, and now enhanced nutrient removal. Biological processes are used to further the removal of total nitrogen to levels as low as 3 mg/L and total phosphorus to 0.3 mg/L or less. The Maryland Department of the Environment (MDE) Chesapeake Bay 2000 Agreement calls for the use of ENR.

## APPENDIX B - GLOSSARY

Enterprise Resource Planning	(Also referred to as ERP) An automated system that integrates all data and processes of a System organization into a unified system. A typical ERP system will use multiple components of computer software and hardware to achieve the integration. A key ingredient of most ERP systems is the use of a unified database to store data for the various system modules. The main benefits of implementing an ERP system are a single base of consistent information, tighter financial controls, ability to automate business processes, consolidation of redundant systems, improved system reliability, and improved long-term asset management.
Environmental Protection Agency	(Also referred to as EPA) U.S. Federal agency charged with overseeing waterways and water sources, decreasing water pollution and protecting drinking water from known and emerging contaminants that endanger public health.
Expenditure/Expense	Payment for an asset obtained or goods and services received.
Fats, Oils, and Grease Program	(Also referred to as FOG) A federally mandated program that advises customers on how to properly manage fats, oils, and grease (FOG); monitors and controls the discharge of FOG from commercial food service establishments; investigates sanitary sewer blockages and overflows caused by FOG discharges; and initiates enforcement action to ensure appropriate corrective measures are taken.
Federal Open Market Committee	(Also referred to as FOMC) A Federal Reserve Board committee that sets monetary policy, including the interest rates that are charged to banks.
Fee	A charge for service to the user or beneficiary of the service. According to State law, charges must be related to the cost of providing the service.
Fiscal Policy	WSSC Water's policies with respect to revenues, spending, and debt management as the policies relate to WSSC Water services, programs, and capital investments. Fiscal policy provides a set of principles for the planning and programming of budgets, uses of revenues, and financial management.
Fiscal Year	(Also referred to as FY) The 12-month period to which the annual operating and capital budgets and their expenditure authorizations apply. WSSC Water's fiscal year starts on July 1 and ends on June 30.
Fixture Unit	(Drainage fixture unit or water supply fixture unit) A measurement of the probable discharge into the drainage system (sewer) or the probable hydraulic demand on the water supply (water) by various types of plumbing fixtures (bathtubs, lavatories, water closets, drinking fountains, etc.). For example, a drinking fountain corresponds to 0.5 drainage fixture units, while a conventional bathtub corresponds to 2.0 drainage fixture units.

## APPENDIX B - GLOSSARY

Force Main	(Also referred to as FM) The discharge pipe from a wastewater pumping station through which flow is lifted under pressure to a higher elevation. A pipe of this type is used to overcome changes in topography by conveying flow over a ridge or other high point to a nearby, existing sewer line. This avoids the need to construct a longer conventional gravity line in another direction.
Fringe Benefits	Contributions made by WSSC Water to help underwrite the agency's share of the costs for Social Security and various pension, health, and life insurance plans provided to employees. Fringe benefits are centrally budgeted in non-departmental accounts.
Front Foot Benefit Charge	(Also referred to as FFB or FFBC) A charge assessed owners of property abutting WSSC Water's water mains and/or sewers who derive a benefit from the construction of these water mains and sewers. Revenue from front foot benefit charges is used to pay debt service on General Construction Bonds.
Fund	A set of interrelated accounts to record revenues and expenditures associated with implementing specific activities or achieving certain objectives in accordance with special regulations, restrictions, or limitations, and constituting an independent fiscal and accounting entity.
Fund Balance	The amount by which resources exceed the obligations of the fund. The beginning fund balance represents the residual funds brought forward from the previous fiscal year (ending fund balance). Fund balance is also referred to as Accumulated Net Revenue in this document.
General Bond Debt Service Fund	(Also referred to as GBDS) An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with paying the debt service on bonds issued to finance WSSC Water's general construction and administrative and support facility construction program; and for administering the agency's front foot benefit assessment activities.
General Construction Bond Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of designing and constructing WSSC Water's minor water supply and wastewater collection and disposal systems (water mains less than 16" in diameter and sewer mains less than 15" in diameter), and all administrative and support facilities. Water meters are also purchased from this fund.

## APPENDIX B - GLOSSARY

Geographic Information System	(Also referred to as GIS) A system that integrates hardware, software, and data for capturing, storing, managing, analyzing, and displaying all forms of geographically referenced information. The technology can be used for scientific investigation, resource management, and development planning.
Goal	A long-term, attainable target for an organization – its vision of the future.
Green Bond	Bond instrument whose proceeds are exclusively applied to projects such as green buildings, pollution prevention and control, renewable energy, water quality, and climate change adaptation.
Haloacetic Acids	(Also referred to as HAAs) A group of chemicals that are formed when chlorine or other disinfectants used to control contaminants in drinking water react with naturally occurring organic and inorganic matter in the water. Five haloacetic acids (referred to as HAA5) that are regulated by the EPA: monochloroacetic acid, dichloroacetic acid, trichloroacetic acid, monobromoacetic acid, and dibromoacetic acid.
House Connection Charge	(Also referred to as H/C Charge) A fee set annually by WSSC Water to cover the cost of the installation of small diameter pipe between water and sewer mains and the owner's property line. House connections feed water to a dwelling, place of business, or other structure and convey domestic sewage into the main line sewer for transportation to a wastewater treatment facility.
Infiltration	Groundwater that flows into sewer lines due to defective pipes or manholes.
Inflow	Surface stormwater from rainfall that flows into sewer lines due to defective pipes or manholes.
Information Only Projects	The CIP document contains an Information Only Projects section. Projects in this section are not required to be in the CIP under Section 23-301 of the Public Utilities Article, WSSD Laws, Annotated Code of Maryland, but may be included for any number of reasons such as: fiscal planning purposes; the reader's improved understanding of the full scope of a specific set of projects; or in response to requests from County governments. Expenditures for Information Only projects are not included as part of the CIP six-year program costs but are shown separately on the bottom line of the financial summary in the front section of the CIP for informational purposes.
Infrastructure Investment Fees	(Also referred to as IIF) A fixed fee that funds a portion of the debt service associated with WSSC Water's water and sewer pipe reconstruction programs.

## APPENDIX B - GLOSSARY

Level of Service	The services, programs, and facilities provided by WSSC Water to its customers. The level of service may increase, decrease, or remain the same, depending upon needs, alternatives, and available resources.
Maryland Department of the Environment	(Also referred to as MDE) The Maryland Department of the Environment was created in 1987 to protect and preserve the State's air, water and land resources and safeguard the environmental health of Maryland's citizens. MDE's duties also encompass enforcement of environmental laws and regulations, long-term planning and research. MDE provides technical assistance to Maryland industry and communities for pollution and growth issues and environmental emergencies.
Maryland-National Capital Park and Planning Commission	(Also referred to as M-NCPPC) Founded in 1927 and chartered by the State of Maryland, it has geographic authority in the Montgomery and Prince George's County regions, planning and coordinating regional growth and development, including a system of parks and recreational locations.
Memorandum of Understanding	An agreement between parties indicating an intended common line of action.
Metropolitan Washington Council of Governments	(Also referred to as MWCOG) Non-profit association of 24 Washington, D.C. area local governments focused on housing, economic competitiveness and the Metro system.
Miscellaneous	Revenue derived from charges for late payment of bills and Front Foot charges; charges for repair of WSSC Water property (e.g., fire hydrants, water mains, sewer lines) damaged by individuals; charges for relocation of WSSC Water's water and sewer systems and/or facilities for the benefit of other parties (e.g., Maryland Department of Transportation and County Departments of Transportation); sewage handlers fees which are charged for discharging septic tank clean-out wastes into WSSC Water's sewerage system; antenna lease fees collected; and fees charged for the use of recreational facilities in WSSC Water's watershed areas.
Mission	A written declaration of an organization's core purpose and focus. An example of a mission is ". . . 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."
Nephelometric	A unit of measure to assess turbidity in a liquid sample by using an instrument called a nephelometer. A nephelometer passes light through a sample and the amount of light deflected is then measured.

## APPENDIX B - GLOSSARY

Nephelometric Turbidity Units	(Also referred to as NTU) A measure of the clarity of water. Maintaining very low levels of filtered water turbidity is recognized as a means of effectively guarding against Cryptosporidium and other chlorine-resistant pathogens.
Non-Departmental	Expenditure items essential to the operation of WSSC Water which either do not fall within the functional assignment of any office or which provide for expenditures related to more than one office. Examples include fringe benefits and insurance.
Objective	A specific measurable and observable result of an organization's activity which advances the organization toward its goal.
Operating Budget	A comprehensive financial plan by which WSSC Water's operating programs are funded for a single fiscal year.
Other Post-Employment Benefits	(Also referred to as OPEB) Employees in the public sector may be compensated in a variety of forms in exchange for their services. In addition to salary, employees may earn benefits over their years of service that will not be received until their service has been severed due to retirement or other reasons. The most common type of post-employment benefit is a pension. Other post-employment benefits generally take the form of health insurance, dental, prescription drug, or other health care benefits. It may also include life insurance, legal services, or other benefits.
Outcome Measure	A measure of the degree to which an objective has been achieved. For WSSC Water, this usually corresponds to the impact of a service on an organization's key responsibilities, especially the effect on citizens, customers, or other users of the service.
Pay-As-You-GO Financing	(Also referred to as PAYGO) The funding of capital expenditures with operating funds instead of debt.
Plumbing and Inspection Fees	A fee for WSSC Water's inspection of all plumbing and gas fixtures installed in residential and commercial structures to ensure that such installations are in compliance with WSSC Water's Plumbing and Gas-fitting Code.
Potomac WFP Consent Decree	A court-enforced legal document that was negotiated between WSSC Water, the Maryland Department of the Environment, the United States Environmental Protection Agency, the United States Department of Justice, and a number of Citizen Groups that requires WSSC Water to take certain actions in order to reduce the amount of solids discharged back into the Potomac River.

## APPENDIX B - GLOSSARY

Project Cornerstone	Technologies to modernize and streamline business processes and implement new operational technologies.
Project Needs Validation Process	Systematically identifies and validates the water, wastewater and support services needs of WSSC Water, develops potential solutions to the validated needs and recommends a preferred solution.
Public Hearing	An opportunity for customers and the citizenry in general to voice opinions and concerns to appointed or elected officials. Section 17-202 of the Public Utilities Article of the Annotated Code of Maryland, requires that WSSC Water publish a budget before January 15, make it available to the public upon request, and hold a public hearing on the budget not less than 21 days after the budget is released for comment, but before February 15. Notice of WSSC Water's public hearings is sent to all customers. In addition, public hearing specifics (date, time, location, contact information, and procedures for testifying) are advertised in local and regional newspapers.
Quintile	A quintile is a statistical value that divides a dataset into five equal parts, each representing 20% (1/5 <sup>th</sup> ) of the range of a given population. The first quintile represents the lowest 20% of the range (0% to 20%); the second quintile represents the second 20% of the population (20% to 40%); and so on.
Ready-to-Serve Charge	Comprised of the Account Maintenance Fees (AMF) and the Infrastructure Investment Fees
Reconstruction Debt Service Offset	(Also referred to as REDO) The use of surplus funds from the General Bond Debt Service Fund to offset a portion of the debt service cost of the Systems Reconstruction Program. REDO was established in FY 1983 to use the surplus that had accumulated in the General Bond Debt Service account to benefit all WSSC Water ratepayers on a long-term basis.
Regional Sewage Disposal	WSSC Water's share of the maintenance and operating costs of the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant.
Rockville Sewer Use	Revenue derived from payment by the City of Rockville for the city's share of the Regional Sewage Disposal charges.
Salaries & Wages	A budget expenditure category for monetary compensation in the form of annual or hourly pay for work performed.

## APPENDIX B - GLOSSARY

### Sanitary Sewer Overflow Consent Decree

A court-enforced legal document that was negotiated between WSSC Water, the Maryland Department of the Environment, the United States Environmental Protection Agency, the United States Department of Justice, and a number of Citizen Groups that requires WSSC Water to take certain actions in order to improve the performance of the wastewater collection system and reduce the number of sanitary sewer overflows.

### SDC Debt Service Offset

The use of a portion of System Development Charge (SDC) revenue to pay the debt service on bonds issued after FY 1993 to pay for growth-related CIP projects. (FY 1994 was the first year that the SDC was in effect.)

### Sewage Disposal Bond Fund

An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of designing and constructing/reconstructing WSSC Water's major wastewater collection, storage, and disposal facilities, including all sewer mains 15" in diameter and larger, wastewater treatment plants, force mains, and wastewater pumping stations. The fund also covers the reconstruction of all sized sewer lines and lateral lines.

### Sewer Operating Fund

An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of operating and maintaining WSSC Water's wastewater collection and disposal system.

### Sewer System Evaluation Survey

(Also referred to as SSES) The Sewer System Evaluation Survey is an analytical evaluation of a sanitary sewer system to detect sewer pipe defects, blockages, and capacity problems through the use of techniques such as manhole inspections, trunk sewer inspections, smoke tests, dye tests, closed circuit television (CCTV), flow monitoring, rain monitoring, building service connection location/ inspection, and night flow isolations. The SSES is performed to determine the specific location of problems, estimate dry and wet weather flow rates, possible methods of rehabilitation, and the cost of rehabilitation/replacement.

### Sewer Use Charges

Revenue derived from applying an increasing rate schedule per 1,000 gallons of water sold. The rate charged for each account is based upon the average daily water consumption by customer unit during each billing period.



## APPENDIX B - GLOSSARY

Significant Industrial User	(Also referred to as SIU) Defined by the Environmental Protection Agency as: (1) All industrial users subject to Categorical Pretreatment Standards under 40 CFR 403.6 and 40 CFR chapter I, subchapter N; (2) Any other industrial user that: discharges an average 25,000 gallons per day or more of process wastewater; contributes a process waste stream which makes up 5 percent or more of the average dry weather hydraulic or organic capacity of the treatment plant; or (3) is designated as a SIU by WSSC Water on the basis that the industrial user has a reasonable potential for adversely affecting the operation of WSSC Water's wastewater treatment plants.
Spending Affordability	(Also referred to as SAG) An approach to budgeting that assigns expenditure ceilings for the forthcoming year prior to the development of detailed budget estimates. Limits on new water and sewer debt, total water and sewer debt service, total water and sewer operating expenses, and the amount of the water and sewer bill increase are established each year by the Montgomery and Prince George's County Councils prior to WSSC Water's budget preparation. This process started with the FY 1996 budget.
Strategic Sourcing	Strategic planning and priority alignment to foster informed decision making using fact-based, data-driven processes.
Supervisory Control and Data Acquisition System	(Also referred to as SCADA) The technological system enabling WSSC Water to use automation to collect data from one or more (remote) facilities and send limited control instructions to those facilities.
Supply Chain Management	The identification, acquisition, access, positioning and management of resources an organization needs or potentially needs in the attainment of its strategic objectives.
System Development Charge	(Also referred to as SDC) A charge levied on new development to pay for the construction of major water and sewerage facilities needed to accommodate growth.
System Extension Permit	(Also referred to as SEP) A WSSC Water-issued permit for extensions to WSSC Water's system. This permit is required for the Applicant to build water and sewer systems that WSSC Water will, upon satisfactory completion, take over for maintenance and operations.
System Extension Process	Addresses projects undertaken by applicants to support future growth, serve one new residence or provide relief from a residential health hazard.

## APPENDIX B - GLOSSARY

Trihalomethanes	A group of potentially cancer-causing substances that can be present as low-level contaminants in finished water. Trihalomethanes can be produced as disinfection byproducts when the chlorine used to treat the raw water reacts with certain normally occurring organic contaminants present in the raw water.
Trunk Sewer	As defined in the Sanitary Sewer Overflow Consent Decree, “Trunk Sewer” refers to any sewer lines in WSSC Water’s Collection System that are 15” or greater in diameter, including components thereto, and stream-crossings.
Turbidity	Turbidity is the cloudy appearance of water caused by the presence of suspended matter. A turbidity measurement is used to indicate the clarity of water.
Turbidity Units	Turbidity units are a measure of the cloudiness of water. If measured by a Nephelometric (deflected light) instrumental procedure, turbidity units are expressed in Nephelometric turbidity units, or NTU.
Washington Suburban Sanitary Commission	(Also referred to as WSSC Water or agency) A Bi-County agency established by an act of the Maryland General Assembly responsible for planning, designing, constructing, operating, and maintaining water and sewerage systems in Prince George’s and Montgomery Counties.
Washington Suburban Sanitary District	(Also referred to as WSSD) The area served by WSSC Water, strict as specified by State law. The District includes nearly all of Prince George’s and Montgomery Counties, with the exception of the Municipalities of Bowie, Rockville, and Poolesville, and rural areas in northeastern Montgomery County and southeastern Prince George’s County.
Wastewater	Water that originates from a combination of domestic, industrial, commercial or agricultural activities and, due to sewer inflow or infiltration, may also include surface runoff or stormwater.
Water Consumption Charge	Revenue derived from the sale of water by applying an increasing rate schedule per 1,000 gallons of use. The rate charged for each account is based upon the average daily consumption during each billing period.
Water Fund	Funded by customers, community members and WSSC Water employees to assist approved residential customers experiencing financial hardships paying water/sewer bills.

## APPENDIX B - GLOSSARY

Water Operating Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of operating and maintaining WSSC Water's water supply and distribution system.
Water Supply Bond Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of designing and constructing/reconstructing WSSC Water's major water supply and distribution facilities, including all water mains 16" in diameter and larger, water filtration plants, water pumping stations, and water storage facilities. The fund also covers the reconstruction of all sized water lines and lateral lines.
Workyear	A standardized unit for measurement of personnel effort and costs. A workyear is the equivalent of 2,080 work hours or 260 work days.

## APPENDIX C - ACRONYMS

ADC	Average Daily Consumption	FSE	Food Service Establishment
ADR	Alternative Dispute Resolution	FTE	Full Time Equivalent = Workyear
AFO	Acoustic Fiber Optic	FY	Fiscal Year
AMF	Account Maintenance Fee	GAAP	Generally Accepted Accounting Principles
AMI	Advanced Metering Infrastructure	GBDS	General Bond Debt Service
AWWA	American Water Works Association	GFOA	Government Finance Officers Association
C2M	Customer-to-Meter	GIS	Geographic Information System
CAP	Customer Assistance Program	GPD	Gallons per Day
CEO	Chief Executive Officer	GPS	Global Positioning System
CLF	Consolidated Lab Facility	HAA	Haloacetic Acid
CIO	Chief Information Officer	H/C	House Connection
CIP	Capital Improvements Program	ICPRB	Interstate Commission on the Potomac River Basin
CIU	Categorical Industrial User	IIF	Infrastructure Investment Fee
COOP	Continuity of Operations Plans	IT	Information Technology
CPI-W	Consumer Price Index for Urban Wage Earners & Clerical Workers	MBE	Minority Business Enterprise
CSC	Customer Service Center	MDE	Maryland Department of the Environment
CSIS	Customer Service Information System	MGD	Million Gallons per Day
DC Water	District of Columbia Water and Sewer Authority	M-NCPPC	Maryland-National Capital Park and Planning Commission
DSCR	Debt Service Coverage Ratio	MOU	Memorandum of Understanding
E&C	Engineering & Construction Department	MVR	Meter, Vertical Turbine
EBS	E-Business Suite	MWCOG	Metropolitan Washington Council of Governments
EEO	Equal Employment Opportunity	NTU	Nephelometric Turbidity Units
EGIS	Enterprise Geographic Information System	OHEP	Maryland Office of Home Energy Programs
ENR	Enhanced Nutrient Removal	OIG	Office of the Inspector General
EPA	Environmental Protection Agency	OPEB	Other Post-Employment Benefits
FEMA	Federal Emergency Management Agency	OSDI	Office of Supplier Diversity & Inclusion
FFBC	Front Foot Benefit Charge	PAYGO	“Pay-As-You-GO” Financing
FICA	Social Security & Medicare	PCCP	Pre-stressed Concrete Cylinder Pipe
FM	Force Main		
FOG	Fats, Oils, and Grease		
FOMC	Federal Open Market Committee		

## APPENDIX C - ACRONYMS

PMO	Project Management Office
REDO	Reconstruction Debt Service Offset
RESJ	Racial Equity and Social Justice
SAG	Spending Affordability Guidelines
SCADA	Supervisory Control and Data Acquisition
SDC	System Development Charge
SEP	System Extension Permit
SIU	Significant Industrial User
SLBE	Small, Local Business Enterprise
SSES	Sewer System Evaluation Survey
SSO	Sanitary Sewer Overflow
THM	Trihalomethanes
UT	Ultrasonic
WFP	Water Filtration Plant
WRRF	Water Resource Recovery Facilities
WSSC	Washington Suburban Sanitary Commission
WSSD	Washington Suburban Sanitary District
WWPS	Wastewater Pumping Station
WWTP	Wastewater Treatment Plant



[wsscwater.com](http://wsscwater.com)

