OFFICIAL STATEMENT DATED MARCH 13, 2019

NEW ISSUE – Book-Entry Only

Fitch Ratings: AAA
Moody's Investors Service: Aaa
S&P Global Ratings: AAA
See "Ratings" herein.

In the opinion of Bond Counsel, (i) under existing statutes, regulations and decisions, interest on the Bonds is exempt from taxation by the State of Maryland, its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds; and (ii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. Interest on the Bonds, for federal income tax purposes, will not be included in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment and interest on the Bonds will be includable in the applicable tax base for purposes of determining the branch profits tax imposed on foreign corporations. See "TAX MATTERS."

$39,340,000
WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND
(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)
Consolidated Public Improvement Refunding Bonds of 2019

Dated:	Date of Delivery
Due:	June 1, as shown on the inside front cover
Interest Payment Date:	June 1 and December 1, beginning June 1, 2019
Denomination:	$5,000 or any integral multiples thereof
Form:	Registered, book-entry only through the facilities of The Depository Trust Company
Optional Redemption:	The Bonds are not subject to redemption prior to maturity. See "Description of the Bonds - Redemption Provisions."
Sources of Payment and Security:	Debt service on the Bonds is expected to be paid from revenues generated in the District from fees, charges, rates and assessments and other available funds. In the event of a deficiency of such revenues for the purpose of paying the principal of and interest on the Bonds, the Public Utilities Article of the Annotated Code of Maryland provides that the county councils of Montgomery County and Prince George's County shall impose *ad valorem* taxes upon all the assessable property within the District. See "Summary of District Ad Valorem Taxes and Other Charges and Revenues Therefrom." *To date, ad valorem tax revenues have not been required from such counties to pay debt service on any of the Commission's outstanding bonds.*
Purpose:	The proceeds of the Bonds will be used for the (i) refunding of the Refunded Bonds (as defined herein) and (ii) paying of the costs of issuance of the Bonds. See "Refunding Plan."
Bond Counsel:	McKennon Shelton & Henn LLP
Financial Advisor:	Wye River Group, Incorporated
Paying Agent, Bond Registrar and: And Escrow Deposit Agent	The Bank of New York Mellon Trust Company, N. A.

FOR MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS, SEE INSIDE FRONT COVER

The Bonds are offered when, as and if issued and subject to the unqualified approving opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland and other conditions specified in the Notice of Sale. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about March 27, 2019.

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS

$39,340,000 CONSOLIDATED PUBLIC IMPROVEMENT REFUNDING BONDS OF 2019

Maturity June 1	Principal Amount	Interest Rate*	Yield*	CUSIP Number†
2020	$7,275,000	5.000%	1.610%	940157Y95
2021	9,605,000	5.000	1.610	940157Z29
2022	6,630,000	5.000	1.620	940157Z37
2023	3,960,000	5.000	1.640	940157Z45
2024	4,000,000	5.000	1.700	940157Z52
2025	4,040,000	5.000	1.770	940157Z60
2026	910,000	2.000	1.850	940157Z78
2027	925,000	5.000	1.860	940157Z86
2028	975,000	5.000	1.920	940157Z94
2029	1,020,000	5.000	2.000	9401572A7

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* The rates shown above are the rates payable by the District resulting from the successful bid for the Bonds on March 13, 2019 by a group of banks and investment banking firms. The successful bidder has furnished to the Commission the yields and prices shown above. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the Commission. See "Sale at Competitive Bidding."

† CUSIP (Committee on Uniform Securities Identification Procedures) numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association (the "ABA") by S&P Capital IQ. "CUSIP" is a registered trademark of the ABA. The Commission is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Commission has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth above. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services.

WASHINGTON SUBURBAN SANITARY COMMISSION

14501 Sweitzer Lane, Laurel, Maryland 20707
301-206-7069
www.wsscwater.com

COMMISSIONERS

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Chris Lawson, Vice Chair
Fausto R. Bayonet
Omar M. Boulware
Howard A. Denis
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Carla A. Reid, General Manager/CEO
Sheila R. Finlayson, Corporate Secretary
Amanda Stakem Conn, General Counsel
Patricia A. Colihan, Chief Financial Officer

BOND COUNSEL

McKennon Shelton & Henn LLP

FINANCIAL ADVISOR

Wye River Group, Incorporated

BOND REGISTRAR, PAYING AGENT AND ESCROW DEPOSIT AGENT

The Bank of New York Mellon Trust Company, N.A.

Additional copies of this Official Statement may be obtained from J.D. Noell, Disbursements Group Leader, Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel, Maryland 20707 (301-206-7069), or from Wye River Group, Incorporated (410-267-8811). Copies of the latest Official Statements of Montgomery County, Maryland and Prince George's County, Maryland are available at the offices of the respective counties. THE WASHINGTON SUBURBAN SANITARY COMMISSION HAS NOT UNDERTAKEN TO AUDIT, AUTHENTICATE OR OTHERWISE VERIFY THE INFORMATION SET FORTH IN ANY OFFICIAL STATEMENT OF MONTGOMERY COUNTY, MARYLAND OR PRINCE GEORGE'S COUNTY, MARYLAND. REFERENCE TO THE OFFICIAL STATEMENTS OF MONTGOMERY COUNTY, MARYLAND AND PRINCE GEORGE'S COUNTY, MARYLAND IS INCLUDED HEREIN FOR CONVENIENCE ONLY AND ANY INFORMATION INCLUDED IN SUCH OFFICIAL STATEMENTS IS NOT INCORPORATED HEREIN, BY REFERENCE OR OTHERWISE.

This Official Statement is provided in connection with the issuance of the Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Commission and other sources which are believed to be reliable. Additional information, including financial information, concerning the Commission is available from the Commission's website. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. This Official Statement is not to be construed as a contract or agreement between the Commission and the purchasers or holders of any of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the Commission to give any information or to make any representations with respect to this offering, other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Bonds have not been registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exceptions contained in the Securities Act of 1933. Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or selection in this Official Statement.

Some statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Official Statement. The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Commission does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Commission since the date hereof.

All references in this Official Statement to the Commission's website are provided for convenience only. The information on the Commission's website is NOT incorporated herein, by reference or otherwise.

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SUMMARY OF OFFICIAL STATEMENT

This Official Statement, including the cover page, inside front cover, and appendices hereto, sets forth certain information concerning the $39,340,000 Consolidated Public Improvement Refunding Bonds of 2019 (the "Bonds") of the Washington Suburban Sanitary District (the "District"). The following summary is qualified in its entirety by the detailed information in this Official Statement, including the cover page and appendices hereto. This summary is only a brief description of the offering and potential investors should review this entire Official Statement. The Official Statement speaks only as of its date, and the information contained herein is subject to change.

The District

The District is a sanitary district incorporated under Chapter 122 of the Acts of the General Assembly of 1918, as amended. It is governed by and is under the jurisdiction of a commission of six members constituting a statutory body corporate under the name of the Washington Suburban Sanitary Commission (the "Commission"). Three of the Commissioners are required to be from, and are appointed by, the County Executive of Montgomery County, Maryland and three of the Commissioners are required to be from, and are appointed by, the County Executive of Prince George's County, Maryland. The District operates as a public corporation of the State of Maryland under the Public Utilities Article of the Annotated Code of Maryland, as amended (the "Public Utilities Article"). Through its governing body, the Commission, it provides, as authorized, water and sewerage systems, including water supply and sewage disposal facilities for Montgomery and Prince George's Counties. The area initially incorporated in the District has been expanded by legislative enactments to its present boundaries encompassing over 950 square miles within Montgomery and Prince George's Counties effectively representing 95% of the land area of both counties. See "Washington Suburban Sanitary District - Establishment, Powers and Service Area."

Authorization of Bonds

The bonds of the District, including the Bonds offered by this Official Statement, are issued upon the basis of authorizations, under the Constitution, the Public Utilities Article and other applicable law, and by the Commission through the adoption of resolutions or orders. See "Bonded Indebtedness of the District - Authorization of Debt."

Purpose of Bonds

Proceeds of the Bonds will be used to currently refund the Refunded Bonds (as defined herein) and pay the costs of issuing the Bonds. See "Refunding Plan."

Sources of Payment and Security for Bonds

Debt service on the Bonds is expected to be paid from revenues generated in the District from fees, charges, rates and assessments and other available funds. However, in the event of a deficiency of such revenues, for the purpose of paying the principal of and interest on bonds and notes of the District, including the Bonds, the Public Utilities Article provides that the County Council of Montgomery County and the County Council of Prince George's County, respectively, shall levy, annually, against all the assessable property within the District *ad valorem* taxes sufficient to pay such principal and interest when due. Due to the level of revenues generated in the District from fees, charges, rates and assessments, the Commission has not needed to seek *ad valorem* tax revenues from such counties to pay debt service on any of its outstanding bonds and notes since the incorporation of the District and does not anticipate the need to cause the counties to levy *ad valorem* taxes to pay the debt service on the Bonds. See "Summary of District Ad Valorem Taxes and Other Charges and Revenues Therefrom" herein.

Denominations

The Bonds will be issued in denominations of $5,000 each or any integral multiple thereof.

Book-Entry Only System

The Depository Trust Company ("DTC") will act as the securities depository for the Bonds. The Bonds will be issued on a book-entry only basis. Beneficial Owners (as defined in Appendix E) will not receive certificates representing their ownership interest in the Bonds except in the event of termination of the book-entry only system. Principal of and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Payments by Direct Participants and Indirect Participants (each as defined in Appendix E) to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." For a more complete description, see Appendix E herein.

Redemption

The Bonds are not subject to redemption prior to maturity, as more fully described herein under "Description of the Bonds - Redemption Provisions."

Tax Matters

In the opinion of Bond Counsel, (i) under existing law, interest on the Bonds is exempt from taxation by the State of Maryland, its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds; and (ii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. Interest on the Bonds, for federal income tax purposes, will not be included in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment and interest on the Bonds will be includable in the applicable tax base for purposes of determining the branch profits tax imposed on foreign corporations. See "Tax Matters."

Continuing Disclosure

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the Commission will execute and deliver a continuing disclosure certificate on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. See "Continuing Disclosure" and Appendix C herein.

Litigation

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued.

There are miscellaneous claims now pending against the Commission, including claims currently in litigation. See "Litigation."

Limitation on Offering or Reoffering Securities

No dealer, broker, sales agent, financial consultant or any other person has been authorized by the Commission, Montgomery County or Prince George's County to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

OFFICIAL STATEMENT

$39,340,000
WASHINGTON SUBURBAN SANITARY
DISTRICT, MARYLAND
(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)
Consolidated Public Improvement Refunding Bonds of 2019

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the cover page, inside front cover, and appendices hereto, is to set forth certain information concerning the $39,340,000 Consolidated Public Improvement Refunding Bonds of 2019 (the "Bonds") of the Washington Suburban Sanitary District (the "District"). The proceeds of the Bonds will be used to currently refund certain outstanding bonds of the District described herein under "Refunding Plan" and pay the costs of issuing the Bonds.

The District is a sanitary district incorporated under Chapter 122 of the Acts of the General Assembly of 1918, as amended. It is governed by and under the jurisdiction of a commission of six members constituting a statutory body corporate under the name of the Washington Suburban Sanitary Commission (the "Commission"). See "Washington Suburban Sanitary District - Commission" herein.

Amounts herein relating to tax collections, front foot benefit charges, water and sewer charges and the District's financial position have been taken from official records of the Commission. All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts.

SECURITY

Bonds and Notes Are Currently Paid from Revenues Other Than Taxes

Currently all of the debt service on bonds and notes of the District is being paid from revenues generated in the District from fees, charges, rates and assessments and other available funds. The Commission has not sought *ad valorem* tax revenues from Montgomery County or Prince George's County to pay debt service on any of its outstanding bonds or notes and does not anticipate the need to levy *ad valorem* taxes to pay the debt service on the Bonds, or for any of its operations. However, the underlying security for all bonds and notes of the District is the levy of *ad valorem* taxes on the assessable property as stated in the following paragraph. See "Summary of District Ad Valorem Taxes and Other Charges and Revenues Therefrom" herein.

Levy of Taxes to Pay Bonds and Notes

For the purpose of securing the principal of and interest on bonds and notes of the District, including the Bonds, in the event of a deficiency of the above referenced revenues, the Public Utilities Article provides for the levy, annually, against all the assessable property within the District by the County Council of Montgomery County and the County Council of Prince George's County, respectively, of *ad valorem* taxes sufficient to pay such principal and interest when due and payable.

After receiving from the County Executive of each County the assessed valuations of the taxable property in the District, the Commission determines the amount necessary to be raised, taking into account the amount available from other sources, by the levy of taxes for the next taxable year for the payment of interest on all outstanding bonds and notes due and payable in such year. The Commission shall determine the number of cents per $100 valuation necessary to raise such amount and shall so certify to the two county councils. Each of the county councils in its next annual levy is required to levy and to collect such tax as county taxes are levied and collected. The tax so levied and collected shall be remitted to the Commission.

Charges and Assessments

While the Bonds constitute general obligations of the District, the Commission fixes and collects the following charges and assessments which have been and are currently estimated to be sufficient to pay all expenses of the Commission including principal of and interest on the Bonds.

Water Consumption Charge: The Commission fixes and collects a water consumption charge, which is based upon metered water use on all properties connected to the water supply system of the District. The proceeds of the water consumption charges are applied to the payment of principal of and interest on the bonds and notes of the District (including that portion of the Bonds allocable to water supply projects), and to the payment of the cost of operating and maintaining the water supply system.

Sewer Usage Charge: The Commission fixes and collects a sewer usage charge, which is based on metered water use on all properties connected to the sewage disposal system of the District. Sewer only customers are billed a flat rate on a quarterly basis. The proceeds of the sewer usage charges are applied to the payment of the principal of and the interest on all bonds and notes of the District (including that portion of the Bonds allocable to sewage disposal projects), and to the payment of the costs of operating and maintaining the sewage disposal system.

Ready to Serve Charge: The Ready to Serve Charge is comprised of two components: the Account Maintenance Fee (AMP) and the Infrastructure Investment Fee (IIF). The AMF is a fixed fee that recovers the costs associated with the expenses and overhead of maintaining and servicing each account. The IIF is a fixed fee that funds the debt service associated with the Commission's water and sewer pipe reconstruction program in the approved Capital Improvements Program. Both fees will remain fixed until fiscal year 2020.

Front Foot Benefit Charge: The Commission assesses, on certain property benefiting from water mains or sewers, front foot benefit charges in amounts sufficient, together with other charges, including water consumption charges and sewer usage charges, to pay debt service on said bonds as such debt service becomes due. The front foot benefit charges are payable in annual installments during the term of the respective bonds issued for the particular improvements. Proceeds of such front foot benefit charges, together with other charges, including the proceeds of water consumption charges and sewer usage charges, are applied to the payment of the principal of and the interest on the general construction bonds of the District.

The assessment of front foot benefit charges normally begins the calendar year (January 1 through December 31) following the completion of or actual connection to the newly constructed water and/or sewer lines. Once construction is completed, those property owners directly benefitting from the newly constructed water and/or sewer mains receive in writing a "Notice of Benefit Assessment." This notice is accompanied by a letter which includes the property's classification, footage, rate(s), and amount of the proposed front foot benefit charges.

In regard to customer appeal rights, after owners are notified in writing of their assessments, customers are requested to contact the Property Assessment staff with any questions or concerns they may have about the proposed assessments. Also, the customer may elect to be represented at the informal hearing. Following the informal hearing, the customer is provided a written decision by the Commissioner with whom he/she met, and the customer is informed of his/her right to additionally appeal the Commissioner's decision to the full Commission. Hearings with the full Commission are held in accordance with the State's Administrative Procedures Act.

Annually following a public hearing, the Commission establishes a "base" water and sewer rate which is used to assess properties abutted or served by the Commission's water and/or sewer lines. After the base rate is established, a property's front foot benefit charge is determined by multiplying its assessment rate(s) by its assessable front footage and each property is classified as subdivision residential, multi-unit residential, small acreage, industrial or single business, multi-unit Business, or agricultural.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds to accomplish the purposes of the Bonds are expected to be as follows:

Sources of Funds:	
Par Amount of Bonds	$39,340,000.00
Reoffering Premium	4,378,747.75
Total Sources of Funds	$43,718,747.75
Uses of Funds:	
Deposit to Escrow Fund	$43,523,387.48
Costs of Issuance[(1)]	175,000.00
Underwriter's Discount	17,751.78
Rounding Amount	2,608.49
Total Uses of Funds	**$43,718,747.75**

[(1)] Includes a portion of the fees and related expenses of Bond Counsel, the Financial Advisor, the Escrow Deposit Agent, the Paying Agent, printing and delivery of the Preliminary Official Statement and Final Official Statement, rating agency fees, and other costs related to the issuance of the Bonds.

REFUNDING PLAN

Refunded Bonds

The proceeds of the Bonds will be used to currently refund certain maturities of the District's bonds listed in Appendix G (referred to herein as the "Refunded Bonds"). See "Estimated Sources and Uses of Funds."

Refunding Program

The Commission has heretofore developed a refunding plan designated "Washington Suburban Sanitary Commission Debt Refunding Plan" (the "Plan"). Section 22-114 of Division II of the Public Utilities Article requires that the Plan be approved, and the Plan has been approved, by the Commission and by the County Councils and the County Executives, respectively, of Montgomery County and Prince George's County. It has been determined that the refunding pursuant to the Plan will produce total savings in debt service costs.

Deposits to Escrow Deposit Fund

Proceeds of the Bonds will be applied to the purchase of non-callable direct obligations of, or obligations the timely payment of principal and interest upon which is unconditionally guaranteed by, the United States of America (the "Federal Securities") and which will be held by The Bank of New York Mellon Trust Company, N. A. (the "Escrow Deposit Agent") pursuant to an escrow deposit agreement (the "Escrow Deposit Agreement") between the Escrow Deposit Agent and the Commission. The Federal Securities on deposit under the Escrow Deposit Agreement will mature at stated fixed amounts as to principal and interest at such times as will be sufficient to pay the redemption price of and the accrued interest on the Refunded Bonds on June 1, 2019. The Federal Securities will be pledged only to the payment of the Refunded Bonds, and are not available for the payment of principal, premium, if any, or interest on the Bonds. The sufficiency of the Federal Securities, earnings thereon and other funds deposited under the Escrow Deposit Agreement will be independently verified by Wye River Group, Incorporated.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of their initial delivery and will bear interest at the rates and mature in the amounts and at the times set forth on the inside front cover page hereof. Interest on the Bonds will be payable semi-annually on each June 1 and December 1, commencing June 1, 2019 until maturity.

The Bonds shall be fully registered bonds in the denomination of $5,000 or any integral multiple thereof. The Bond Registrar and Paying Agent shall be The Bank of New York Mellon Trust Company, N.A. (the "Bond Registrar" or "Paying Agent"), having a corporate trust office in Pittsburgh, Pennsylvania, which shall register the Bonds and the transfer of Bonds on the District's bond registration books. The payment of interest on each Bond shall be made by the Bond Registrar and Paying Agent on each interest payment date to the person appearing on the bond registration books as the registered owner of such Bond (or the previous bond or bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date, which shall be the date fifteen (15) days prior to such interest payment date, by check or draft mailed to such person at his address as it appears on the registration books. The payment of principal shall be made to the owner registered on the bond registration books upon presentation and surrender thereof to The Bank of New York Mellon Trust Company, N.A. at the office of its affiliate, The Bank of New York Mellon, in New York, New York or Dallas, Texas. The Bonds may be transferred or exchanged subject to the requirements prescribed by the resolution authorizing their issuance, including provisions that the Bond Registrar shall not be required to exchange or register the transfer of any bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds or any portion thereof and ending at the close of business on the day of such mailing or of any Bond called for redemption in whole or in part pursuant to the resolution.

Redemption Provisions

The Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate of the Bonds will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity and will be deposited with DTC. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds except in the event of termination of the book-entry only. Principal of and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." For a more complete description, see Appendix E herein.

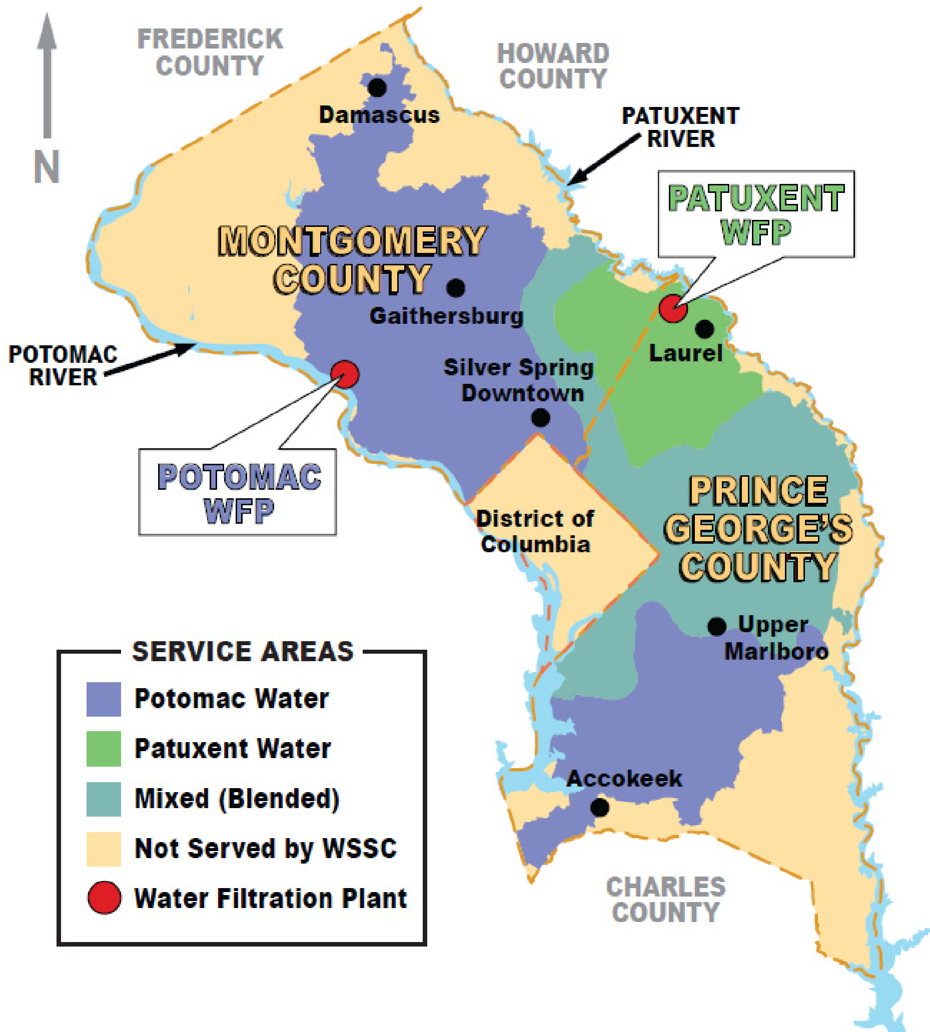
Annual Debt Service on the Bonds

Fiscal Year	Principal	Interest	Total
2019	-	$344,835.56	$344,835.56
2020	$7,275,000.00	1,939,700.00	9,214,700.00
2021	9,605,000.00	1,575,950.00	11,180,950.00
2022	6,630,000.00	1,095,700.00	7,725,700.00
2023	3,960,000.00	764,200.00	4,724,200.00
2024	4,000,000.00	566,200.00	4,566,200.00
2025	4,040,000.00	366,200.00	4,406,200.00
2026	910,000.00	164,200.00	1,074,200.00
2027	925,000.00	146,000.00	1,071,000.00
2028	975,000.00	99,750.00	1,074,750.00
2029	1,020,000.00	51,000.00	1,071,000.00
Total	**$39,340,000.00**	**$7,113,735.56**	**$46,453,735.56**

WASHINGTON SUBURBAN SANITARY DISTRICT

Establishment, Powers and Service Area

The District was created in 1918 and operates as a public corporation of the State of Maryland under the Public Utilities Article. Through its governing body, the Commission, it provides, as authorized, water and sewerage systems, including water supply and sewage disposal facilities for Montgomery and Prince George's Counties, Maryland. The area initially incorporated in the District has been expanded by legislative enactments to its present boundaries encompassing over 950 square miles within Montgomery and Prince George's Counties.



Commission

The District is under the jurisdiction of, and its governing body is, the Commission, a body corporate consisting of six members. Three Commissioners are required to be from, and are appointed by, the County Executive of Montgomery County, subject to their confirmation by the County Council thereof, and three Commissioners are required to be from, and are appointed by, the County Executive of Prince George's County, subject to their confirmation by the County Council thereof. Each Commissioner from Prince George's County shall be a resident of the District. Each Commissioner from Montgomery County shall be a registered voter of Montgomery County. Each Commissioner from

Prince George's County shall be a registered voter of Prince George's County. Not more than two Commissioners from Montgomery County may be of the same political party. The term of office for the Commissioners is four years, with termination dates on a staggered year basis. At the end of a term a commissioner continues to serve until a successor is appointed and takes the oath of office. The Chair and the Vice-Chair of the Commission are elected by the Commission in June of each year for one year terms and may not be from the same county. These two offices rotate annually between the two counties unless waived, as provided by law. The Commission may conduct business with a quorum of four Commissioners.

The County Executive of each of the two counties may, with the approval of the majority of the members of the County Council of the respective county, remove any Commissioner appointed from such county from such Commissioner's current term of office prior to the completion of such term. In addition, a majority of the County Council of Montgomery County, by resolution, may, unless the County Executive of Montgomery County disapproves the resolution in writing within 30 days of its adoption, remove any Commissioner appointed from Montgomery County prior to the completion of his or her term. In either event, a public hearing must be held thereon unless waived in writing by the Commissioner sought to be removed.

Powers and Responsibilities of the Commission

The powers and responsibilities of the Commission as set forth in the Public Utilities Article include, among others:

(i) providing for the construction, reconstruction, operation and maintenance of water supply and sanitary sewerage facilities in the District;

(ii) establishing water rates, sewer usage rates, connection charges, front foot benefit charges and permit fees, and causing *ad valorem* taxes to be levied;

(iii) issuing bonds and notes of the District, including refunding bonds and bond anticipation notes;

(iv) exercising the power of eminent domain;

(v) providing for the construction, reconstruction, operation and maintenance of water and sewer house connection lines from the Commission's mains to abutting property lines;

(vi) approving the location of, and issuing permits for, all utilities to be installed in public ways;

(vii) reviewing preliminary subdivision plans as to suitability of water and sewer design and reviewing street grades for those streets in which there are Commission facilities;

(viii) formulating regulations governing all plumbing and gas fitting installations;

(ix) issuing permits for the installation of and inspection of all plumbing and gas fitting connections; and

(x) licensing master and journeyman plumbers and gas fitters.

Commission Membership

T. Eloise Foster: Ms. Foster was appointed as a Montgomery County representative on the WSSC Board of Commissioners in June 2016. She was elected Vice Chair in June 2017 and as Commission Chair in June 2018. She also serves as a Trustee on the WSSC Retirement Plan Board. Ms. Foster has more than three decades of experience in the public sector, where she developed an expertise in fiscal policy and management. She served for over a decade as Secretary of the Maryland Department of Budget and Management, the first and only African-American woman in the nation to serve as a chief state budget officer. In this capacity, she was responsible for the development and management of Maryland's $38 billion operating and $1.5 billion capital budgets, a personnel system governing approximately 80,000 employees and an employee and retiree benefits program covering more than 250,000 lives. She also served as Maryland's Deputy Secretary of Budget & Management and Assistant Secretary of Budget & Fiscal Planning and as Assistant Dean for Business Affairs and Program Development at the University of Maryland School of Medicine. Earlier in her career, Ms. Foster was a legislative officer for Maryland Governor William Donald Schaefer and an analyst for the Maryland General Assembly. An honorary lifetime member of the National Association of State Budget Officers, Ms. Foster is also a former member of the National Forum for Black Public Administrators. She has served on the

Howard University Cancer Center Advisory Board, the Seton Keough School Board and the Arts and Humanities Council of Montgomery County. She currently serves as Chair of the Maryland Supplemental Retirement Plans and is a Trustee on the Financial Accounting Foundation Board. Ms. Foster was named one of Maryland's Top 100 Women in 2002, 2007 and 2010, qualifying her for entrance into the Circle of Excellence. In 2014, Howard University selected her to receive the Distinguished Alumni Award in the field of public service. Ms. Foster earned her bachelor's degree in Business Administration from Howard University and an MBA from American University's Kogod School of Business. She also has completed the Harvard University Senior Executives in State and Local Government Program. Ms. Foster's term expires in May 2021.

Christopher Lawson: Mr. Lawson was appointed to the Commission from Prince George's County in May 2011 and currently serves as Vice Chair. He has previously served as Chair and Vice Chair. Mr. Lawson, President and Principal at Insuraty Inc., is a CPLH licensed insurance broker and Advisor to mid-sized companies and organizations in the area of employee benefits consulting, brokerage and administration including 401k retirement plan advisory and administration and human resource management. Mr. Lawson comes from Raleigh, North Carolina, where he studied Business Administration at Saint Augustine's College before moving to the Washington Metropolitan area 25 years ago and starting his business career representing corporations such as American Express Corporate Services and Cigna Healthcare in sales, business development and management. Mr. Lawson has been honored by his community on various occasions and has received numerous awards in his industry such as the Guardian Life Insurance Company Gold Producers Award, Allianz Life Insurance Company Gold Masters Club Award, Prince George's Chamber of Commerce Distinguished Service Award and the Prince George's County Boys and Girls Club Inc. Man of the Year Award. Mr. Lawson was an original member of the Washington D.C. Board of Directors for the National Association of African American Insurance Agents, serving as its Vice President, and is a current member of the Society for Human Resource Management and the National Association of Health Underwriters. In 2006 Lawson led the campaign efforts as Chairman to elect Rushern L. Baker III for Prince George's County Executive. Mr. Lawson's term expires in June 2019.

Fausto R. Bayonet: Mr. Bayonet was appointed to the Commission from Montgomery County in June 2015 and served as the Commission's Chair from June 2016 to June 2017. An architect who has worked in the architectural and engineering fields for three decades, Mr. Bayonet has lived in Montgomery County for more than 40 years. A native of the Dominican Republic, he earned his bachelor's degree in Architecture from that country's Eastern Central University and furthered his architectural studies at the University of Maryland when he came to the Washington area in 1971. Mr. Bayonet has had a role in the design of numerous commercial and government projects throughout the Washington Metropolitan area, such as renovations to University of Maryland's Byrd Stadium, the Embassy of Nicaragua and the U.S. District Courthouse in Alexandria, Virginia. He has also done consulting work for the University of Maryland's Office of Architectural Services. He is also a licensed real estate agent in the State of Maryland and member of the Greater Capital Area Association of Realtors, the National Association of Realtors and the Maryland Association of Realtors. As a 20-year member of the Montgomery County Democratic Party, Mr. Bayonet is a veteran campaigner, having done volunteer work for county executives and Council members, governors, lieutenant governors, delegates, congressmen and senators. He is also a member of the Hispanic Democratic Club of Montgomery County and served on its executive board. Mr. Bayonet's term expires in May 2019.

Omar M. Boulware: Mr. Boulware was appointed to the Commission from Prince George's County in November 2013 and has previously served as Chair. Mr. Boulware has a long history of military, public and community service. A Navy veteran, Mr. Boulware is a congressional relations officer in the Department of Veterans Affairs and advises the Secretary of Veterans Affairs on Congressional interests, including veteran outreach, veteran small business, and collaboration between the Veterans Affairs and the Department of Defense. His areas of expertise include budgeting, financial management and legislation. While attending the University of North Carolina at Chapel Hill, Mr. Boulware volunteered for service in the United States Navy, where he served a three-year tour of duty on the staff for Chief of Naval Operations in the Pentagon. Upon completion of active duty, he entered federal civil service as a legislative liaison in the Department of the Navy's Office of Legislative Affairs. He concurrently served in the U.S. Navy Reserve from 2000 to 2012, earning the rank of Petty Officer First Class. Mr. Boulware and his family live in Mitchellville, where he is involved in the community. He is vice president of the Greater Marlboro Democratic Club and former president of the Prince George's County Young Democrats. In addition to his membership on various civic associations, he served as a member of the Prince George's County Personnel Board, and in 2011 as a member of County Executive Rushern Baker's transition committee. Mr. Boulware is a 2005 honors graduate of Strayer University with a BBA degree in Management and a minor in Economics. He is also a 2007 Rawlings Fellow at University of Maryland's James McGregor Burns Academy of Leadership. Mr. Boulware's initial term was through June 2017.

Howard A. Denis: Mr. Denis, a former Maryland State Senator and Montgomery County Council member, was appointed Commissioner from Montgomery County in January 2016. Prior to his retirement in December 2015, Mr. Denis was part of the Congressional Staff on the House Oversight & Government Reform Committee, where he had served since 1995. Mr. Denis has 40 years of experience in public service and a strong track record diligently representing his constituency, having served 18 years as a Maryland State Senator (1977-1995); six years on the Montgomery County Council (2000-2006); and, as a five-time delegate to the Republican National Convention. He also served on the Maryland State Lottery Commission and has extensive knowledge in land-use and planning in Montgomery County. A long-time resident of Chevy Chase, Maryland, Mr. Denis graduated from Bethesda-Chevy Chase High School; received his undergraduate degree in Government from Georgetown College and law degree from Georgetown University Law Center. Mr. Denis' term expires in May 2019.

Thomasina V. Rogers: Ms. Rogers was appointed as a Prince George's County representative on the Board of Commissioners in June 2016 and served as Chair from June 2017 to June 2018. Prior to her retirement from the Executive Branch of the Federal Government in 2015, Ms. Rogers held high level positions as both a political appointee in three Presidential administrations and as a career civil servant. She is the former and longest standing Chair of the Occupational Safety and Health Review Commission, an independent agency in the executive branch of the federal government that adjudicates contests involving violations of the Occupational Safety and Health Act, and led the Administrative Conference of the United States, a bipartisan effort to improve the operation and administration of government. Before these appointments, Ms. Rogers headed the Office of Legal Counsel, U.S. Equal Employment Opportunity Commission, where she received a Presidential Rank Award (Meritorious Executive in the Senior Executive Service) for spearheading the development of regulations and policies to prohibit workplace discrimination. She is most notably responsible for leading the development and promulgation of the regulations for implementation of the Americans with Disabilities Act of 1990. Ms. Rogers has served as a trustee on numerous boards, including the Children's National Medical Center in Washington, D.C. and the American Arbitration Association. Ms. Rogers received her undergraduate degree in journalism from Northwestern University and her law degree from Columbia University School of Law. Ms. Rogers' term expires in June 2019.

Management and Operations

The daily operation of the Commission is supervised by the General Manager/CEO.

Senior Staff

A brief resume of the Commission's senior staff is shown below:

Carla A. Reid, General Manager/CEO: Carla A. Reid was appointed in January 2016 as General Manager and Chief Executive Officer of the Commission. She is the 12th General Manager and the first woman to serve in this capacity in the Commission's 100-year history. Ms. Reid began her 20-year career at the Commission in 1986, ultimately serving as Deputy General Manager from 2005-2006. In addition to Deputy General Manager at the Commission, Ms. Reid also served as Chief of Mission Support, Chief of Customer Care, Meter Services Division Manager, Northern Meter Operations Section Head, Meter Maintenance Head, Field Operations Supervisor and Civil Engineer. Prior to re-joining the Commission in January 2016, Ms. Reid worked for the County Executive of Montgomery County, Isiah Leggett, as the Director of the Department of Permitting Services. In 2011, she joined newly elected Prince George's County Executive Rushern L. Baker's staff as Deputy Chief Administrative Officer for Economic Development and Public Infrastructure. In this position, she led all operations related to economic development including permitting, transportation, environmental matters and tourism. For seven years, Ms. Reid was an adjunct professor at the University of the District of Columbia, where an award was created in her name to recognize outstanding teaching on the UDC staff. She holds a Bachelor of Science degree in civil engineering from Howard University and a master's degree in business administration from the University of Maryland, University College. She is an active member of her community, having served on several boards for organizations such as DC Water, Melwood, Montgomery Alliance, the Prince George's County Revenue Authority and Arts on the Block.

Sheila R. Finlayson, Esq., Corporate Secretary: Ms. Finlayson joined the Commission in May 2013 as Corporate Secretary. She is one of the Commission's corporate officers and the executive officially authorized to attest documents on behalf of the Commission and to act as the custodian of the Commission's official files and records, including the minutes of open and closed meetings that are subject to the Maryland Open Meetings Act. Ms. Finlayson also manages the day-to-day administrative functions of the Office of the Commission/Corporate Secretary's Office and serves as parliamentarian at the Commission's meetings. Ms. Finlayson received her law degree from Howard University

School of Law in Washington, D.C. and her undergraduate degree from the University of Maryland at College Park, Maryland. Ms. Finlayson has extensive corporate secretarial and governance experience, having previously served as the Corporate Secretary and Director of Board Relations for the Society for Human Resource Management, a professional human resources membership association in Alexandria, Virginia, and as Vice President, Counsel and Corporate Secretary for Independence Federal Savings Bank, a federally-chartered stock savings bank in Washington, D.C. Ms. Finlayson is licensed to practice law and is a member in good standing of the Bar of the Commonwealth of Pennsylvania.

Amanda Stakem Conn, General Counsel: Ms. Conn was appointed General Counsel of the Commission on November 14, 2016. She is the first female general counsel in WSSC's 100-year history. A legal professional with 20 years of experience in the public and private sector, Ms. Conn previously served as deputy secretary of the Maryland Department of Planning, a position she filled after serving that agency as their Counsel and Assistant Attorney General for several years. She also served as an assistant county attorney in the Baltimore County Office of Law specializing in zoning, planning, preservation and County Council matters. The 2012 recipient of the Outstanding Achievements in the Legal Field award from the University of Baltimore Women's Bar Association, she is a frequent lecturer on statutory construction, land use and zoning-related topics. She was an attorney at Funk & Bolton, P.A., in Baltimore, representing local governments across the state on a variety of issues. Ms. Conn earned her bachelor's degree in Government and Politics from the University of Maryland and her law degree from the University of Baltimore School of Law. Ms. Conn is a member of the state and federal bars in Maryland, as well as the Fourth Circuit Court of Appeals and the Supreme Court.

Patricia A. Colihan: Ms. Colihan was appointed Chief Financial Officer for WSSC on November 5, 2018. Prior to her appointment, she served as the Executive Director, Secretary-Treasurer and other senior level positions with the Maryland-National Capital Park and Planning Commission. Before her career in the public sector, Ms. Colihan was Assistant Controller for Loyola Federal Savings and Loan Association and an auditor with Deloitte Haskins & Sells. Ms. Colihan received her Bachelor of Arts Degree in Accounting from Frostburg State College, and Master's Degree in Management from the University of Maryland University College. She is a member of the American Institute of Certified Public Accountants, the Government Finance Officers Association, and the Honor Society of Phi Kappa Phi. She is a graduate of Leadership Montgomery and is a past President of the Maryland Government Finance Officers Association.

Labor Relations

On June 30, 2018, the Commission had 1,703 full time employees of whom approximately 517 are represented by the American Federation of State, County and Municipal Employees. The Commission considers its labor relations to be satisfactory.

Employees' Retirement Plan

Substantially all Commission employees participate in either the closed or open version of the contributory Washington Suburban Sanitary Commission Employees' Retirement Plan (the "Retirement Plan"). The closed version of the Retirement Plan is applicable only to participants as of June 30, 1978 who did not elect to change to the open version. The open version of the Retirement Plan is mandatory for all employees who commenced employment on or after July 1, 1978, and all other employees who elected to change to the open version.

The Retirement Plan, including the books and records thereof, is an entity distinct from the Washington Suburban Sanitary Commission. Its assets are managed by an independent board of trustees comprised of two Commissioners, four Commission employees, two Commission retirees, two members of the business community, and the Executive Director of the Retirement Plan. The Retirement Plan's valuation is prepared annually by an independent actuarial firm.

As of June 30, 2015, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27. Based on actuarial valuations as of June 30, 2017 and June 30, 2016, which were rolled forward to December 31, 2017 and December 31, 2016, the Retirement Plan's independent actuaries determined that, at December 31, 2017 and 2016 (the measurement dates), the Retirement Plan's total pension liability exceeded its fiduciary net position by $102.5 million and $172.8 million, respectively.

The Retirement Plan began using the average value method to determine actuarial asset value effective July 1, 2007. This smoothing method explicitly recognizes each year's investment gain or loss over a five-year period with the final actuarial value not less than 80% or more than 120% of the market value of assets. The Retirement Plan implemented Governmental Accounting Standards Board ("GASB") Statement No. 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 in fiscal year 2014. As required by GASB Statement No. 67, the Plan's fiduciary net position as a percentage of total pension liability was 89.0% as of December 31, 2017 and 81.2% as of December 31, 2016.

For additional information concerning the Retirement Plan, see Required Supplementary Information (RSI) Schedules A-1 and A-2, "Notes to Financial Statements," Note L, Retirement Plan.

Other Post-Employment Benefits

Post-employment benefits are provided under a set of personnel policies (herein referred to, collectively, as the "OPEB Plan"). The OPEB Plan and its underlying trust, a single employer defined benefit plan, was established in 2007 to provide life insurance, healthcare and prescription drug benefits for OPEB Plan participants and beneficiaries of the Commission under conditions set forth in the Trust Agreement, including the payment of reasonable administrative expenses. WSSC 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.

As of June 30, 2018, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replacing GASB Statement No. 45. Based on an actuarial valuation as of June 30, 2017, the OPEB Plan's independent actuaries determined that, at December 31, 2017 and 2016 (the measurement dates), the OPEB Plan's total OPEB liability exceeded its fiduciary net position by $121.8 million and $133.8 million, respectively.

Actuarial studies are performed at least once every two years as of June 30th and the measurement date for the net OPEB Plan liability is December 31st. The OPEB Report is subject to a number of actuarial and economic assumptions; these assumptions are generally similar to the assumptions used in evaluating the Commission's pension fund liabilities. As required by GASB Statement No. 75, the OPEB Plan's fiduciary net position as a percentage of total OPEB liability was 49.3% as of December 31, 2017 and 41.3% as of December 31, 2016.

For additional information concerning the OPEB Plan, see Required Supplementary Information (RSI) Schedules A-3 and A-4, "Notes to Financial Statements," Note M, Other Post-Employment Benefits (OPEB).

Leases and Agreements

The Commission is party to certain agreements to provide water service to Howard County, Maryland on an as-available basis and sewage service to the City of Rockville, Maryland. The Commission considers its present capacity to be adequate to continue providing water and sewerage services under these contracts and is of the opinion at the present time that no new capital expenditures will be required of the Commission to fulfill these obligations.

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BONDED INDEBTEDNESS OF THE DISTRICT

Bond Program

The Commission issues bonds to provide funding for the construction or reconstruction of (i) water supply facilities, water supply lines and transmission mains (the "Water Supply Bonds"), (ii) sewage disposal facilities, sewer collection mains and trunk sewers (the "Sewage Disposal Bonds"), and (iii) Commission-built water/sewer pipes in subdivisions (the "General Construction Bonds"). The bonds may also be issued to replace short-term bond anticipation notes. Pursuant to Section 19-101 of the Local Government Article of the Annotated Code of Maryland, as amended, the Water Supply Bonds, the Sewage Disposal Bonds and the General Construction Bonds may be consolidated for sale and sold, issued and delivered as a single issue of bonds that are designated as the "Consolidated Public Improvement Bonds."

Maryland Water Quality Debt

The Maryland Water Quality Revolving Loan Fund is administered by the Maryland Water Quality Financing Administration. As of June 30, 2018, the Commission had $248,126,998 of outstanding debt under this program. The Commission's obligation to repay this amount is evidenced by Commission bonds, which are payable over a 20-year period at below-market interest rates and on parity with the bonds of the Commission. The source of repayment and security for such Commission obligations is the same as that for the Commission's Water Supply Bonds and Sewage Disposal Bonds, respectively.

Washington Suburban Sanitary Commission Debt Statement (1)

	Bonds Outstanding June 30, 2018
Bonds Outstanding(2)(3):	
General Construction Bonds (self-supporting)(4)	$ 142,209,641
Water Supply Bonds (self-supporting)(5)	1,153,563,855
Sewage Disposal Bonds (self-supporting)(6)	1,468,276,503
Maryland Water Quality Loan Fund (self-supporting)(7)	248,126,998
Total Bonds Outstanding	3,012,176,997
Less:	
Self-supporting Bonds	3,012,176,997
Bonds Outstanding Exclusive of Self-supporting Bonds	$ 0
Assessed Valuation(7), All Property within District	$ 297,032,873,000
Per Capita: (Population estimated at 1,934,877 - 6/30/14)	
Bonds Outstanding Total	$ 1,557
Bonds Outstanding Exclusive of Self-supporting Bonds	$ 0

(1) Excludes $390,000,000 amount of Consolidated Public Improvement Bonds of 2018 issued on December 20, 2018.
(2) Excludes $271,500,000 principal amount of bonds outstanding as of June 30, 2018 which have been refunded.
(3) Excludes $190,200,000 principal amount of bond anticipation notes outstanding as of June 30, 2018. See "Short-Term Financing Program" below.
(4) Front foot benefit charges are levied in an amount sufficient, together with other charges, including water consumption and sewer usage charges, to pay debt service.
(5) Water consumption charges are fixed sufficient to pay all operating expenses and debt service.
(6) Sewer usage charges are fixed sufficient to pay all operating expenses and debt service.
(7) Includes the assessed valuation for Montgomery County and Prince George's County as of June 30, 2018.

Bonded Debt Outstanding and Changes from June 30, 2017 to June 30, 2018(1)(2)(3)

	Bonds Outstanding June 30, 2017	Issued	Defeased	Redeemed	Bonds Outstanding June 30, 2018
General Construction Bonds	$ 155,889,641	$ 21,095,000	-	$34,775,000	$ 142,209,641
Water Supply Bonds	948,314,724	331,225,000	-	125,975,869	1,153,563,855
Sewage Disposal Bonds.............	1,256,495,635	406,185,000	-	194,404,132	1,468,276,503
Maryland Water Quality Loan Fund	250,069,313	13,830,263	-	15,772,578	248,126,998
Total	$2,610,769,313	$772,335,263	-	$370,927,579	$3,012,176,997

(1) Excludes $217,500,000 principal amount of bonds outstanding as of June 30, 2018 which have been refunded.

(2) Excludes $190,200,000 principal amount of bond anticipation notes outstanding as of June 30, 2018. See "Short-Term Financing Program" below.

(3) Excludes $390,000,000 principal amount of Consolidated Public Improvement Bonds of 2018 issued on December 20, 2018.

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Adjusted Debt Service

The following table shows principal, interest, and total debt service on the District's outstanding bonds.

Outstanding Bonds
June 30, 2018(1)(2)(3)

Fiscal Year	Principal	Interest	Total
2019	$ 147,502,111	$ 114,494,905	$ 261,997,016
2020	160,372,787	108,118,299	268,491,086
2021	158,917,790	101,267,863	260,185,653
2022	152,496,230	94,910,293	247,406,523
2023	150,338,823	88,703,544	239,042,367
2024	150,225,455	82,587,459	232,812,914
2025	150,504,592	76,550,340	227,054,932
2026	143,747,946	71,097,366	214,845,312
2027	140,708,213	66,039,358	206,747,571
2028	139,069,767	60,956,914	200,026,681
2029	131,644,869	55,943,176	187,588,045
2030	114,991,161	51,385,702	166,376,863
2031	104,938,755	47,470,365	152,409,120
2032	92,326,778	44,112,323	136,439,101
2033	74,555,842	41,120,998	115,676,840
2034	76,234,785	38,592,793	114,827,578
2035	66,316,947	36,055,964	102,372,911
2036	67,150,881	33,374,177	100,525,058
2037	69,565,940	30,759,250	100,325,190
2038	72,140,999	28,018,706	100,159,705
2039	74,991,059	25,036,140	100,027,199
2040	77,785,267	22,088,140	99,873,407
2041	80,695,000	19,030,218	99,725,218
2042	83,725,000	15,858,049	99,583,049
2043	86,870,000	12,573,033	99,443,033
2044	90,010,000	9,290,289	99,300,289
2045	74,230,000	5,816,404	80,046,404
2046	54,480,000	2,989,907	57,469,907
2047	25,640,000	980,018	26,620,018
Total	$3,012,176,997	$1,385,221,990	$4,397,398,987

(1) Excludes $217,500,000 principal amount of bonds outstanding as of June 30, 2018 which have been refunded.

(2) Excludes $190,200,000 principal amount of bond anticipation notes outstanding as of June 30, 2018. See "Short-Term Financing Program" below.

(3) Excludes $390,000,000 principal amount of Consolidated Public Improvement Bonds of 2018 issued on December 20, 2018.

Summary of Outstanding Debt Service as of June 30, 2018(1)(2)(3)

	Principal	Interest To Maturity	Total Debt Service
General Construction Bonds	$ 142,209,641	$ 28,893,386	$ 171,103,027
Water Supply Bonds	1,153,563,855	589,912,241	1,743,476,096
Sewage Disposal Bonds	1,468,276,503	748,362,341	2,216,638,844
Maryland Water Quality Loan Fund	248,126,998	18,054,022	266,181,020
Total	$ 3,012,176,997	$ 1,385,221,990	$ 4,397,398,987

(1) Excludes $217,500,000 principal amount of bonds outstanding as of June 30, 2018 which have been refunded.

(2) Excludes $190,200,000 principal amount of bond anticipation notes outstanding as of June 30, 2018. See "Short-Term Financing Program" below.

(3) Excludes $390,000,000 principal amount of Consolidated Public Improvement Bonds of 2018 issued on December 20, 2018.

Authorization of Debt

The Bonds are issued upon the basis of authorizations under the Constitution and laws of the State of Maryland, including Titles 16 through 25 of Division II of the Public Utilities Article, particularly Titles 22 and 25 thereof and other applicable law, and by the Commission through the adoption of Resolution No. 2019-2196 or orders of the Commission.

Borrowing Limitation

The Public Utilities Article limits the amount of bonds and notes issued by the District that may be outstanding at any time. The aggregate principal amount of bonds and notes of the District (excluding refunded bonds and certain short-term instruments) outstanding at any time may not exceed the sum of: (i) 3.8% of the total assessable tax base of all real property assessed for county tax purposes within the District, and (ii) 7.0% of the total assessable personal property and operating real property assessed for county tax purposes within the District (or such respective percentages of such tax bases as of July 1, 1997, if larger).

Shown below are the latest certified assessed valuations of those portions of the Counties that lie within the District, and the ratio of debt to permitted debt.

(In Thousands 000s)	Total Assessed Valuation	Maximum Debt Permitted	Total Debt Outstanding	Ratio of Debt Outstanding to Debt Permitted
June 30, 2018	$ 297,032,873	$ 11,195,093	$ 3,202,377	28.6%
June 30, 2017	284,821,913	10,734,054	2,813,369	26.2%
June 30, 2016	273,112,412	10,451,218	2,470,352	23.6%
June 30, 2015	242,885,625	9,289,681	1,961,364	21.1%
June 30, 2014	240,410,073	9,197,332	1,952,543	21.2%

Short-Term Financing Program

On June 24, 2003, the Commission established a $465,000,000 short-term borrowing facility whereby it may issue and redeem its General Obligation Multi-Modal Bond Anticipation Notes (the "BANs") from time to time. The BANs are general obligations of the District. On November 19, 2008, the Commission amended the previous note program to expand the authority to issue notes up to an additional $600,000,000. The BANs are tax-exempt variable rate demand notes, the interest rates on which are reset weekly. The BANs are subject to optional redemption by the Commission at par on not less than fifteen days' notice to the holders thereof. Debt service on the BANs is expected to be paid from revenues generated in the District from fees, charges, rates and assessments and other available funds and, in the event of a deficiency, are secured by *ad valorem* taxes upon all the assessable property within the District, without limitation as to rate or amount. The principal of the BANs is payable from the proceeds of the long-term water supply bonds and sewage disposal bonds of the District and other available funds. Until such time as they are redeemed from bond proceeds, the Commission generally amortizes the BANs principal over a 20-year term.

On August 28, 2013, the Commission replaced its liquidity facility provider, Helaba, with two new facilities; TD Bank N.A. and State Street Bank and Trust Company respectively. On that date, the outstanding Series A BANs in the aggregate principal amount of $130,100,000 were fully redeemed and reissued in two separate series, Series A Notes and Series B Notes. On February 26, 2014 and June 24, 2015, the Commission issued $50,000,000 and $90,000,000 aggregate principal amount of BANs respectively. On August 31, 2016, the Commission issued $95,000,000 aggregate principal amount of BANs.

The Series A Notes are secured by a Standby Note Purchase Agreement between the Commission and TD Bank, N.A. in the aggregate principal amount of $107,500,000 and the Series B Notes are secured by a Standby Note Purchase Agreement between the Commission and State Street Bank and Trust Company in the aggregate principal amount of $107,500,000. Under each Standby Note Purchase Agreement, the applicable banks are obligated, subject to certain terms and conditions of a note order, to purchase the notes secured thereby, or portions thereof tendered for purchase and not remarketed. Each Standby Note Purchase Agreement is scheduled to expire on August 28, 2019.

The Commission has issued $786,100,000 aggregate principal amount of BANs since the short-term borrowing facility was established on June 24, 2003. Of that amount, $595,900,000 has been redeemed, leaving a balance of $190,200,000 aggregate principal amount of BANs outstanding as of June 30, 2018. The proceeds of the BANs are used to provide interim financing for the water, sewer and general construction projects comprising a portion of the Commission's capital program.

Record of No Default

The Commission has never defaulted on any bonded indebtedness.

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Summary of Operating Revenues, Expenses and Net Revenues (Loss) (Dollars in Thousands)(1)(2)

	Fiscal Year ended June 30				
	2018	2017	2016	2015	2014
Gross Revenue Available for Debt Service	$ 728,237	$ 724,804	$ 644,611	$ 643,046	$ 623,021
Debt Service:					
Bonds Redeemed and Sinking Fund Contributions	163,728	151,995	150,399	173,642	180,025
Interest on Bonds and Notes Payable	111,368	98,750	78,073	74,380	69,042
Total	275,096	250,745	228,472	248,022	249,067
Net Revenues Available for Operations	453,141	474,059	416,139	395,024	373,954
Operating Expense Exclusive of Depreciation and Amortization	461,696	436,601	405,078	415,684	365,963
Net Revenue (Loss)	$ (8,555)	$ 37,458	$ 11,061	$ (20,660)	$ 7,991
Composed of:					
Water Operating	$ 702	$ 23,303	$ (4,914)	$ (20,085)	$ (11,357)
Sewer Operating	(2,790)	16,796	15,291	6,271	30,721
Other Operating Funds	(6,467)	(2,641)	684	(6,846)	(11,373)
Total	$ (8,555)	$ 37,458	$ 11,061	$ (20,660)	$ 7,991

(1) Unaudited.
(2) Operating losses were planned uses of existing prior year surpluses within the operating funds accomplished by restraining rate increases in the respective year.
Source: Washington Suburban Sanitary District.

The Commission's operating revenues derived from water and sewer charges vary from year to year, as water usage fluctuates in response to a variety of factors (such as changing weather patterns and economic conditions, for example). The Commission's policy is to maintain a reserve in the amount of at least 10% of budgeted water and sewerage operating revenues to offset any shortfall in such revenues. In those years in which water or sewerage operating revenues exceed budgeted amounts, the Commission generally accrues the resulting surplus in the respective Operating Fund(s) to be utilized in future years' budgets for fiscally prudent purposes, including rate increase mitigation, one-time expenditures, increasing the Commission's reserve, and applying the surplus against future capital costs on a pay-as-you-go basis. In those years in which water or sewer operating revenues do not reach budgeted amounts, the Commission adjusts its then-current budget by reducing expenditures and by drawing upon the reserve, if necessary. In the event that the reserve is inadequate to cover such shortfall, the Commission may implement a mid-year rate increase after notifying the respective County Councils, although this has never been required. The Commission did not draw upon the reserve during fiscal year 2016, fiscal year 2017 or fiscal year 2018. The Commission increased the reserve target by $6.5 million in fiscal year 2017 and has further increased the reserve target by $2.2 million in fiscal year 2018, with a goal of maintaining a reserve of 10%. At June 30, 2018 the reserve target amounted to $70.6 million, which is approximately 10.0% of budgeted water and sewer revenue while the actual fund balance was $187.9 million (excludes the ending general bond debt service fund balance of $48.3 million). The fiscal year 2019 budgeted addition is expected to maintain a reserve of 10.0%.

Budget

The Public Utilities Article requires the Commission, prior to January 15 preceding the respective fiscal year, to prepare operating and capital budgets (the "Budget") for the ensuing fiscal year.

The Budget is prepared to reflect the total funding and staffing requirements of the Commission as well as its individual programs and organizational components. The Budget is divided into two major sections, the Operating

Budget and the Capital Budget. The Operating Budget reflects the Commission's resource requirements to operate and maintain its completed plants and other installations. The Operating Budget consists of three separate funds: Water Operating, Sewer Operating, and General Bond Debt Service. The Capital Budget reflects the Commission's plan to receive and expend funds for capital projects including those identified in the first year of its Six Year Capital Improvements Program (see "Capital Improvements Program - Six Year Capital Program"), reconstruction programs and other capital programs. The Capital Budget consists of three separate funds: Water Supply Bond, Sewage Disposal Bond and General Construction Bond funds.

The Budget process begins with submission of requests by all organizational units. The Finance Office compiles and presents the budget to the General Manager for review. After review, the General Manager submits this Budget with the General Manager's recommendations to the Commissioners. The Commissioners review the Budget and make changes they deem necessary in order to arrive at the Commission's proposed Budget.

The Public Utilities Article requires that the Proposed Budget be published by January 15. Copies of the Proposed Budget are available to the public. The Commission holds public hearings on the Proposed Budget prior to February 15 after providing 21 days' notice of such hearing by publication in at least two newspapers published and generally circulated in Montgomery County and two newspapers published and generally circulated in Prince George's County.

The Commission is required to transmit the Proposed Budget by March 1 to the County Executives of Prince George's and Montgomery Counties. The County Executives make recommendations on the Proposed Budget by March 15 to their respective County Councils. The County Councils may hold public hearings and conduct work sessions with Commission personnel during the months of April and May. Each County Council may add to, delete from, increase or decrease any item of the Proposed Budget and shall transmit by May 15 any proposed changes to the other County Council for review and concurrence. Each County Council must approve all amendments to the Proposed Budget and, prior to June 1, approve the Budget.

In the event both County Councils fail to concur on a change with respect to any item in such Proposed Budget by June 1, that failure shall constitute approval of the item as submitted by the Commission.

Finally, upon receipt of the joint resolutions of the two County Councils, the Commission adopts the Budget and approves the water and sewer rates, other charges and fees, and *ad valorem* tax rates required to fund the approved expenditure levels.

The Commission's audited financial statements (Appendix A) are prepared in accordance with generally accepted accounting principles. Comparison of the audited financial statements to the debt service method statements requires adjustments for several differences, including depreciation, bond principal redemption, and capitalized interest.

SUMMARY OF DISTRICT AD VALOREM TAXES AND OTHER CHARGES AND REVENUES THEREFROM

Ad Valorem Tax Rate

At present, no *ad valorem* taxes are levied pursuant to Commission certification for the payment of debt service on outstanding bonds. Debt service on the Bonds and other outstanding bonds of the District is expected to be paid from revenues generated in the District from fees, charges, rates and assessments and other available funds.

Tax Collection Procedures

Pursuant to Section 22-106 of Division II of the Public Utilities Article, in order to retire and pay the interest on bonds of the District each year the county councils of Montgomery County and Prince George's County shall impose against the assessable property located in the District a tax sufficient to pay the principal of and interest on the bonds, as and when due and until paid in full. Each year the Commission shall determine the amount necessary to pay the principal and interest on bonds issued and shall set aside such amount from water service charges, sewer usage charges, house connection charges, and any other charges imposed by the Commission as the Commission determines to be fair and equitable. The amount set aside shall be deducted from the amount that the Commission determines to be necessary to be raised by taxation.

At least 30 days before the taxable year for property taxes, the county executives of Montgomery County and Prince George's County shall certify to the Commission the total valuation of assessable property within the District in each county. The Commission shall determine the amount necessary, for the next taxable year, to pay: (i) interest on all outstanding bonds; (ii) principal of all serial bonds maturing during the year; and (iii) the proportionate part of principal of all outstanding sinking fund bonds as determined by the usual table of redemption of bonds by annual deposit in a sinking fund.

After deducting all amounts applicable to payment of interest and principal on the bonds, the Commission shall certify to the county councils of Montgomery County and Prince George's County the number of cents per $100 necessary to raise the amount determined to pay the debt service.

Each year the county councils of Montgomery County and Prince George's County shall impose a tax in the amount determined by the Commission under the Public Utilities Article on all assessable property within the District. The taxes imposed under this Act shall (i) have the same status as county taxes; and (ii) be imposed and collected by the tax collecting authority for each county as county taxes. Every 60 days, each county shall pay to the Commission the taxes collected under the Public Utilities Article.

Front Foot Benefit Charges and Historic Collections

For meeting debt service on its outstanding $142,209,641 of General Construction Bonds as of June 30, 2018, there have been assessed front foot benefit charges (FFBC) in amounts sufficient, together with additional charges, including water consumption and sewer usage charges, and taking delinquencies in account, to pay debt service on the General Construction Bonds as such debt service becomes due. Front foot benefit charges are payable in annual or semi-annual installments. There are no operations, repair or maintenance costs paid from front foot benefit charges.

In the year following completion of water and/or sewer main construction, connecting improved or abutting unimproved properties are assessed a FFBC. The assessment as required by law is to repay funds borrowed by the Commission for water and/or sewer main construction. The charge appears on the property tax bill for 30 years, but may be paid in full at any time. The FFBC assessment is determined by multiplying property footage by the rate per foot for the appropriate property classification. Irregularly shaped lots are assessed using average footages of neighboring regular shaped properties. Listed below are the Commission's 2018 approved FFBC rates for residential properties. The rates are updated annually. The assessments levied during **2019** Levy will run for **30** years. The bond period for properties levied between 2013-2018 was 20 years. The bond period for properties levied between 1983-2012 was 23 years. Earlier years assessments could be from 33 to 50 years.

Front Foot Benefit Rate Schedule*

Assessment Length	Assessment Rate for Water (Per Ft Per Yr)	Assessment Rate for Sewer (Per Ft Per Yr)
<u>Subdivision:</u>		
1st - 150 ft.	$4.80	$7.18
2nd - 150 ft.	$3.60	$5.39
Over - 300 ft.	$2.40	$3.59
<u>Business:</u>		
All Footage	$6.39	$9.55

Source: WSSC Finance Department
*The total amount of assessment can be redeemed at any time by the property owner.

Front foot benefit charges and deferred house connection charges are levied on a calendar year basis prior to July 1 of each year. Charges can be paid in two installments, the first due prior to October 1 and the second due prior to January 1. Levies, and collections for the five calendar years through 2017 as supplied by the counties, are shown in the following table:

	Montgomery County			Prince George's County		
Levy Year[2]	Amount Levied	Total Collections	Percent Collected[1]	Amount Levied	Total Collections	Percent Collected[1]
2017	$9,692,967	$9,672,291	99.79%	$10,809,501	$10,780,219	99.73%
2016	11,069,499	11,068,260	99.99%	12,391,958	12,370,743	99.83%
2015	12,053,519	12,050,697	99.98%	14,219,942	14,202,966	99.88%
2014	15,647,153	15,643,188	99.97%	17,905,730	17,891,305	99.92%
2013	19,593,246	19,590,654	99.99%	22,718,507	22,703,811	99.94%

(1) Collections are applied to their respective levy years regardless of the year of collection.

(2) Original levies adjusted by subsequent additions, deletions and collections as of June 30, 2018. Assessments are levied on construction completed in the previous calendar year.

Source: WSSC Finance Department

Water and Sewer Charges

Water consumption charges are collected to pay the operation, repair and maintenance costs of water supply projects and the debt service on bonds and notes of the District. Sewer usage charges are collected to pay the operation, repair and maintenance costs of sewerage projects and the debt service on bonds and notes of the District. *Ad valorem* taxes are not presently levied for such purposes.

Under the Public Utilities Article, the Commission imposes a 5% late payment charge on any water/sewer bill outstanding after 30 days for residential customers and 20 days for commercial customers. If payment is not made within an additional 15 days, a termination notice is forwarded to a delinquent property owner advising that service will be discontinued by a specified date without further notice. Should this fail, and if any bill shall remain unpaid for 60 days from the date fixed for payment, it is collectible against the owner of the property served. As of this date of the Official Statement, historically the bad debt write-off has never been material to the Commission.

The Commission employs a conservation oriented multi-rate structure for both water and sewer usage. The structure applies a sliding schedule of rates per thousand gallons of use with a level of charges determined by the customer's average daily consumption ("ADC") during each billing period. The rates as of July 1, 2018 range from $3.61 to $8.34 per thousand gallons for water consumption and $4.70 to $11.89 per thousand gallons for sewer usage. The schedule starts at a base consumption level of 1-49 gallons a day where the lowest water and sewer rates apply and moves up in sixteen increments to a top ADC threshold at 9,000 gallons or more where the highest water/sewer rates apply to the total consumption by the customer unit. Sewer-only customers are charged a flat rate. In addition, all customers are assessed Ready-to-Serve fees, based on meter size, in cumulative amounts ranging from $27.00 to $6,203.00 per quarter.

Other Charges

The Commission collects other charges and fees, namely, house connection fees, plumbing and gas connection inspection fees and system development charges, as mentioned below.

Sub-district Charges

In order to expedite ahead of schedule, the construction of water and/or sewer facilities to serve certain sub-districts within the District, the Commission established individual sub-district charges in the Olney, Mattawoman, Green Branch, Mill Branch and Clopper Road Sub-districts to help defray the cost of capital construction therein. The Commission has suspended the collection of sub-district charges, because system development charges provide sufficient growth-related cost recovery. See "System Development Charge" below.

House Connection Fees

The Commission is authorized by the Public Utilities Article to fix and collect a reasonable connection charge for the connection of properties to the water and sewer systems in the District. Of the net revenue derived from such connection charges: (i) one half must be retained in a contingency fund for the repair, replacement or any extraordinary maintenance and operating expense of the water supply or sewer systems under the control of the Commission and (ii) one half may be applied to pay debt service on the bonds and notes of the District.

On January 1, 2005, to reflect the construction cost differential, the Commission's pricing of house connections for residential customers changed to one in which unimproved and improved connections receive different rates for each different sized connection. Beginning January 1, 2018, the rate for standard one-inch or one and one-half inch residential water connections in an unimproved area is $2,250, whereas a standard one-inch or one and one-half inch residential water connection in an improved area is $7,750. A standard residential sewer connection in an unimproved area is $3,500, whereas a standard residential sewer connection in an improved area is $14,500. Commercial customers are charged different rates for larger sized improved and unimproved area connections to reflect the construction cost differential for these two types of connections.

Plumbing and Gas Connection Inspection Fees

The Commission inspects the installation of all plumbing and gas facilities throughout the bi-county area. This affords standardization of materials and methods for plumbing and gas systems in the District. The Commission charges certain fees for such inspections.

System Development Charge

The Commission is authorized by the Public Utilities Article to impose a system development charge at the time of filing of each plumbing permit application. The charge is applicable to each first-time connection to the water or sewer systems of the District, and to each additional connection or increase in water meter size due to a change in property use, a connection of the improvement or building through an existing onsite system, or an increase in demand at a property already connected to the system. The amount of the charge is established and annually revised by the Montgomery County Council and the Prince George's County Council. The charge is applied based on the number of plumbing fixtures at the subject property. The rate schedule in effect as of July 1, 2018 imposes charges of between $22 and $264,000 for 75 categories of non-residential fixtures, and between $44 and $880 for 21 categories of residential fixtures. The system development charge is capped at $2,036 per apartment unit, $3,054 for dwellings with one or two toilets, $5,090 for dwellings with three or four toilets, and $7,126 for dwellings with five toilets. The Commission may apply the proceeds of the system development charge only to pay for new treatment, transmission and collection facilities, the need for which is directly attributable to the addition of new service, or to amortize bonds issued in connection with the construction of such facilities.

INFORMATION REGARDING MONTGOMERY AND PRINCE GEORGE'S COUNTIES

Montgomery County and Prince George's County are each a body politic and corporate and a political subdivision of the State of Maryland. The populations of Montgomery County and Prince George's County are shown below:

	1990	2000	2010	2016 Est.
Montgomery County	757,027	873,341	1,004,709	1,043,863
Prince George's County	728,553	801,515	881,138	908,049
Total	1,485,580	1,674,856	1,885,847	1,951,912

Source: U.S. Census of Counties.

Additional information regarding Montgomery County and Prince George's County, including detailed governance, demographic, economic and financial information is set forth in Appendix B and can be obtained from the most recent Official Statements of such counties. The information regarding Montgomery County and Prince George's County set forth in Appendix B to this Official Statement has been provided to the Commission by Montgomery County and Prince George's County, respectively. The Commission has not undertaken to audit, authenticate or otherwise verify the information set forth in Appendix B or any Official Statement of Montgomery County or Prince George's County. The Commission makes no guaranty, warranty or other representation respecting the accuracy and completeness of the information set forth in Appendix B or any such Official Statement. The Commission is not in a position to, and will not, undertake to update any information set forth in Appendix B or in any Official Statement of Montgomery County or Prince George's County. Reference to the Official Statements of Montgomery County and Prince George's County is included herein for convenience only and any information included in such Official Statements is not incorporated herein, by reference or otherwise.

CAPITAL IMPROVEMENTS PROGRAM

Ten Year Plan

The State of Maryland requires that every county in the State have a ten-year water and sewerage plan. The Commission, as the provider of water and wastewater services for Montgomery County and Prince George's County, has assisted in the preparation of the ten-year plans since 1971. The County 10-year plans provide the overall guidance for the timing and capacity for planned implementation of new water filtration plants, pumping stations, transmission lines and storage facilities and sewage treatment plants, pumping stations, force mains and interceptor sewers and related facilities. Local water distribution and sewage collection systems are approved by Commission authority consistent with service policies in the ten-year plans.

Six Year Capital Program

Each year the Commission prepares a six-year projection of capital expenditures for new major water and sanitary sewerage facilities constituting its Capital Improvements Program ("CIP"). In addition, six-year projections are made for existing water and sewer systems reconstruction activities, a planned program for rehabilitating the older or deficient portions of these systems. The principal objective of the CIP is the six-year programming of planning, design, land acquisition, 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 (89% of the CIP), to comply with federal and/or state environmental mandates (6%), or to support new development in accordance with the counties' approved plans and policies for orderly growth and development (5%). The projects within the approved six-year program include an aggressive program to rehabilitate or replace the older portions of the Commission's 5,700 miles of water mains and 5,500 miles of sewer mains, provide for growth as needed and ensure compliance with the 2005 sanitary sewer and 2016 Potomac Water Filtration Plant consent decrees. The projects are generally categorized as follows:

Capital Improvements Program (CIP) & Allocated Costs
Systems Reconstruction Program
Engineering Support Program (ESP)
Energy Performance Program (EPP)
Other Capital Projects
General Construction

Working to protect clean water, in July of 2005 the Commission joined U.S. Representative Chris Van Hollen, Lieutenant Governor Michael S. Steele and representatives from the Anacostia Watershed Society, Natural Resources Defense Council (NRDC), Audubon Naturalist Society and Friends of Sligo Creek to announce agreement on a multi-year action plan to dramatically minimize, and eliminate where possible, sewage overflows. A sanitary sewer overflow (SSO) is an event where untreated or partially treated wastewater discharges from a sanitary sewer system into the surrounding areas.

The comprehensive plan settles a lawsuit filed by the U.S. Department of Justice (DOJ) in November 2004 on behalf of the U.S. Environmental Protection Agency (EPA) regarding overflows in the Commission's wastewater collection system. The Commission has worked closely with its partners at the federal, state and local levels to develop a proactive plan that will augment its existing efforts to maintain, identify and repair problem areas within its 5,500-mile sewer system. This sanitary sewer consent decree, similar to many others enacted throughout the country, will enhance the Commission's ability to meet the public health needs of our customers. The Commission is well underway on this program and all funding required has been incorporated within the existing CIP. On June 26, 2016, the sanitary sewer consent decree deadline was extended for an additional six years.

In February 2014, the Potomac Riverkeeper, Inc. ("PR") and the Chesapeake Bay Foundation, Inc. ("CBF") filed a complaint for injunctive relief and penalties in U.S. District Court in Maryland alleging violations of the Clean Water Act ("CWA") by the Commission (the "Issuer"). Under a Consent Decree executed by the District Court of Maryland on April 15, 2016, the Commission is required to undertake short-term operational changes and long-term capital improvements at the Potomac Water Filtration Plant that will enable the Commission to reduce solids discharged to the river, and to plan, design and implement upgrades or new construction to achieve requirements established by MDE and incorporated in a new discharge permit. The Audit report and Long-Term Upgrade Plan were submitted by the Commission for consideration in December 2016. Costs for implementation of improvements are estimated at $157.5 million, and are to be expended over at least 7 years, all of which is expected to be incurred after fiscal year 2016. The costs for the improvements are included in the Commission's budget and capital improvements programs.

The Commission has approved water and sewer CIP, Engineering Support and Energy Performance Program projects with a value of nearly $2.3 billion for fiscal years 2019-2024, and over $1.0 billion for water and sewer system reconstruction projects during the same period. Of this amount, over $2.8 billion is anticipated to be funded through the sale of Commission bonds. The remaining amount is expected to be funded through federal and state grants, operating funds, and contributions from other sources.

The following table shows the approximate funding schedule (subject to adjustment for inflation) for approved CIP and system reconstruction projects (dollars in thousands).

	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	6-Yr.-Total
Water CIP/ESP/EPP	$ 169,739	$ 171,569	$ 208,029	$ 185,209	$ 167,867	$ 148,576	$ 1,050,989
Sewer CIP/ESP/EPP	293,243	304,512	261,799	168,620	117,878	86,355	1,232,407
System Reconstruction	164,609	170,867	174,506	178,267	181,906	185,580	1,055,735
Total	$ 627,591	$ 646,948	$ 644,334	$ 532,096	$ 467,651	$ 420,511	$ 3,339,131
Bond Funding	$ 517,066	$ 554,310	$ 572,832	$ 467,453	$ 396,691	$ 345,489	$ 2,853,842
% of Capital Program	82%	86%	89%	88%	85%	82%	85%

The funds necessary to finance the construction of local lines are not included in the above six-year projections. In accordance with amendments to the Public Utilities Article enacted in 1998, construction of local lines begun after June 30, 2001 will generally be financed by private developers rather than the Commission.

WATER AND SEWERAGE FACILITIES, SERVICE CENTERS AND STATISTICS

The Commission currently operates water filtration plants, raw water reservoirs, water resource recovery facilities to treat wastewater (in addition to sharing the use of regional facilities) and maintenance service centers.

Water Sources and Filtration Facilities

The Commission has multiple sources of raw water available for processing and delivery to its customers. These sources are supplemented by a number of reservoirs containing an aggregate of 14 billion gallons of raw water storage, and up to an additional 13 billion gallons of water for river quality and flow. The water filtration facilities (Potomac and Patuxent), which have a combined peak production capacity of nearly 400 million gallons of water per day (mgd), are strategically located to meet all of the needs of the Commission's customers. The water system is designed with a focus on sufficient redundancy to ensure adequate overlapping coverage for the Commission's service area.

The Commission maintains a water distribution network containing more than 5,700 miles of mains. There are filtered water storage structures located at strategic points along this network to assist in meeting peak customer demands and fire protection requirements. These structures have a combined gross storage capacity of more than 200 million gallons.

Water Resource Recovery Facilities for Wastewater Treatment

The Commission's wastewater resource recovery facilities (WWRRF) located throughout the District are as follows:

Seneca WWRRF	Piscataway WWRRF	Parkway WWRRF
Damascus WWRRF	Western Branch WWRRF	Hyattstown WWRRF

Blue Plains Plant (developed and operated by the District of Columbia Water and Sewer Authority; capacity is shared by the Commission under regional agreements)

Mattawoman Plant (developed and operated by Charles County, Maryland; the Commission has purchased 15% of the plant's capacity under a regional agreement)

Poolesville Plant (owned and operated by the Town of Poolesville, Maryland; the Commission has purchased 20,000 gpd capacity at the plant under an agreement with the Town)

In recent years, in response to efforts to improve water quality in the Chesapeake Bay, emphasis has been placed on the expansion and improvement of water resource recovery facilities to serve current and future needs of the Commission's bi-county service area. Every plant receiving wastewater from the Commission's system is equipped to provide advanced treatment. In 2004 the State of Maryland passed the Chesapeake Bay Restoration Act into law to provide funding to remove additional nitrogen at wastewater treatment plants statewide to achieve Enhanced Nutrient Removal (ENR). Construction is now complete to upgrade all Commission facilities to the ENR technology. The State of Maryland had previously provided funds on a 50% cost share basis to upgrade plants statewide to Biological Nutrient Removal (BNR). The Commission has previously constructed BNR facilities at the Piscataway, Western Branch, Parkway, Seneca and Damascus Plants. Each of the prior nitrogen removal projects allowed the Commission plants to meet or surpass the BNR goals and produce effluents of < 8 mg/l nitrogen. The additional ENR upgrades further reduce nitrogen in the effluent to approximately 3 mg/l which is considered the limit of technology.

Approximately 65% of the District's sewage flow travels through the regional system in Maryland and the District of Columbia to the Blue Plains Plant Advanced Wastewater Treatment Plant in Washington, D.C. ("Blue Plains"). The Blue Plains Plant is an advanced wastewater treatment plant with treatment capacity of 370 mgd. Blue

Plains enhanced nitrogen removal facilities are currently under construction. The Commission has contributed to the capital cost of these upgrades. This project continues to receive grant funding annually from previously-appropriated federal (EPA) and State pollution control grant programs. During fiscal year 2018, the Blue Plains Plant received 39.2 billion gallons (bg) of sewage from the Commission system, while the following flows were handled during the year at Commission-operated facilities: Piscataway Plant, 8.7 bg; Western Branch Plant, 7.6 bg; Parkway Plant, 2.3 bg; Seneca Plant, 5.0 bg; and Damascus Plant, 0.3 bg. In addition, the Mattawoman Plant received 0.5 bg of sewage from the Commission system.

Wastewater is conveyed through the Commission pipeline system, which contains more than 5,500 miles of sewer mains.

Service Centers

The Commission operates four service centers throughout the service area through facilities in Anacostia, Gaithersburg, Lyttonsville and Temple Hills, the Commission provides warehouse management, fleet services and meter operations to ensure that appropriate materials and transportation is available for the maintenance and repair of the vast water and wastewater system. In addition, the Commission operates a state-of-the-art laboratory which performs an estimated 500,000 tests annually to ensure water safety and quality.

Fiscal Year	Estimated Population Served	Miles of Water Mains	Water Connections	Water Delivered (million gallons)	Average MGD	Miles of Sewer Mains	Sewer Connections
2018	1,777,000	5,674	463,822	59,828	163.9	5,568	437,086
2017	1,759,000	5,647	460,891	59,532	163.1	5,549	434,586
2016	1,774,000	5,586	457,393	59,933	164.2	5,451	431,589
2015	1,765,000	5,552	453,004	59,469	162.9	5,424	428,279
2014	1,757,000	5,521	449,333	58,603	160.6	5,402	425,445
2013	1,749,000	5,494	446,453	58,830	161.2	5,376	423,110

INSURANCE

The Commission maintains insurance on its property (structures, contents, boilers and machinery, etc.) for physical damages. The Commission also maintains Employee Dishonesty and Terrorism insurance.

The Commission is self-insured for all liability except fiduciary liability insurance which the Commission maintains in connection with its Employees Retirement Plan and OPEB Trust. Each year, the Commission budgets funds to pay for expected claims, based on past loss experience. However, should the actual claims be significantly higher than budgeted, or should a catastrophic loss occur, then funds to pay for such loss or losses would have to be obtained from *ad valorem* taxation or other sources of revenue, since a self-insurance fund has not been established.

The Commission is self-insured for Workers' Compensation benefits per the applicable statutory requirements of the State of Maryland.

The Commission's insurance policies contain varying self-insured retention levels. All such policies are subject to their terms, conditions, exclusions, definitions and limitations.

INVESTMENT OF OPERATING AND CAPITAL FUNDS

Commission funds held for operating and capital purposes are invested by the Commission Finance Department in accordance with the Commission's investment policy, which conforms to State of Maryland law on the investment of public funds. The Commission does not leverage its investment portfolio, buy reverse repurchase agreements, invest in investment pools or enter into interest rate swaps or other derivatives. The Commission does not borrow or lend securities. The Commission invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances. The repurchase agreements into which the

Commission enters are collateralized by United States government treasury obligations and obligations of agencies and instrumentalities of the United States government, held by an independent third-party custodian and marked to market daily.

LITIGATION

In February 2014, the Potomac Riverkeeper, Inc. ("PRI") and the Chesapeake Bay Foundation, Inc. ("CBF") filed a complaint for injunctive relief and penalties in U.S. District Court in Maryland alleging violations of the Clean Water Act ("CWA") by the Commission. Under a Consent Decree approved by the U.S. District Court of Maryland on April 15, 2016, the Commission is required to undertake short-term operational changes and capital improvements at the Potomac Water Filtration Plant that will enable the Commission to reduce solids discharged to the river, and to plan, design and implement upgrades or new construction to achieve requirements established by MDE and incorporated in a new discharge permit. An Audit report and Long-Term Upgrade Plan were submitted by the Commission for consideration by MDE on December 26, 2016. The Commission and its consultant submitted an Amended Long-Term Upgrade Plan ("Amended Plan") in September of 2018 to address deficiencies in the 2016 Plan. The projected capital costs for the recommended alternative in the Amended Plan is $202 million. The Commission asked MDE to approve the recommended alternative in the Amended Plan and that decision is pending. The Commission Adopted FY19-24 Capital Improvements Program (CIP) has programmed a total of $155 million for implementation of improvements pursuant to a Long-Term Upgrade Plan. The FY 2020 Proposed CIP reflects the estimated cost in the adopted FY 19-24 CIP with an increase for inflation. If MDE approves the Amended Plan recommended by the Commission, the Commission will seek to amend the project in the FY 2020 Proposed CIP for additional costs needed as part of an MDE approved Long-Term Upgrade Plan.

The level of improvements and any civil and stipulated penalties and other expenditures required under the Consent Decree are not expected to have a material adverse effect on the Commission's ability to satisfy its debt service requirements for the Bonds or any other debt obligations of the District.

RATINGS

Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned the Bonds long-term ratings of "AAA" (with a stable outlook), "Aaa" (with a stable outlook) and "AAA" (with a stable outlook), respectively. No application was made to any other rating agency for the purpose of obtaining a rating on the Bonds.

The Commission furnished to such rating agencies certain information and materials respecting the Bonds, the District, the Commission, Prince George's County and Montgomery County. Generally, rating agencies base their ratings on investigations, studies and assumptions that they made, in addition to the information and materials provided by the Commission. Such ratings express only the views of the respective rating agencies. There is no assurance that the ratings mentioned above will remain in force for any given period of time or that the ratings may not be lowered or withdrawn by the rating agencies or any of them. Any such lowering or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

TAX MATTERS

The following discussion does not describe all aspects of federal income taxation that may be relevant to a particular holder of Bonds in light of his or her particular circumstances and income tax situation. Each holder of Bonds should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of such Bonds, including the application of state, local, foreign and other tax laws.

State of Maryland Taxation

In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from taxation by the State of Maryland, its counties and municipalities; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the interest on the Bonds. Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Purchasers of the Bonds should consult their own tax advisors with respect to the taxable status of the Bonds in jurisdictions other than Maryland.

Federal Income Taxation

In the opinion of Bond Counsel, under existing statutes, regulations and decisions, assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Commission has covenanted to take all actions necessary to maintain the exemption of interest on the Bonds from federal income taxation in the Resolution.

Further, under existing statutes, regulations and decisions, Bond Counsel is of the opinion that interest on the Bonds is not included in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. In addition, interest income on the Bonds will be includable in the applicable taxable base for the purpose of determining the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States.

In rendering its opinion with respect to the Bonds, Bond Counsel will rely, without independent investigation, on certifications provided by the Commission with respect to certain material facts within its knowledge relevant to the tax-exempt status of interest on the Bonds. See Appendix D – Form of Opinion of Bond Counsel.

Certain Other Federal Tax Consequences Pertaining to Bonds

There are other federal income tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 25% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income which is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, including interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; (v) net gain realized upon the sale or other disposition of the Bonds generally must be taken into account when computing the 3.8% Medicare tax with respect to net investment income imposed on certain high income individuals and specified trusts and estates; and (vi) receipt of certain investment income, including interest on the Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Bonds may be issued at an initial public offering price that is less than the amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price at which a substantial amount of the Discount Bonds of each maturity was first sold and the principal amount of such Discount Bonds payable at maturity constitutes the original issue discount. The amount of such original issue discount that is treated as having accrued, with respect to such Discount Bonds, is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes, (a) any holder of a Discount Bond will recognize gain or loss upon the disposition of such Discount Bond (including sale, early redemption or payment at maturity) in an amount equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (b) the amount of the basis adjustment described in clause (a)(ii)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of such Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount that is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (a) the product of (i) the yield for such Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year and (ii) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (b) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial issue price of such Discount Bond, the original issue discount that is treated as having accrued during all prior compounding periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest, which would have accrued for that compounding period for federal income tax purposes, is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that under the tax regulations, the yield and maturity of a Discount Bond are determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The yields (and related prices) provided by the purchasers of the Bonds and shown on the inside cover of this Official Statement may not reflect the initial issue prices for purposes of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on the Discount Bonds under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount.

Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

Purchase, Sale and Retirement of Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Bond will be its cost. Upon the sale or retirement of a Bond, for federal income tax purposes, a holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Bond, determined by adding to the original cost basis in such Bond the amount of original issue discount that is treated as having accrued as described above under "Tax Accounting Treatment of Discount Bonds." Such gain or loss will be a long-term capital gain or loss, if at the time of the sale or retirement, the Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For noncorporate taxpayers, however, short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

Market Discount

If a holder acquires a Bond after its original issuance at a discount (or in the case of a Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such Bond was first issued), the holder will be deemed to have acquired such Bond at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Bond with market discount subsequently realizes a gain upon the disposition of such Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the stated redemption price of such Bond at maturity over the holder's cost of acquiring such Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires such Bond and its stated maturity date. In the case of a Bond issued with original issue discount, market discount will be *de minimis* if the excess of the revised issue price of such Bond over the holder's cost of acquiring such Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires such Bond and its stated maturity date. For this purpose, the "revised issue price" of a Bond is the sum of (a) its original issue price and (b) the aggregate amount of original issue discount that is treated as having accrued with respect to such Bond during the period between its original issue date and the date of acquisition by the holder.

Amortizable Bond Premium

A Bond will be considered to have been acquired at a premium if, and to the extent that, immediately after the acquisition of such Bond, the holder's tax basis in such Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). Under the tax regulations applicable to the Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) that produces the lowest yield to maturity on such Bonds. The holder will be required to reduce his tax basis in such Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

Legislative Developments

Legislation recently under consideration or proposed after issuance and delivery of the Bonds could adversely affect the market value of the Bonds. Further, if enacted into law, any such proposal could cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described above or their consequences. Prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of any legislative proposals, as to which Bond Counsel expresses no opinion.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, one or more Officers of the Commission will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading in any material respect.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the Commission by a competitive sale occurring on March 13, 2019. The interest rates shown on the inside cover page of this Official Statement for the Bonds are the interest rates resulting from the award of the Bonds at the competitive sale. The yields or prices shown on the inside cover page of this Official Statement were furnished by the successful bidder for the Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidder for the Bonds and not from the Commission.

UNDERWRITING

Morgan Stanley & Co. LLC., the winning bidder for the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

FINANCIAL ADVISOR

Wye River Group, Incorporated, Annapolis, Maryland is an independent registered municipal advisor (the "Financial Advisor") that has rendered financial advice to the Commission regarding the issuance of the Bonds and the preparation of this Official Statement. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the Commission, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement. The Financial Advisor does not engage in the underwriting, selling, or trading of securities.

APPROVAL OF LEGAL PROCEEDINGS

The legality of the Bonds, based upon the documents and proceedings relative to the authorization, issuance and delivery thereof, is subject to the approval of McKennon Shelton & Henn LLP, Bond Counsel, whose approving opinion will be delivered with the Bonds. The proposed form of bond counsel opinion is set forth in Appendix D.

FINANCIAL STATEMENTS

The financial statements of the Commission as of June 30, 2018 and 2017 and for the years then ended, included in Appendix A, have been audited by CliftonLarsonAllen LLP ("CLA") and BCA Watson Rice LLP, independent auditors, as stated in their report appearing herein. CLA has not been engaged to perform and has not performed, since the date of its report included in Appendix A, any procedures on the financial statements addressed in that report. CLA also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The Commission will execute a Continuing Disclosure Certificate (the "Disclosure Undertaking") in connection with the issuance of the Bonds to assist the bidders in complying with the requirements of Rule 15c2-12 (the "Rule") promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. The Disclosure Undertaking requires the Commission to file the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA") (i) certain annual financial information and operating data and (ii) certain event notices. The form of the Disclosure Undertaking is attached as Appendix C. The Commission may amend the Disclosure Undertaking in the future so long as such amendments are consistent with the Rule as then in effect.

A default by the Commission under the Disclosure Undertaking is not an event of default with respect to the Bonds. Except as described below, during the last five years, the Commission has not failed to comply, in all material respects, with its continuing disclosure undertakings.

- Financial information posted on October 28, 2011 for fiscal year 2010 was not appropriately linked to the Commission's debt issued in 2002 and 2003. This administrative error was corrected by the Issuer on October 13, 2015.

- Certain operating data for fiscal year 2011 was not appropriately linked to all of the CUSIP numbers of the outstanding bonds until October 13, 2015.

- Due to an administrative oversight, the Issuer did not appropriately link on EMMA, certain operating data for the fiscal year ending June 30, 2013, required to comply with the Issuer's annual disclosure requirements. The Official Statement dated April 15, 2014, for the Commission's $150,000,000 Washington Suburban Sanitary District, Maryland Consolidated Public Improvement Bonds of 2014 and $47,395,000 Washington Suburban Sanitary District, Maryland Consolidated Public Improvement Refunding Bonds of 2014, containing the requisite operating data for the fiscal year ending June 30, 2013 was posted on EMMA but not posted as part of the Issuer's annual disclosure information for the Issuer's $215,000,000 Washington Suburban Sanitary District, Maryland Multi-Modal Bond Anticipation Notes. On May 18, 2016, the Issuer corrected the administrative oversight.

- Due to an administrative oversight, a material event notice originally posted by the Commission on December 23, 2015 was not appropriately linked to the Issuer's debt issued in 2015. This administrative error was corrected by the Commission on August 24, 2016.

The Commission has put in place internal procedures intended to ensure that all required information is provided to the MSRB for posting on EMMA on a timely basis and to all outstanding CUSIP numbers in accordance with its continuing disclosure undertakings. All annual financial statements, operating data and event notices posted on EMMA are current as of the date of this Official Statement.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been approved by Washington Suburban Sanitary Commission.

WASHINGTON SUBURBAN SANITARY COMMISSION

By: /s/ T. Eloise Foster
T. Eloise Foster, Chair

By: /s/ Carla A. Reid
Carla A. Reid, General Manager/CEO

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APPENDIX A

AUDITOR'S REPORT DATED (OCTOBER 4, 2018), AND COMPARATIVE FINANCIAL STATEMENTS OF THE COMMISSION FOR FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Commissioners of the
Washington Suburban Sanitary Commission
Laurel, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington Suburban Sanitary Commission (the Commission), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

A member of Nexia International

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

During the fiscal year ended June 30, 2018, the Commission adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* As a result of the implementation of this standard, the Commission reported a restatement for the changes in accounting principle (see Note P). Our auditor's opinion was not modified with respect to this restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4-14, the schedule of changes in net pension liability and related ratios and related notes on page 55, the schedule of employer contributions and related notes on page 56, the schedule of changes in net OPEB liability and related ratios on page 57 and the schedule of employer contributions and related notes on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Auditors

The financial statements of the Commission as of June 30, 2017 were audited by other auditors whose report dated September 15, 2017 expressed an unmodified opinion of those statements. As discussed in Note P to the financial statements, the Commission has restated its 2017 financial statements to retrospectively apply and implement GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The other auditors reported on the 2017 financial statements before the restatement.

As part of our audit of the 2018 financial statements, we also audited the restatement to the 2017 financial statements to retrospectively apply the implementation of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as described in Note P. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the Commission's 2017 financial statements other than with respect to the restatement and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Commissioners of the
Washington Suburban Sanitary Commission

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 4, 2018

WASHINGTON SUBURBAN SANITARY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Unaudited)

This section of the Washington Suburban Sanitary Commission (WSSC) annual financial report presents our discussion and analysis of WSSC's financial performance for the fiscal years ended June 30, 2018 and 2017. GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The statement is effective for periods beginning after June 15, 2017. To comply with GASB Statement No. 75, prior year balances were restated resulting in a net $98.4 million decrease in net position as of June 30, 2017.

FINANCIAL HIGHLIGHTS

Fiscal Year 2018

- WSSC maintained AAA bond ratings from Fitch Ratings, Moody's Investors Service, and Standard & Poor's.
- In November 2017, WSSC issued $459.3 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer infrastructure.
- In November 2017, WSSC sold $220.2 million of refunding bonds with interest rates ranging from 3.00% to 5.00% to refund $217.5 million of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 3.00% to 5.00%. The net proceeds of $237.2 million (including a premium of $18.1 million) were used to purchase selected open market securities. Those securities were deposited with an escrow agent to provide for all future debt service payments and the early redemption of callable bonds. The November 2017 refunding will reduce WSSC's total debt service payments over the next 15 years by $11.7 million and provide an economic gain of $9.8 million.
- In December 2017, WSSC sold $79.1 million of crossover refunding bonds with an interest rate of 5.00%. The bonds will refund $90.0 million of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.35% to 5.00%. Build America Bonds – Direct Payment to the Issuer, Series 2009B will not defeased until the crossover date, and will not be removed as a liability until June 1, 2019. Proceeds from the refunding bonds were used to purchase U.S. government securities in an irrevocable trust with an escrow agent, and will provide future debt service payments on the Series 2009B until the crossover date of June 1, 2019. As a result of the crossover refunding issue, WSSC will save $4.9 million in debt service payments and achieve an economic gain of $4.2 million.
- The Commission redeemed $12.4 million in Notes on June 28, 2018 as part of the water, sewer and general debt service amortization.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its thirteenth year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce sanitary sewer overflows. In fiscal 2016, the U.S. District Court approved a six-year extension to the original term of the Consent Decree. Costs of the remedial measures are estimated at $2,060.6 million and are to be expended over at least 19 years, $742.4 million of which is expected to be incurred after fiscal year 2018. The costs for each fiscal year are or will be included in WSSC's budget and six-year capital improvements program.

- Under a Consent Decree executed by the District Court of Maryland on April 15, 2016, the Commission is required to undertake short-term operational changes and capital improvements at the Potomac Water Filtration Plant that will enable WSSC to reduce solids discharged to the river, and to plan, design and implement upgrades or new construction to achieve requirements established by MDE and incorporated in a new discharge permit. An Audit report and Long-Term Upgrade Plan were submitted by WSSC for consideration by MDE on December 26, 2016. WSSC and its consultant are preparing an Amended Long-Term Upgrade Plan to address deficiencies in the 2016 Plan and issues raised by MDE and Potomac Riverkeepers, Inc. in response to the Plan. Estimated order of magnitude costs for implementation of improvements in the draft revised Plan range from $151 million to $282 million, depending on the design plan options that are to be determined as part of the Parties' future resolution process. The WSSC Adopted FY19-24 Capital Improvements Program (CIP) has programmed a total of $155 million for implementation of improvements pursuant to a Long-Term Upgrade Plan. If necessary, WSSC will seek to amend the project for additional costs needed as part of an approved Long-Term Upgrade Plan.
- WSSC's operating revenues were consistent with fiscal year 2017. Average rates for water consumption and sewer use revenues were comparable to the prior year.
- Operating expenses increased $41.8 million, or 7.0%, during fiscal year 2018.
    - Increases in IT costs relate to the planned implementation of new billing, work and asset management systems in fiscal year 2019. Pre-configuration costs in the current year were $16.2 million.
    - An operating procedure was implemented for Blue Plains Multi-Jurisdictional Users Facilities' (MJUF) in fiscal year 2018. The procedure employs a new methodology to determine the allocated flow by users through the various facilities (such as pump stations and major conveyance pipelines through the District of Columbia) for O&M billing purposes. Additional costs for MJUF and Intermunicipal Agreement settlement adjustments totaled $14.2 million.
    - Merits, COLAs and the hiring of additional staff resulted in a $3.2 million increase in salaries.
    - Decreases in the unit price for electricity triggered a $1.9 million reduction in energy costs.
    - The majority of the remaining variance, or $10.1 million, represents depreciation on capital assets placed in service in recent years.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $339.5 million, while overall debt increased $416.7 million in comparison to the previous fiscal year.
- The increase in net position during the year included net income of $48.5 million, and capital contributions of $71.1 million.

Fiscal Year 2017

- WSSC maintained AAA bond ratings from Fitch Ratings, Moody's Investors Service, and Standard & Poor's.
- In December 2016, WSSC issued $382.0 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer infrastructure.
- No refunding bonds were sold in fiscal year 2017.
- The Commission redeemed $12.4 million in Notes on June 28, 2017 as part of the water, sewer and general debt service amortization.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its twelfth year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce sanitary sewer overflows. In fiscal 2016, the U.S. District Court approved a six-year extension to the original term of the Consent Decree. Costs of the remedial measures are estimated at $1,967.0 million and are to be expended over at least 18 years, $748.0 million of which is expected to be incurred after fiscal year 2017. The costs for each fiscal year are or will be included in WSSC's budget and six-year capital improvements program.

- Under a Consent Decree executed by the District Court of Maryland on April 15, 2016, the Commission is required to undertake short-term operational changes and capital improvements at the Potomac Water Filtration Plant that will enable WSSC to reduce solids discharged to the river, and to plan, design and implement upgrades or new construction to achieve requirements established by MDE and incorporated in a new discharge permit. An Audit report and Long-Term Upgrade Plan were submitted by WSSC for consideration by MDE on December 26, 2016. Costs for implementation of improvements under the proposed plan are estimated at $157.5 million, and are to be expended over at least 7 years, $156.0 of which is expected to be incurred after fiscal year 2017. The costs are included in WSSC's budget and capital improvements program.
- WSSC's operating revenues rose $76.8 million. Average rates for water consumption and sewer use revenues increased 2.9% and billed consumption for the year increased 5.8%. The second phase-in year of the new Infrastructure Investment Fee resulted in additional revenues from the ready-to-serve charge.
- Operating expenses increased $38.4 million, or 6.9%, during fiscal year 2017.
  - WSSC continues to focus their efforts on meeting the requirements of the Consent Decree and incurred additional operating costs this year of $6.3 million.
  - Increased expenditures of $4.5 million were realized for water valve assessments and $2.7 million for PCCP monitoring and analysis.
  - Merits, COLAs and the hiring of additional staff resulted in a $5.6 million increase in salaries.
  - The majority of the remaining variance, or $13.8 million, represents depreciation on capital assets placed in service in recent years.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $435.8 million, while overall debt increased $355.6 million in comparison to the previous fiscal year.
- The increase in net position during the year included net income of $95.7 million, and capital contributions of $85.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis, the required financial statements, and other required supplementary information. The required financial statements consist of:

- Balance sheets
- Statements of revenues, expenses, and changes in net position
- Statements of cash flows
- Notes to the financial statements

The balance sheets provide a snapshot of WSSC's financial position at June 30, the end of the fiscal year. WSSC's balance sheets present current and long-term assets and liabilities, deferred outflows and inflows of resources, as well as net position.

WSSC's statements of revenues, expenses and changes in net position reflect activity for the fiscal years. These statements measure operating revenues and expenses as well as non-operating revenues and expenses. The statements also present capital contributions as well as changes in net position.

The statements of cash flows present WSSC's inflows and outflows of cash. Cash flows from operating activities, capital and related financing activities, and investment activities are shown separately. Cash provided by operating activities is reconciled to operating income.

The financial statements also include notes that provide more detailed data and explanations for some of the information in the financial statements.

WSSC operates as an enterprise fund, which is one type of proprietary fund. Enterprise funds operate similarly to private businesses in that charges for services to customers are expected to cover expenses. WSSC's financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. All assets and liabilities are included in the financial statements. Revenue is recognized when water or other services are delivered. Expenses are recognized when goods and services are received. All revenues and expenses are recognized regardless of when cash is received or paid.

FINANCIAL ANALYSIS

Net Position

Fiscal Year 2018

WSSC's net position increased 2.6% to $4,744.3 million (See Table A-1). The majority of this increase is attributable to the change in the net investment in capital assets. Capital assets, net of accumulated depreciation, increased 4.4% to $8,123.3 million. Unused bond proceeds at the end of the year were $83.6 million. During fiscal year 2018, developers constructed $31.0 million of capital assets and donated them to WSSC. Rights of way of $2.6 million were also donated. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities increased to $3,423.5 million. Capital contributions of $37.5 (net of donated capital assets) million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Notes J and K of the financial statements.

Fiscal Year 2017

WSSC's net position increased 4.1% to $4,624.7 million (See Table A-1). The majority of this increase is attributable to the change in the net investment in capital assets. Capital assets, net of accumulated depreciation, increased 5.9% to $7,783.8 million. Unused bond proceeds at the end of the year were $3.4 million. During fiscal year 2017, developers constructed $35.3 million of capital assets and donated them to WSSC. In addition, land and rights of way donated in fiscal year 2017 decreased $34.9 million in comparison to fiscal year 2016. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities increased to $3,006.8 million. Capital contributions of $48.1 (net of donated capital assets) million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Notes J and K of the financial statements.

TABLE A-1
WSSC's Condensed Balance Sheet
(in millions of dollars)

	FY 2018	FY 2017 As Restated	FY 2016 As Restated	FY 2018 % Change	FY 2017 % Change
Current and other assets	$ 564.7	$ 398.4	$ 327.2	41.7	21.8
Capital assets, net of accumulated depreciation	8,123.3	7,783.8	7,348.1	4.4	5.9
Total assets	8,688.0	8,182.2	7,675.3	6.2	6.6
Total deferred outflows of resources	26.1	62.2	87.2	(58.0)	(28.7)
Current and other liabilities	812.0	908.5	872.6	(10.6)	4.1
Bonds and notes payable, net of current maturities	3,085.1	2,658.9	2,395.2	16.0	11.0
Total liabilities	3,897.1	3,567.4	3,267.8	9.2	9.2
Total deferred inflows of resources	72.7	52.3	51.2	39.0	2.1
Net position:					
Net investment in capital assets	4,685.4	4,569.4	4,425.7	2.5	3.2
Restricted for growth construction	8.4	19.3	31.1	(56.5)	(37.9)
Unrestricted	50.5	36.0	(13.3)	40.3	370.7
Total net position	$ 4,744.3	$ 4,624.7	$ 4,443.5	2.6	4.1

Changes in Net Position

Fiscal Year 2018

WSSC's operating revenues were consistent with fiscal year 2017 (see Table A-2). Average rates for water consumption and sewer use revenues were comparable to the prior year. Income from front foot benefit assessments and house connection charges continued to decline. Front foot benefit extensions and related house connections have been built primarily by outside developers for in excess of fifteen years. Assessments for construction by WSSC prior to that time are collected over the remaining term of the debt utilized to finance the construction.

Operating expenses increased $41.8 million, or 7.0%, during fiscal year 2018.

- Increases in IT costs relate to the planned implementation of new billing, work and asset management systems in fiscal year 2019. Pre-configuration costs in the current year were $16.2 million.
- An operating procedure was implemented for Blue Plains Multi-Jurisdictional Users Facilities' (MJUF) in fiscal year 2018. The procedure employs a new methodology to determine the allocated flow by users through the various facilities (such as pump stations and major conveyance pipelines through the District of Columbia) for O&M billing purposes. Additional costs for MJUF and Intermunicipal Agreement settlement adjustments totaled $14.2 million.
- Merits, COLAs and the hiring of additional staff resulted in a $3.2 million increase in salaries.
- Decreases in the unit price for electricity triggered a $1.9 million reduction in energy costs.
- The majority of the remaining variance, or $10.1 million, represents depreciation on capital assets placed in service in recent years.

The net changes in revenues and expenses during the year resulted in a 49.3% decrease in income before capital contributions to $48.5 million. Capital contributions decreased by 16.8% to $71.1 million. Grant revenue decreased $9.3 million due to a reduction in costs incurred on ENR projects. Donated assets, constructed and contributed by developers were down $4.4 million in comparison to the prior fiscal year.

Fiscal Year 2017

WSSC's operating revenues rose $76.8 million (see Table A-2). Average rates for water consumption and sewer use revenues increased 2.9% and billed consumption for the year increased 5.8%. The second phase-in year of the new Infrastructure Investment Fee resulted in additional revenues from the ready-to-serve charge. Conversely, income from front foot benefit assessments and house connection charges continued to decline. Front foot benefit extensions and related house connections have been built primarily by outside developers for in excess of fifteen years. Assessments for construction by WSSC prior to that time are collected over the remaining term of the debt utilized to finance the construction.

Operating expenses increased $38.4 million, or 6.9%, during fiscal year 2017.

- WSSC continues to focus their efforts on meeting the requirements of the Consent Decree and incurred additional operating costs this year of $6.3 million.
- Increased expenditures of $4.5 million were realized for water valve assessments and $2.7 million for PCCP monitoring and analysis.
- Merits, COLAs and the hiring of additional staff resulted in a $5.6 million increase in salaries.
- The majority of the remaining variance, or $13.8 million, represents depreciation on capital assets placed in service in recent years.

The net changes in revenues and expenses during the year resulted in a 17.6% increase in income before capital contributions to $95.7 million. Capital contributions decreased by 36.5% to $85.5 million. Grant revenue decreased $17.8 million due to a reduction in costs incurred on ENR projects. Donated assets, constructed and contributed by developers were comparable to the prior fiscal year. The methodology utilized to estimate acquisition values for donated land and rights of way was changed in fiscal year 2016 resulting in a $36.9 million increase. The increase in 2017, by utilizing the same methodology, was $2.1 million.

TABLE A-2
WSSC's Condensed Changes in Net Position
(in millions of dollars)

	FY 2018	FY 2017 As Restated	FY 2016 As Restated	FY 2018 % Change	FY 2017 % Change
Operating revenues	$ 725.2	$ 725.8	$ 649.0	(0.1)	11.8
Operating expenses	(638.4)	(596.6)	(558.2)	7.0	6.9
Net non-operating revenues (expenses)	(38.3)	(33.5)	(9.4)	14.3	256.4
Income before capital contributions	48.5	95.7	81.4	(49.3)	17.6
Capital contributions	71.1	85.5	134.7	(16.8)	(36.5)
Changes in net position	$ 119.6	$ 181.2	$ 216.1	(34.0)	(16.1)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Fiscal Year 2018

As of June 30, 2018, WSSC had invested $8,123.3 million, net of accumulated depreciation, in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of $339.5 million, or 4.4%, over fiscal year 2017.

Fiscal Year 2017

As of June 30, 2017, WSSC had invested $7,783.8 million, net of accumulated depreciation, in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of $435.8 million, or 5.9%, over fiscal year 2016.

TABLE A-3
WSSC's Capital Assets
(net of depreciation and impairment losses, in millions of dollars)

	FY 2018	FY 2017 As Restated	FY 2016 As Restated	FY 2018 % Change	FY 2017 % Change
Land and rights of way	$ 126.4	$ 121.7	$ 117.8	3.9	3.3
Construction in progress	1,527.6	1,574.8	1,433.6	(3.0)	9.8
Water supply	2,232.4	1,949.8	1,764.7	14.5	10.5
Sewage disposal	1,795.0	1,661.8	1,524.9	8.0	9.0
General construction	1,364.9	1,379.7	1,390.0	(1.1)	(0.7)
Intangible assets	1,041.3	1,053.4	1,071.7	(1.1)	(1.7)
Other	35.7	42.6	45.3	(16.2)	(6.0)
Total capital assets	$ 8,123.3	$ 7,783.8	$ 7,348.0	4.4	5.9

Capital assets completed and placed in service in 2018 increased $93.8 million or 19.8%, in comparison to fiscal year 2017. Upgrades of water filtration plants increased $107.8 million. Major additions to capital assets being depreciated during fiscal year 2018 are illustrated in Table A-4.

Capital assets completed and placed in service in 2017 decreased $60.6 million or 11.3%, in comparison to fiscal year 2016. Rehabilitation or replacement of water and sewer mains and related house connections increased 75.1%, or $170.2 million. Upgrades on wastewater treatment facilities decreased $239.2 million. Major additions to capital assets being depreciated during fiscal year 2017 are illustrated in Table A-5.

Additional information relative to WSSC's capital assets is presented in Note D of the financial statements.

TABLE A-4
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2018
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	$ 191.7	$ 169.1	$ 3.3
House connections	12.6	13.1	5.5
Water meters	0.8	0.8	-
Multi-use facility	-	-	1.8
Water filtration plants	105.4	-	-
Water storage facilities	25.4	-	-
Wastewater treatment facilities	-	5.6	-
Wastewater pumping stations	-	0.7	-
Miscellaneous assets	0.8	-	-
Constructed and contributed by developers:			
House connections	-	-	6.7
Water and sewer mains	-	-	24.3
Total fiscal year 2018 additions to capital assets being depreciated	$ 336.7	$ 189.3	$ 41.6

TABLE A-5
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2017
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	$ 190.3	$ 160.5	$ 4.0
House connections	11.0	25.8	5.3
Water meters	1.3	1.3	-
Water filtration plants	(2.4)	-	-
Water storage facilities	34.9	-	-
Wastewater treatment facilities	-	2.7	-
Wastewater pumping stations	-	2.6	-
Miscellaneous assets	1.2	-	-
Constructed and contributed by developers:			
House connections	-	-	4.8
Water and sewer mains	-	1.5	29.0
Total fiscal year 2017 additions to capital assets being depreciated	$ 236.3	$ 194.4	$ 43.1

TABLE A-6
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2016
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	$ 104.2	$ 84.6	$ 3.0
House connections	6.4	22.6	5.9
Water meters	1.2	1.1	
Water filtration plants	20.1		
Wastewater treatment facilities		241.9	
Wastewater pumping stations		2.3	
Multi-use facilities			6.1
Miscellaneous assets	0.1		
Constructed and contributed by developers:			
House connections			5.6
Water and sewer mains		1.3	28.0
Total fiscal year 2016 additions to capital assets being depreciated	$ 132.0	$ 353.8	$ 48.6

Bonds and Notes Payable

Fiscal Year 2018

At the end of fiscal year 2018, bonds and notes outstanding totaled $3,423.5 million, a $416.7 million increase in comparison to the previous fiscal year. In November 2017, WSSC issued $459.3 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer infrastructure.

Fiscal Year 2017

At the end of fiscal year 2017, bonds and notes outstanding totaled $3,006.8 million, a $355.6 million increase in comparison to the previous fiscal year. In December 2016, WSSC issued $381.8 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer infrastructure.

TABLE A-7
WSSC's Bonds and Notes Payable
(in millions of dollars)

	FY 2018	FY 2017	FY 2016	FY 2018 % Change	FY 2017 % Change
Water supply	$ 1,368.2	$ 1,155.9	$ 970.7	18.4	19.1
Sewage disposal	1,869.8	1,647.3	1,474.3	13.5	11.7
General construction	185.5	203.6	206.2	(8.9)	(1.3)
Total	3,423.5	3,006.8	2,651.2	13.9	13.4
Current maturities	338.4	347.9	256.0	(2.7)	35.9
Long-term portion	3,085.1	2,658.9	2,395.2	16.0	11.0
Total bonds and notes payable	$ 3,423.5	$ 3,006.8	$ 2,651.2	13.9	13.4

Bond Ratings

Fitch Ratings, Moody's Investors Service, and Standard & Poor's assigned and affirmed ratings of 'AAA', 'Aaa', and 'AAA', respectively, on WSSC's outstanding water supply, sewage disposal and general construction general obligation bonds. The agencies identified strengths of the Commission in support of their ratings which include a sizeable, diverse tax base in Montgomery and Prince George's Counties, good finances characterized by the self-supporting nature of the water and sewer system, and a skilled management team.

Limitations on Debt

Maryland law limits the amount of bonds and notes WSSC may have outstanding at any time. This limitation is generally based on legislated percentages of the real property assessable tax base and personal property and operating real property assessments within the Washington Suburban Sanitary District. As of June 30, 2018 and 2017, the calculated limits were $11,241.8 million and $10,898.3 million, respectively. WSSC's outstanding debt was significantly below those limits.

Additional information relative to WSSC's Bonds and Notes activity is presented in Notes J and K of the financial statements.

FUTURE FACTORS

In June 2016, WSSC initiated efforts with staff from both Prince George's and Montgomery Counties to review the existing 16-tier inclining block water and sewer rate structure and to identify alternate rate structures. The 16-tier rate structure had been in place since 1992. In March 2017, the Public Service Commission (PSC) in the case of *Richard D. Boltuck v. Washington Suburban Sanitary Commission* found, *inter alia*, that the existing rate structure was "unduly preferential to low-usage customers" and ordered the Commission to adopt a new rate structure. With the support of staff and consultants, WSSC developed a Cost of Service Study to analyze the cost of providing water and wastewater services to residential and non-residential customers and the revenues recovered from these customers. WSSC also developed and considered numerous rate structure options as potential replacements for the current 16-tier rate structure including a single volume rate, and 3-tier and 4-tier increasing block rates. On July 18, 2018, the WSSC Commissioners selected a new 4-tier water and sewer rate structure which will be effective July 1, 2019. Actual rates will be based on fiscal year 2020 revenue requirements.

CONTACT INFORMATION

Any questions regarding this report can be directed to the Finance Office at 14501 Sweitzer Lane, Laurel, Maryland, 20707. A copy of the report is also available on WSSC's website at www.wsscwater.com.

WASHINGTON SUBURBAN SANITARY COMMISSION
BALANCE SHEETS
AS OF JUNE 30, 2018 AND 2017
(in thousands)

	2018	2017 As Restated (Note P)
ASSETS		
Current assets:		
Cash (Note B)	$ 27,888	$ 18,514
Cash with fiscal agent (Note B)	92,403	-
Investments (Note B)	200,238	210,408
Accrued interest receivable	1,460	376
Receivables, net (Note C)	125,022	133,446
State grants receivable	8,446	6,694
Prepaid expenses	274	264
Materials and supplies, net	15,481	15,442
Total current assets	471,212	385,144
Non-current assets:		
Capital assets, net of accumulated depreciation (Note D)	8,123,311	7,783,836
Investments restricted for capital construction (Note B)	83,583	3,383
Note receivable (Note E)	9,836	9,790
Total non-current assets	8,216,730	7,797,009
Total assets	8,687,942	8,182,153
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension differences between projected and actual plan investments (Note L)	-	26,340
Deferred amount from pension resulting from changes in assumptions (Note L)	16,129	21,505
Deferred amount from OPEB contributions (Note M)	4,236	5,275
Deferred amount from OPEB differences between expected and actual experience (Note M)	3,942	-
Deferred amount from debt refunding (Note F)	1,836	9,129
Total deferred outflows of resources	26,143	62,249
Total assets and deferred outflows of resources	$ 8,714,085	$8,244,402

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
BALANCE SHEETS
AS OF JUNE 30, 2018 AND 2017
(in thousands)

	2018	2017 As Restated (Note P)
LIABILITIES		
Current liabilities:		
Bonds and notes payable, current maturities (Notes J and K)	$ 338,363	$ 347,899
Accounts payable and accrued liabilities	208,173	214,836
Accrued bond and note interest payable	10,516	9,832
Deposits and unearned revenue	3,648	3,328
Total current liabilities	560,700	575,895
Non-current liabilities:		
Bonds and notes payable, net of current maturities (Notes J and K)	3,085,149	2,658,926
Net pension liability (Note L)	102,536	172,787
Net OPEB liability (Note M)	121,759	133,825
Deposits, unearned revenue and other long-term liabilities (Note I)	26,959	26,012
Total non-current liabilities	3,336,403	2,991,550
Total liabilities	3,897,103	3,567,445
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from pension differences between projected and actual plan investments (Note L)	29,595	-
Deferred amounts from pension differences between expected and actual experience (Note L)	35,576	50,073
Deferred amounts from OPEB differences between projected and actual plan investments (Note M)	7,524	2,196
Total deferred inflows of resources	72,695	52,269
Total liabilities and deferred inflows of resources	3,969,798	3,619,714
NET POSITION		
Net investment in capital assets	4,685,410	4,569,437
Restricted for growth construction	8,372	19,284
Unrestricted	50,505	35,967
Total net position	4,744,287	4,624,688
Total liabilities, deferred inflows of resources and net position	$8,714,085	$8,244,402

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(in thousands)

	2018	2017 As Restated (Note P)
OPERATING REVENUES:		
Water consumption, sewer use and service charges	$ 669,934	$ 669,536
Front foot benefit assessments	15,738	18,241
House connection charges	4,818	4,980
Other	34,743	33,039
Total operating revenues	725,233	725,796
OPERATING EXPENSES:		
Operations	107,636	106,156
Maintenance	159,074	164,333
Intermunicipal agency sewage disposal	68,363	54,334
Administrative and general	108,914	87,398
Depreciation and amortization	194,403	184,350
Total operating expenses	638,390	596,571
Net operating revenues	86,843	129,225
NON-OPERATING REVENUES (EXPENSES):		
Interest on bonds and notes payable	(90,718)	(79,861)
Capitalized interest	47,500	40,156
System development charge credit reimbursements	(13,912)	(1,489)
Pension	10,050	5,396
OPEB	286	(976)
Investment income	7,043	1,776
Other interest income	1,415	1,485
Net non-operating expenses	(38,336)	(33,513)
Income before capital contributions	48,507	95,712
Capital contributions (Note G)	71,092	85,504
Changes in net position	119,599	181,216
Net position, beginning of the year (as originally reported)		4,543,550
Restatement for GASB 75 (Note P)		(100,078)
Net position, beginning of the year (as restated for 2017)	4,624,688	4,443,472
Net position, end of year	$ 4,744,287	$ 4,624,688

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(in thousands)

	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from water and sewer customers	$ 673,369	$ 658,861
Receipts from front foot benefit assessments	16,977	19,578
Receipts from house connection charges	5,126	2,626
Receipts from other customers and miscellaneous	73,021	69,764
Payments to employees	(188,690)	(174,220)
Payments to District of Columbia Water & Sewer Authority	(64,276)	(55,523)
Payments to suppliers and others	(223,293)	(223,718)
Net cash provided by operating activities	292,234	297,368
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bonds and notes	772,335	497,112
Capital contributions	70,341	106,586
Bond redemptions and note repayments	(383,974)	(159,039)
Interest payments, premiums and discounts on bonds and notes	(53,001)	(57,981)
Capital asset construction	(542,424)	(602,943)
Net cash used in capital and related financing activities	(136,723)	(216,265)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	931,353	601,840
Purchases of investments	(1,000,398)	(685,950)
Pension and OPEB	10,336	4,420
Interest income received	4,975	1,358
Net cash (used in) provided by investing activities	(53,734)	(78,332)
Net increase (decrease) in cash	101,777	2,771
Cash, beginning of year	18,514	15,743
Cash, end of year	$ 120,291	$ 18,514
Reconciliation of net operating revenues to net cash provided by operating activities:		
Net operating revenue	$ 86,842	$ 129,225
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation and amortization	210,939	200,811
Effect of changes in assets, liabilities and deferred outflows of resources:		
Receivables, net	8,424	(6,341)
Materials and supplies	(39)	623
Prepaid expenses	(10)	365
Deferred outflows of resources - pension and OPEB	6,085	15,192
Accounts payable and accrued liabilities	3,579	(9,657)
Unearned revenue	220	(5,876)
Deferred inflows of resources - pension and OPEB	42,824	17,995
Long-term pension liability	(56,865)	(26,492)
Long-term OPEB liability	(9,765)	(18,477)
Net cash provided by operating activities	$ 292,234	$ 297,368

Noncash capital financing activities:

Capital assets of $33,638 and $37,420 were acquired through contributions from developers in 2018 and 2017, respectively.

The accompanying notes are an integral part of these financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Suburban Sanitary Commission (WSSC) is a bi-county political subdivision of the State of Maryland, created to provide water supply and sewage disposal services for Montgomery and Prince George's Counties. The financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Significant accounting policies are summarized below.

Operating and Non-Operating Revenues and Expenses

Revenues and expenses derived from financing and investment activities are classified as non-operating revenues and expenses. All other revenues and expenses are classified as operating.

Water and sewer service rates are established to provide sufficient funds to recover operating costs and debt service relating to the water supply and sanitary sewer systems. Metered water and sewer revenues are invoiced and recognized as customers utilize water. Revenue generated for which customers have not been invoiced is estimated based on past billings and recorded as unbilled revenue.

Estimated intermunicipal agency sewage disposal expenses are paid quarterly. Adjustments resulting from audits and/or reconciliations of WSSC’s share of estimated and actual expenses are recognized in the year of settlement.

Front foot benefit and house connection assessments levied on properties where water and/or sanitary sewer service is available are the principal source of funds to service general construction bond debt. Front foot benefit assessments are recorded as operating revenue ratably over the levy year; house connection assessments and fees are recognized as operating revenue over the life of the bonds issued to finance the house connections.

Capital Contributions

In July 1993, a system development charge (SDC) was established to help finance the cost of expanding water and sewage systems to accommodate growth in the Washington Suburban Sanitary District. System development charges are recorded as capital contributions when received. Certain qualified projects may be eligible for SDC credits or reimbursements. Only those SDC receipts filed in association with plumbing permits under which all covered work has obtained an approved final inspection are eligible for reimbursement. The credits are presented as non-operating expenses on the statement of revenues and changes in net position.

Developer fees and charges are established to recover costs related to services provided to outside developers for the construction of capital assets. These fees are recorded as permits are issued.

Federal and State grants are recognized as capital contributions when related capital costs are incurred.

Donated assets consist principally of capital assets constructed by developers and subsequently donated to WSSC. Values are established by using developers’ estimated costs to construct the assets or WSSC’s estimated costs to construct similar assets. Donated land and rights of way are recorded at estimated acquisition values. The capital assets, and related capital contributions, are recognized upon completion of construction.

A small portion of capital assets is related to donated assets acquired or constructed under a Department of Defense (DOD) contract executed during fiscal 2005 to operate and maintain the water and sewer systems at Bolling Air Force Base. Costs incurred by WSSC to acquire or enhance these systems are reimbursed by DOD and, consequently, recognized as capital assets and capital contributions. As of March 31, 2017, the contract to serve and maintain the water and wastewater systems at the Joint Base Anacostia-Bolling (formerly known as the Bolling Air Force Base) was terminated for mutual convenience. In the full and final settlement of this termination, WSSC retained funds collected for repairs and replacements while water and wastewater system assets were returned to the Federal government.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

WSSC follows Governmental Accounting Standards Board Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" (GASB No. 33). GASB No. 33 requires recognition of all contributions of capital assets, including donated assets, as revenues (capital contributions in the Statements of Revenues, Expenses and Changes in Net Position).

Cash

Cash includes amounts in demand deposits.

Investments

Investments are stated at fair value, with any related gain or loss reported in investment income on the accompanying Statements of Revenues, Expenses and Changes in Net Position. Fair value is generally based on quoted market prices on the last business day of the fiscal year. Investments in market-traded securities, including U.S. government and agency securities, municipal and corporate bonds are reported at last quoted sales/bid prices provided by independent pricing vendors. Non-current investments represent unused bond proceeds at the end of the fiscal year.

Capital Assets

Capital assets include water and sewer lines, water distribution, wastewater collection and multi-purpose facilities, equipment and fleet. Capital assets are stated at historical costs, which include related payroll, payroll taxes, fringe benefits, administrative costs and interest capitalized during construction if applicable. Normal recurring maintenance and repair costs are charged to operations, whereas major repairs, improvements and replacements, which extend the useful lives of the assets, are capitalized. Costs incurred for capital construction are carried in construction in progress until completion.

Costs incurred for the purchase of software and water and wastewater capacity are treated as intangibles and amortized over the estimated useful life of the asset or the term of the contractual agreement.

Depreciation and Amortization

Capital assets are depreciated or amortized using the straight-line method. Estimated useful lives of some significant asset categories are as follows:

Buildings and other structures	40 – 50 years
Pipe and pipe improvements	35 – 100 years
Equipment and vehicles	3 – 12 years
Purchased capacity	50 years

Depreciation and capitalized interest on constructed assets are appropriately adjusted at substantial completion.

Inventory

Materials and supplies inventory is recorded utilizing a perpetual (moving average) cost methodology and is reduced for estimated losses due to obsolescence.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bonds and Notes Payable

Bonds and notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

Bonds outstanding, which have been refunded and economically defeased, are not included in long-term debt. The related assets are not included in investments. The difference between the reacquisition price and the net carrying amount of the old debt is a deferred outflow of resources and is amortized as a component of interest expense (see Note F).

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the net position of the Washington Suburban Sanitary Commission Employees Retirement Plan (the Plan) and additions to/deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. For this purpose, 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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the Washington Suburban Sanitary Commission Employees OPEB Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, 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.

OPEB 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 OPEB costs are allocated amongst operating and non-operating costs and/or revenues.

Compensated Absences

Employees earn annual leave based on length of service. Accumulated annual leave in excess of 360 hours at the end of each year is transferred to sick leave. At termination, employees will be paid for unused annual leave but will not receive any pay or time off for unused sick leave. At retirement, an employee may convert unused annual leave to sick leave. Unused sick leave at retirement may be credited to an employee's total service time for retirement benefit purposes. Annual leave earned but unused is accrued as a liability.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

The 2017 financial statements reflect certain reclassifications to conform with the 2018 presentation.

Net Position

Capital assets, as defined above, net of related outstanding debt represent the largest portion of WSSC's net position, or net investment in capital assets.

Net position associated with unspent SDC proceeds is restricted for growth construction.

Unrestricted net position is the residual amount not included in the other classifications.

Accounting Changes

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Statement No. 74 addresses the financial reports of defined benefit OPEB Plans that are administered through trusts that meet specified criteria. The Statement requires a statement of fiduciary net position, a statement of changes in fiduciary net position, more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rate of return on plan investments. Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for Plans with fiscal years beginning after June 15, 2016. The pronouncement was adopted by the OPEB Plan in fiscal year 2018.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for fiscal years beginning after June 15, 2017. GASB No.75 was implemented in fiscal year 2018 and related prior year balances were restated.

GASB Statement No. 77, *Tax Abatement Disclosures,* requires disclosure of tax abatement agreements and programs so that others may evaluate the financial health of governments, make decisions and assess accountability. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of the pronouncement did not have an impact on WSSC's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes uniform accounting and financial reporting requirements for asset retirement obligations (AROs). This Statement is effective for fiscal years beginning after June 15, 2018. Management is evaluating the impact of the pronouncement on its financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 84, *Fiduciary Activities,* establishes uniform accounting and financial reporting requirements for fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018. Management is evaluating the impact of the pronouncement on its financial statements.

GASB Statement No. 85, *Omnibus 2017,* establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for fiscal years beginning after June 15, 2017. Where applicable, the pronouncement was adopted in fiscal year 2018 with the enhancement of certain financial statement disclosures.

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement is effective for fiscal years beginning after June 15, 2017. The adoption of the pronouncement did not have an impact on WSSC's financial statements.

GASB Statement No. 87, *Leases,* establishes uniform accounting and financial reporting requirements for leases by lessees and lessors. This Statement is effective for fiscal years beginning after December 15, 2019. Management is evaluating the impact of the pronouncement on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* establishes additional financial statement disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale. This Statement is effective for fiscal years beginning after June 15, 2018. Management is evaluating the impact of the pronouncement on its financial statements

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* establishes requirements for interest cost incurred before the end of a construction period. This Statement is effective for fiscal years beginning after December 15, 2019. Changes adopted to conform to the provisions of the Statement should be applied prospectively. Management is evaluating the impact of the pronouncement on its financial statements.

B. CASH AND INVESTMENTS

At June 30, 2018 and 2017, cash per WSSC's records amounted to $27.9 million and $18.5 million, respectively, and reported bank balances were $32.6 million and $23.4 million, respectively. All collected bank balance funds were secured by Federal depository insurance or by collateral held in WSSC's name under a tri-party collateral agreement with M&T and BNY Mellon.

In addition, BNY Mellon held cash and investments of $92.4 million at June 30, 2018. These funds, the net proceeds of a crossover refunding of Build America Bonds – Direct Payment to the Issuer, Series 2009B, were used to purchase U.S. government securities (SLGS) in an irrevocable trust with an escrow agent. The proceeds will provide future debt service payments on the Series 2009B until the crossover date of June 1, 2019.

B. CASH AND INVESTMENTS (continued)

WSSC's investment policy conforms to Maryland laws on the investment of public monies. Consequently, WSSC is authorized to invest in the investment types identified in the table below. The table also identifies certain provisions of the Maryland law or WSSC investment policy, which address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Government securities	1 year	None	None
Federal agency securities	1 year	None	None
Bankers' acceptances	6 months	None	20%
Collateralized repurchase agreements	1 year	None	20%
Commercial paper	1 year	5%	None
Certificates of deposit	1 year	None	20%
Money market investments		None	None

Any investment with a maturity in excess of 1 year must be approved by the Treasurer and will be limited to U.S. Government and Federal agency securities. The aggregated value of investments with any one bank or broker will not exceed 20% of the total investment portfolio at the time of investment, unless approved by the Investment Manager or WSSC Treasurer.

Custodial credit risk is the risk that, in the event of a failure of a financial institution, WSSC would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. Maryland State law requires that collateral shall be maintained for all deposits and certificates of deposit with amounts in excess of Federal insurance coverage. State law also requires the securities collateralizing repurchase agreements have a market value of at least 102 percent of the principal of the investment plus accrued interest. There were no repurchase agreements at June 30, 2018 and 2017.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018 and 2017, all of WSSC's investments had remaining maturities of 1 year or less.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. WSSC may invest in bankers' acceptances and commercial paper having a short-term rating of the highest letter and numerical rating issued by at least one nationally recognized statistical rating organization. WSSC does not have a formal policy for other investment types; however virtually all remaining investments are in, or collateralized by, Federal agency securities. Actual ratings as of June 30, 2018 and 2017 are presented below for each investment type.

B. CASH AND INVESTMENTS (continued)

Investments at June 30, 2018 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Money market investments	Aaa	1 year or less	$ 52,688	$ 52,688
Certificates of deposit	Aaa	1 year or less	12,090	12,171
Commercial paper	A-1+	1 year or less	4,974	4,987
U. S. Government Treasury bonds	Aaa	1 year or less	64,632	64,759
Federal agency securities	Aaa	1 year or less	148,280	149,216
Total investments (includes $8,868 restricted for capital projects and $83,583 which is classified as non-current)			$ 282,664	$ 283,821

Investments at June 30, 2017 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Money market investments	Aaa	1 year or less	$ 52,014	$ 52,014
Certificates of deposit	Aaa	1 year or less	12,000	11,983
Commercial paper	A-1+	1 year or less	4,978	4,993
U. S. Government Treasury bonds	Aaa	1 year or less	10,000	9,934
Federal agency securities	Aaa	1 year or less	134,626	134,867
Total investments (includes $19,284 restricted for capital projects and $3,383 which is classified as non-current)			$ 213,618	$ 213,791

B. CASH AND INVESTMENTS (continued)

Concentration of credit risk is the risk of loss due to the magnitude of WSSC's investment in the securities of any single issuer. The investment policy of WSSC contains no limitations on the amount that can be invested in any one issuer. Those that represent 5% or more of total investments are as follows (in thousands):

Issuer	Investment Type	2018	2017
FHLB	Federal agency securities	$ 89,306	$ 94,920
FHLMC	Federal agency securities	59,910	39,947
U.S. Government	Treasury bonds	64,759	9,935

The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Repurchase agreements are recorded at cost, which approximates fair value.

WSSC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation technique uses a three level hierarchy of inputs to measure fair value. Investments classified in Level 1 within the fair value hierarchy are valued using prices quoted in active markets for identical assets. Level 2 investment valuations utilize inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. If fair value inputs are unobservable, the investments will be classified as Level 3.

Fair value measurements at June 30, 2018 (in thousands) using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments by fair value level:				
Certificates of deposit	$ 12,171	$ -	$ -	$ 12,171
Commercial paper	4,987	-	-	4,987
U. S. Government Treasury bonds	64,759	-	-	64,759
Federal agency securities	149,216	-	-	149,216
Total investments by fair value level	$ 231,133	$ -	$ -	231,133
Investments at cost -				
Money market investments				52,688
Total investments				$ 283,821

B. CASH AND INVESTMENTS (continued)

Fair value measurements at June 30, 2017 (in thousands) using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments by fair value level:				
Certificates of deposit	$ 11,983	$ -	$ -	$ 11,983
Commercial paper	4,993	-	-	4,993
U. S. Government Treasury bonds	9,934	-	-	9,934
Federal agency securities	134,867	-	-	134,867
Total investments by fair value level	$ 161,777	$ -	$ -	161,777
Investments at cost -				
Money market investments				52,014
Total investments				$ 213,791

C. RECEIVABLES

Receivables consisted of the following at June 30 (in thousands):

	2018	2017
Front foot benefit assessments accrued and billed	$ 8,975	$ 10,365
Water and sewer services unbilled	48,690	50,079
Water and sewer services billed	56,597	62,005
Miscellaneous	17,191	21,112
	131,453	143,561
Less allowance for doubtful accounts	(6,431)	(10,115)
Total receivables, net	$ 125,022	$ 133,446

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 121,711	$ 4,665	$ -	$ 126,376
Construction in progress	1,574,818	595,740	(642,929)	1,527,629
Total capital assets not being depreciated	1,696,529	600,405	(642,929)	1,654,005
Capital assets being depreciated:				
Water supply	2,676,156	336,724	(9,529)	3,003,351
Sewage disposal	2,371,338	189,381	-	2,560,719
General construction	2,597,686	41,595	(4,636)	2,634,645
Intangible assets	1,388,814	19,090	-	1,407,904
Other	167,179	6,476	(5,226)	168,429
Total capital assets being depreciated	9,201,173	593,266	(19,391)	9,775,048
Less accumulated depreciation for:				
Water supply	(726,372)	(48,649)	3,998	(771,023)
Sewage disposal	(709,481)	(56,205)	-	(765,686)
General construction	(1,218,043)	(52,921)	1,237	(1,269,727)
Intangible assets	(335,392)	(31,202)	-	(366,594)
Other	(124,578)	(13,033)	4,899	(132,712)
Total accumulated depreciation	(3,113,866)	(202,010)	10,134	(3,305,742)
Capital assets being depreciated, net	6,087,307	391,256	(9,257)	6,469,306
Total capital assets, net	$ 7,783,836	$ 991,661	$ (652,186)	$ 8,123,311

D. CAPITAL ASSETS (continued)

Restated (see Note P) capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 117,837	$ 3,874	$ -	$ 121,711
Construction in progress	1,433,550	580,933	(439,665)	1,574,818
Total capital assets not being depreciated	1,551,387	584,807	(439,665)	1,696,529
Capital assets being depreciated:				
Water supply	2,446,730	236,320	(6,894)	2,676,156
Sewage disposal	2,186,386	194,366	(9,414)	2,371,338
General construction	2,557,112	43,051	(2,477)	2,597,686
Intangible assets	1,376,987	11,827	-	1,388,814
Other	156,965	11,773	(1,559)	167,179
Total capital assets being depreciated	8,724,180	497,337	(20,344)	9,201,173
Less accumulated depreciation for:				
Water supply	(682,055)	(46,464)	2,147	(726,372)
Sewage disposal	(661,494)	(51,629)	3,642	(709,481)
General construction	(1,167,047)	(52,905)	1,909	(1,218,043)
Intangible assets	(305,286)	(30,106)	-	(335,392)
Other	(111,675)	(14,412)	1,509	(124,578)
Total accumulated depreciation	(2,927,557)	(195,516)	9,207	(3,113,866)
Capital assets being depreciated, net	5,796,623	301,821	(11,137)	6,087,307
Total capital assets, net	$ 7,348,010	$ 886,628	$ (450,802)	$ 7,783,836

Interest costs of $47.5 million and $40.2 million were capitalized during fiscal years 2018 and 2017, respectively.

Purchased Software

Purchased software and related development stage costs of $1.9 million and $5.7 million were capitalized in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* in fiscal years 2018 and 2017, respectively. Costs of $12.3 million are included in the Construction in Progress balance as of June 30, 2018 and will commence amortization upon implementation of the software. Intangible assets include the balance of costs placed in service, net of accumulated amortization, of $8.0 million and $9.4 million in fiscal 2018 and 2017, respectively.

D. CAPITAL ASSETS (continued)

Purchased Capacity

Jennings Randolph

An intangible asset for purchased capacity has been established for WSSC's share of capital costs in the Jennings Randolph Reservoir (Bloomington Dam). The Reservoir provides backup and peak-day water supply to WSSC and is operated by the U.S. Army Corps of Engineers, Baltimore District. WSSC funds 50% of the capital costs, and intangible asset balances of $27.3 million and $27.5 million, for fiscal years 2018 and 2017, respectively, are included above.

Mattawoman and Poolesville

WSSC participates in the funding of capital costs for the Mattawoman and Poolesville Wastewater Treatment Plants through agreements with Charles County and the Town of Poolesville, respectively. In exchange for this participation, WSSC obtains the right to discharge wastewater from the Washington Suburban Sanitary District into said facilities. Costs of $1.5 million are included in the Construction in Progress balance as of June 30, 2018 and will commence amortization when placed in service. Asset balances, net of accumulated amortization, totaling $8.3 million and $8.7 million, for fiscal years 2018 and 2017, respectively, are included in intangible assets above.

Blue Plains

The Commission, the District of Columbia (the District), the District of Columbia Water and Sewer Authority (DC Water), Fairfax County, Virginia, Montgomery County, Maryland, and Prince Georges County, Maryland are "Parties" to a regional Intermunicipal Agreement (IMA) that provides for dedicated allocation of wastewater flow capacity for treatment at the Blue Plains facility in Washington DC. The *Blue Plains Intermunicipal Agreement of 1985 Equity Payment Study* and the subsequent equity payments required by the 1985 IMA reconciled all capital cost contributions for the Parties prior to 1987 and established a new baseline as of 1988 for calculating and allocating future capital costs associated with Blue Plains.

The 1985 IMA was replaced, effective April 3, 2013, by a new Blue Plains Intermunicipal Agreement of 2012 (the "2012 IMA"), which was executed by each of the original signatories to the 1985 IMA. The 2012 IMA provides for the allocation of capital, operating, and maintenance costs among the Parties. The parties have demonstrated their willingness to share in the burdens associated with the demands for regional wastewater collection and treatment and biosolids management. Capital costs of Blue Plains are allocated among the Parties in proportion to their respective capacity allocation of the wastewater treatment, collection, and conveyance facilities as defined in the 2012 IMA. Operating costs are allocated on a proportional basis, by the wastewater flows from each participant to the Blue Plains facilities. The Commission has a wastewater treatment capacity entitlement of 169.60 MGD, which is approximately 45.8% of the Plant's total capacity of 370 MGD.

An operating procedure was implemented for Multi-Jurisdictional Users Facilities' (MJUF) in fiscal year 2018. The procedure employs a new methodology to determine the allocated flow by users through the various facilities (such as pump stations and major conveyance pipelines through the District of Columbia) for O&M billing purposes. There was no change in the Blue Plains capital cost allocation as defined.

To address technical, policy and financial issues related to the 2012 IMA, the Parties may act at three different levels of authority: 1) the policy level, as an IMA signatory, 2) the administrative level, as a member of the Leadership Committee, and 3) the technical level, as a member of the Regional Committee. WSSC has representation at each of these levels.

D. CAPITAL ASSETS (continued)

If any participant's projected annual flow is anticipated to exceed its allocated flow capacity, the following options are available for consideration by the Regional and Leadership Committees, with participation from all of the Parties: 1) wastewater flow management adjustments, 2) modification of treatment processes at Blue Plains, 3) diversion of flows from the Blue Plains Service Area to other facilities, 4) sale or rental of excess capacity at Blue Plains between the Parties, and 5) expansion or addition of treatment and/or storage facilities. The rental or sale of allocated flow capacity shall be at the discretion of the Party which is providing the capacity for sale or rent, and the related Parties to the transaction will mutually agree on the cost basis.

The 2012 IMA remains in effect until amended, replaced or terminated by mutual consent of the Parties.

The Commission's capital investment in Blue Plains, under the 2012 IMA, is accounted for as an intangible asset and is amortized over the estimated useful lives of the underlying assets. Costs of $393.0 million are included in the Construction in Progress balance as of June 30, 2018 and will commence amortization when assets are placed in service. Asset balances, net of accumulated amortization, totaling $997.7 million and $1,007.8 million, for fiscal years 2018 and 2017, respectively, are included in intangible assets above.

The amount shown in the statements of revenues, expenses and changes in net assets for depreciation and amortization does not include depreciation of vehicles and equipment. Depreciation of these assets, $13.0 million in fiscal 2018 and $14.4 million in fiscal 2017, is classified with other related operating and maintenance costs.

E. NOTE RECEIVABLE

On April 4, 2007, WSSC entered into a Purchase and Sale Contract with Montgomery County for the County's purchase of WSSC's property which previously was the site of a biosolids composting facility. On January 15, 2009, the closing date of the sale, WSSC received a promissory note in the amount of $10,000,000 from Montgomery County.

Interest accrues at a rate of 4.43%, which commenced six months after the execution of the promissory note. Under the provisions of the promissory note, the minimum annual payment by Montgomery County is $400,000 and is due on July 15, 2009 and annually thereafter. Payments shall be allocated first to interest, then to principal. At June 30, 2018 and 2017, the balance of this Note Receivable was $9.8 million.

As Montgomery County develops the property, additional payments become due when a 'Payment Event' occurs. A 'Payment Event' is defined as a sale or ground lease of a parcel or the commencement of initial construction on a parcel. The additional payment shall be applied to the minimum annual payment amount. Montgomery County is obligated to pay additional payments for amounts in excess of the minimum annual payment.

The principal portion of additional payments shall be at least determined based upon the ratio of the developable square feet (DSF) of the sold or developed parcel to the sum of the DSF of the sold or developed parcel plus the total DSF of the unsold parcels. Interest shall be the outstanding unpaid interest accrued as of the date of the applicable Payment Event.

The promissory note was amended and restated in 2017, to change the repayment schedule and extend the maturity date from January 15, 2024 to July 15, 2027. Under the amended Promissory Note, the County agrees to pay $400,000, with interest at 4.43%, commencing July 15, 2017 and annually thereafter until the principal and all accrued and unpaid interest and other charges are paid.

F. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that is applicable to a future period. Reported examples include:

(a) Deferred losses on bond refundings resulting from the difference between the carrying value of the refunded debt and its reacquisition price
(b) Net difference between projected and actual earnings on pension plan investments
(c) Results of changes in pension assumptions
(d) Contributions to the OPEB Plan subsequent to the measurement date of the net OPEB liability and before the end of WSSC's reporting period
(e) Differences between expected and actual experience in the measurement of the total OPEB liability

Deferred inflows of resources represent an acquisition of net assets that is applicable to a future period. Reported examples include:

(a) Differences between expected and actual experience in the measurement of the total pension liability

(b) Net difference between projected and actual earnings on pension plan investments

(c) Net difference between projected and actual earnings on OPEB plan investments

G. CAPITAL CONTRIBUTIONS

Capital contributions consisted of the following for the years ended June 30 (in thousands):

	2018	2017
System development charges	$ 28,447	$ 28,875
Developer fees	5,301	6,233
Federal and State grants	3,706	12,976
House connections	6,699	4,800
Land and rights of way	2,651	2,075
Other construction projects	24,288	30,545
Total	$ 71,092	$ 85,504

H. COMPENSATED ABSENCE LIABILITY

Compensated absence liability activity consisted of the following for the years ended June 30 (in thousands):

	2018	2017
Compensated absence liability – beginning of year	$ 12,255	$ 11,949
Increases (incurred)	10,748	10,270
Decreases	(10,193)	(9,964)
Compensated absence liability – end of year	$ 12,810	$ 12,255

This liability is included in accounts payable and accrued expenses on the balance sheet

I. DEPOSITS, UNEARNED REVENUE AND OTHER LONG-TERM LIABILITIES

Deposits, unearned revenue and other long-term liabilities, reflected as non-current liabilities on the Balance Sheet, consisted of the following at June 30 (in thousands):

	2018	2017
Unearned revenue for house connections	$ 16,124	$ 16,693
Unearned front foot benefit revenue	619	759
Construction deposits	2,224	1,075
House connection deposits	3,424	2,966
Other	4,568	4,519
Total	$ 26,959	$ 26,012

J. BONDS AND NOTES PAYABLE

Bonds and notes payable activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 1,087,603	$ 331,225	$ (134,529)	$ 1,284,299	$ 156,703
Sewage disposal	1,556,907	420,015	(211,952)	1,764,970	129,683
General construction	190,401	21,095	(37,493)	174,003	51,977
	2,834,911	772,335	(383,974)	3,223,272	338,363
Plus unamortized premium/discount	171,914	48,917	(20,591)	200,240	-
Total bonds and notes payable	$ 3,006,825	$ 821,252	$ (404,565)	$ 3,423,512	$ 338,363

Bonds and notes payable activity for the year ended June 30, 2017 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 912,575	$ 233,000	$ (57,972)	$ 1,087,603	$ 163,041
Sewage disposal	1,394,774	242,093	(79,960)	1,556,907	129,996
General construction	189,489	22,019	(21,107)	190,401	54,862
	2,496,838	497,112	(159,039)	2,834,911	347,899
Plus unamortized premium/discount	154,366	36,924	(19,376)	171,914	-
Total bonds and notes payable	$ 2,651,204	$ 534,036	$ (178,415)	$ 3,006,825	$ 347,899

The unamortized amounts above represent premiums received on outstanding debt issuances.

J. BONDS AND NOTES PAYABLE (continued)

Bonds payable accrue interest at rates ranging from 0.7% to 6.0%, with an effective interest rate of 3.82% at June 30, 2018. All bonds payable at June 30, 2018, exclusive of refunded bonds, are due serially through the year 2047. Generally, the bonds are callable at a premium after a specified number of years.

In November 2017, WSSC issued $459.3 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer infrastructure.

In December 2016, WSSC issued $381.8 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer infrastructure.

In September 2009, WSSC issued $180.0 million of Consolidated Public Improvement Bonds in two series; $90.0 million in Tax-Exempt Bonds, Series 2009A and $90.0 million in Taxable Build America Bonds - Direct Payment to the Issuer, Series 2009B. In September 2010, WSSC issued $240.0 million of Consolidated Public Improvement Bonds in two series; $120.0 million in Tax-Exempt Bonds, Series 2010A and $120.0 million in Taxable Build America Bonds - Direct Payment to the Issuer, Series 2010B. The American Recovery and Reinvestment Act of 2009 created the Build America Bonds program. This program is intended to assist state and local municipalities in issuing debt. One provision of the program is for issuance of taxable Build America Bonds to finance capital expenditures while providing a federal subsidy of 35% of the interest payment to the issuer. Due to government sequestration enacted in March 2013, the December 1, 2015 and June 1, 2016 subsidies were reduced by 2.38%. The December 1, 2016 and June 1, 2017 subsidies were reduced by 2.42%. The December 1, 2017 and June 1, 2018 subsidies were reduced by 2.31%. The subsidy is payable over the life of the issue, and in the schedule below it is assumed that the remainder of subsidy payments will be made at the original 35%.

On December 13, 2017, the Commission completed a crossover refunding for the 2009 Build America Bonds – Direct Payment to the Issuer, Series 2009B. The crossover date for the bonds is June 1, 2019, at which time the 2009 Build America Bonds, 2009B will be fully defeased and redeemed.

Bond and note maturities and interest thereon, including Taxable Build America Bond subsidies, for the next five years are as follows (in thousands):

Year ended June 30	Principal Maturities	Interest Requirements	Build America Bond Subsidies
2019	$338,363	$ 121,832	$ (3,279)
2020	161,051	115,000	(3,279)
2021	159,624	107,693	(3,142)
2022	153,225	103,938	(2,854)
2023	151,091	97,037	(2,557)

Bond and note maturities and interest thereon, including Taxable Build America Bond subsidies, in five-year increments for fiscal years after 2021 are as follows (in thousands):

Year ended June 30	Principal Maturities	Interest Requirements	Build America Bond Subsidies
2024-2028	$728,402	$389,033	$ (7,972)
2029-2033	523,097	255,965	(767)
2034-2038	355,871	169,802	-
2039-2043	408,187	94,926	-
2044-2047	244,361	19,077	-

J. BONDS AND NOTES PAYABLE (continued)

Bond Anticipation Notes (the Notes) are remarketed weekly by WSSC's remarketing agent at prevailing weekly tax-exempt interest rates. Interest rates on the Notes ranged from 0.61% to 1.90% during fiscal year 2018 and from 0.39% to 0.95% during fiscal year 2017. Any or all buyers of the Notes may demand payment from WSSC's remarketing agent upon seven days' notice. WSSC's remarketing agents are prepared to remarket the Notes in such eventuality. The Notes were sold under a bank line of credit agreement which acts as a guarantee of liquidity for the Notes in the event that the Notes cannot be remarketed. On August 28, 2013, the Commission replaced the series '"A" notes with two separate series (A&B), each backed by their own line of credit. The maximum amount available under each line of credit which expires in August 2019, subject to certain conditions, is $107.5 million. In aggregate, the total line of credit is $215.0 million.

At June 30, 2018 and 2017, $190.2 million and $202.6 million respectively, of the Notes were outstanding. WSSC expects to redeem these Notes with proceeds of future bond issues or annual amortization. The Commission issued $42.5 million in Series A Notes and $52.5 million in Series B Notes on August 31, 2016. On June 24, 2015, the Commission issued $35.0 million in Series A Notes and $55.0 million in Series B Notes. On February 26, 2014, WSSC issued $50.0 million in Series B Notes. The Commission redeemed $12.4 million and $90.0 million in Notes on June 6, 2018 and June 28, 2017, respectively, as part of the water, sewer and general debt service amortization. The Notes are treated as bonds, and as such, are expected to be amortized over a 20-year term. However, because these Notes are callable, the entire $190.2 million has been included in current maturities (fiscal 2018 principal maturities), and an estimated $6.7 million has been included in the fiscal 2019 interest requirements. Additional estimated interest requirements at prevailing rates through 2036 on these Notes, assuming future redemption from proceeds of bonds, would total $73.4 million.

On July 15, 2005, WSSC commenced work on a utility service contract with the U.S. Department of Defense to operate and maintain the Bolling Air Force Base water distribution and wastewater collection systems. Under the terms of this contract, WSSC acquired the existing water and wastewater systems for $1.0 million and $4.3 million, respectively. Corresponding notes payable accrued interest at 7.0% over a 30-year term. As of March 31, 2017, the contract to serve and maintain the water and wastewater systems at the Joint Base Anacostia-Bolling (formerly known as the Bolling Air Force Base) was terminated for mutual convenience. In the full and final settlement of this termination, WSSC retained funds collected for repairs and replacements while water and wastewater system assets were returned to the Federal government.

Since November 1989, WSSC has participated in a loan program established by the State of Maryland to loan money to Maryland municipalities for local water and sewer projects. The program, known as the Maryland Water Quality Revolving Loan Fund, is designed to offer these municipalities loans at reduced interest rates. As of June 30, 2018, WSSC borrowed $400.1 million from the program. The total principal balance outstanding as of June 30, 2018 and 2017 was $248.1 million and $250.1 million, respectively.

Proceeds of notes payable to the Federal government were used to make improvements to the Jennings Randolph Reservoir for backup and peak-day water supply. The note payable accrues interest at 3.25% and balances outstanding at June 30, 2018 and 2017 were $20.9 million and $21.5 million, respectively.

WSSC is in compliance with all terms of its debt agreements at June 30, 2018 and 2017.

K. BOND REFUNDINGS

WSSC sells refunding bonds, thereby defeasing outstanding bonds, to reduce total debt service payments over the remaining life of the refunded bonds and to obtain an economic gain (difference between the present value of the old and new debt service payments) from the transactions.

K. BOND REFUNDINGS (continued)

The refunded bonds continue to be general obligations of WSSC until redeemed or called. However, the net proceeds of the refunding bonds are applied toward the purchase of U.S. Government obligations (held in escrow) with maturities and interest sufficient to meet debt service and call premiums, if any, on the refunded bonds. The holders of the refunded bonds have first lien on all assets held in escrow. Refunded bonds outstanding at June 30, 2018 and 2017, which amounted to $217.5 million and $83.8 million, respectively, are considered to be defeased and are not reflected in the accompanying financial statements.

In November 2017, WSSC sold $220.2 million of refunding bonds with interest rates ranging from 3.00% to 5.00% to refund $217.5 million of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 3.00% to 5.00%. The net proceeds of $237.2 million (including a premium of $18.1 million) were used to purchase selected open market securities. Those securities were deposited with an escrow agent to provide for all future debt service payments and the early redemption of callable bonds. The November 2017 refunding will reduce WSSC's total debt service payments over the next 15 years by $11.7 million and provide an economic gain of $9.8 million.

In December 2017, WSSC sold $79.1 million of crossover refunding bonds with an interest rate of 5.00%. The bonds will refund $90.0 million of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.35% to 5.00%. Build America Bonds – Direct Payment to the Issuer, Series 2009B will not defeased until the crossover date, and will not be removed as a liability until June 1, 2019. Proceeds from the refunding bonds were used to purchase U.S. government securities in an irrevocable trust with an escrow agent, and will provide future debt service payments on the Series 2009B until the crossover date of June 1, 2019. As a result of the crossover refunding issue, WSSC will save $4.9 million in debt service payments and achieve an economic gain of $4.2 million.

Refunded bonds are considered to be defeased and the liability is not reflected in the financial statements.

No refunding bonds were sold in fiscal year 2017.

Effective July 1, 1993, WSSC adopted GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. GASB No. 23 requires deferral of the difference between the reacquisition price and the carrying amount of the old debt. The difference is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized to interest on bonds and notes through the year 2030 using the proportionate-to-stated interest method. Amortization totaling $1.4 million and $1.9 million in fiscal 2018 and 2017, respectively, was recorded as an interest adjustment on bonds and notes payable in the accompanying statements of revenues, expenses and changes in net position.

In accordance with GASB 65, deferred amounts from debt refundings are now illustrated as Deferred Outflows or Inflows of Resources on the Balance Sheet.

L. RETIREMENT PLAN

Plan Description

The Washington Suburban Sanitary Commission Employees' Retirement Plan (the Plan), a single employer contributory defined benefit retirement plan, was established in 1967 to provide retirement and death benefits for the employees of the Washington Suburban Sanitary Commission (WSSC) under conditions set forth in the Plan Document based on an employee's age, length of service, and compensation. The Retirement Plan Document is amended from time to time, with the Plan last amended on January 15, 2016. The Plan may be amended by Commission resolution or by the Executive Director on behalf of the Commission.

L. RETIREMENT PLAN (continued)

WSSC implemented the Open Version of the Plan on July 1, 1978. Members of the Plan as of June 30, 1978 had an option to be included in the Open Version. This option expired December 31, 1978. The Open Version is mandatory for new employees. It generally provides for reduced employee contributions and benefits.

As of December 31, 2017 and 2016, there were 1,616 and 1,624 employees, respectively, participating in the Open Version of the Plan, and 7 and 7 employees, respectively, participating in the Closed Version of the Plan, a total of 1,623 and 1,631 employee participants, respectively.

As of December 31, 2017 and 2016, there were 1,600 and 1,585 retirees and/or beneficiaries, respectively, receiving benefits from the Plan, and there were 105 and 100 terminated vested employees, respectively, not yet receiving benefits. Sixteen and six employees retired in fiscal years 2017 and 2016, respectively, and began receiving benefits in subsequent fiscal years.

Actuarial studies are performed at least once every two years as of June 30th and the measurement date for the net pension liability is December 31st.

Contributions

WSSC funds annual pension plan costs based upon a level percentage of payroll costs. WSSC's contribution, which is paid in a lump sum on July 1 each year, amounted to $24.2 million and $22.6 million on July 1, 2017 and 2016, respectively.

Pension Benefits

The Plan provides for 100% vesting of retirement benefits after five years of credited service.

Generally, the normal retirement benefits payable to an eligible participant are equal to the sum of:

1. 2.1% of final average monthly compensation multiplied by the Closed Version credited service, plus

2. 1.4% of final average monthly compensation multiplied by the Open Version credited service where the sum of Closed Version credited service and Open Version credited service, exclusive of accumulated sick leave service is subject to a maximum of 36 years.

The Plan provides options for disability and early retirement to eligible participants or their surviving spouses.

The Plan provides for periodic cost of living increases to retirement benefits. Participants covered by the Closed Version will receive an increase two months following a sustained increase in the Consumer Price Index of 3% or more. Participants in the Open Version receive an increase each March 1, based on the preceding calendar year’s increase in the Consumer Price Index. The first increase may be pro-rated depending on the time of retirement.

L. RETIREMENT PLAN (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

	2017	2016
Inflation	2.50%	2.50%
Salary increases		
Up to 5 years of Service	7.50%	7.50%
6+ years of service	2.75%	2.75%
Investment rate of return	7.00%	7.00%

The mortality rates for 2017 were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, with Blue Collar adjustments and one-year age set-forward, and projected to 2025 using Scale BB. The GAM83 tables with 10-year set forward were used for the valuation of disabled members.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience analysis covering 2011 through 2016.

Further details on assumptions are provided in the valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation and the final investment return assumption are summarized in the following table:

	Approximate Portfolio Allocation	Long Term Expected Real Rate of Return
Asset class:		
Domestic Equity	40.00%	5.75%
Non-U.S. Equity	25.00%	6.25%
U.S. Fixed Income	30.00%	2.80%
Real Estate	5.00%	4.40%
Total Weighted Average Real Return	100.00%	4.92%
Plus Inflation		2.50%
Total Return without Adjustment		7.42%
Risk Adjustment		-0.42%
Total Expected Return		7.00%

L. RETIREMENT PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Other Key Actuarial Assumptions

The other key actuarial assumptions that determined the total pension liability as of December 31, 2017 and 2016 included:

Valuation date	July 1, 2017	July 1, 2016
Measurement date	December 31, 2017	December 31, 2016
Inflation	2.50%	2.50%
Salary increased including inflation	2.75% to 7.50%	2.75% to 7.50%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00% for each of 2017 and 2016, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (in thousands).

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability - 2017	$ 207,447	$ 102,536	$ 13,785
Net Pension Liability - 2016	$ 278,238	$ 172,787	$ 83,774

L. RETIREMENT PLAN (continued)

Changes in the Net Pension Liability

Changes in the Net Pension Liability for the year ended December 31, 2017 were as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/16	$ 917,584	$ 744,798	$ 172,786
Changes for the year:			
Service cost	10,745	-	10,745
Interest	63,200	-	63,200
Differences between expected and actual experience	3,474	-	3,474
Changes in assumptions	-	-	-
Contributions – employer	-	24,193	(24,193)
Contributions – employee	-	5,291	(5,291)
Net investment income	-	118,185	(118,185)
Benefit payments, including refunds of employee contributions	(58,642)	(58,642)	-
Administrative expense*	-	-	-
Net change	18,777	89,027	(70,250)
Balances at 12/31/17	$ 936,361	$ 833,825	$ 102,536

Plan's fiduciary net position as a percentage of the total pension liability	89.05%

L. RETIREMENT PLAN (continued)

Changes in the Net Pension Liability for the year ended December 31, 2016 were as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/15	$ 913,076	$ 713,680	$ 199,396
Changes for the year:			
Service cost	10,576	-	10,576
Interest	61,936	-	61,936
Differences between expected and actual experience	(10,449)	-	(10,449)
Changes in assumptions	-	-	-
Contributions – employer	-	22,606	(22,606)
Contributions – employee	-	4,214	(4,214)
Net investment income	-	61,852	(61,852)
Benefit payments, including refunds of employee contributions	(57,555)	(57,555)	-
Administrative expense*	-	-	-
Net change	4,508	31,117	(26,609)
Balances at 12/31/16	$ 917,584	$ 744,797	$ 172,787
Plan's fiduciary net position as a percentage of the total pension liability	81.17%		

* Administrative expenses are paid directly by WSSC

Pension Expense

For the years ended June 30, 2018 and 2017, WSSC recognized pension expense as follows (in thousands):

	2018	2017
Pension cost distributions:		
Operating	$ 20,544	$ 18,460
Non-operating	(10,050)	(5,396)
Capital	(8,546)	5,129
Total pension expense	$ 1,948	$ 18,193

L. RETIREMENT PLAN (continued)

Deferred Outflows (Inflows) of Resources

Deferred outflows of resources and deferred inflows of resources related to pensions were reported for the years ended June 30, 2018 and 2017 from the following sources (in thousands):

Deferred Outflows	2018	2017
Changes in assumptions	$ 16,129	$ 21,505
Net difference between projected and actual earnings on pension plan investments	-	26,340
Deferred Outflows	$ 16,129	$ 47,845
Deferred Inflows		
Differences between expected and actual experience	$ (35,576)	$ (50,073)
Net difference between projected and actual earnings on pension plan investments	(29,595)	-
Deferred Inflows	$ (65,171)	$ (50,073)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30	Amortization
2019	$3,615
2020	7,811
2021	21,685
2022	15,548
2023	383

Historical trend information showing the Plan's progress is presented in the Plan's December 31, 2017 comprehensive annual financial report, which can be requested from WSSC’s offices.

Retirement Restoration Plan

Effective July 1, 1995, WSSC established the Washington Suburban Sanitary Commission Employees' Retirement Restoration Plan (the Restoration Plan), a non-qualified plan. The purpose of the Restoration Plan is to restore most of the benefits foregone by participants in the WSSC Employees' Retirement Plan when such benefits are limited by the maximum benefit provisions of Section 415 of the Internal Revenue Code. During fiscal years 2018 and 2017, the Restoration Plan paid benefits totaling $27,000 and $39,000, respectively.

M. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

Post-employment benefits are provided under a set of personnel policies (herein referred to, collectively, as the "OPEB Plan"). The OPEB Plan and its underlying trust, a single employer defined benefit plan, was established in 2007 to provide life insurance, healthcare and prescription drug benefits for OPEB Plan participants and beneficiaries of the WSSC under conditions set forth in the Trust Agreement, including the payment of reasonable administrative expenses. WSSC 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.

As of December 31, 2017 and 2016, there were 1,623 and 1,631 active employees and 1,600 and 1,585 retirees, respectively. WSSC has the right to amend the Trust Fund Agreement.

Actuarial studies are performed at least once every two years as of June 30th and the measurement date for the net pension liability is December 31st.

Member and Employer Contributions

WSSC contributes to the OPEB Plan as it deems appropriate. WSSC initially elected to phase-in payments to the Trust over a five-year period, such that 20% of the difference between the annual required contribution and total cash expenses (funded on a "Pay-as-you-go" basis) would be funded in fiscal year 2007 and 40% of this difference would be funded in fiscal year 2008. During the third year (2009) of the phase in, WSSC elected to phase-in this difference over an eight- year period, which ended in 2014. WSSC made cash contributions of $10.0 million for the years ending December 31, 2017 and 2016.

The OPEB Plan recognizes revenues and expenditures for third-party payments made by WSSC related to benefits payments and administrative expenses. Accordingly, the OPEB Plan has included "on behalf" payments made by WSSC during the years 2017 and 2016 of $15.8 million and $15.3 million, respectively.

"On-behalf" payments by WSSC made subsequent to the measurement dates of December 31, 2017 and 2106 are reported as deferred outflows of contributions at June 30, 2018 and 2017 totaling $4.2 million and $5.3 million, respectively.

M. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Benefits

The OPEB Plan pays 70-80% of the full premium for medical and prescription drug coverage for eligible participants and qualified dependents. In addition, employees who retired in 1982 and after are eligible for life insurance benefits. The amount of retiree life insurance coverage begins at 85% of the employee's salary as of the day immediately prior to retirement, and decreases over a four-year period, until coverage equals either 25% of that salary or $5,000, whichever is greater.

OPEB Plan Termination

In the event of the OPEB Plan termination, assets shall be allocated for the payment of benefits and administrative expenses in accordance with the OPEB Plan and Trust Agreement.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Healthcare cost trends	
2017	5.75%
2018	5.50%
2019	5.25%
2020	4.75%
Thereafter	4.50%
Post-Medicare	4.50%
Investment rate of return	7.00%

The mortality rates for 2017 were based on the RP-2000 Healthy Annuitant mortality table, for males and females. The GAM83 tables with 10-year set forward were used for the valuation of disabled members. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience analysis in 2016.

Further details on assumptions are provided in the valuation report.

M. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation and the final investment return assumption are summarized in the following tables:

	Target Allocation	Long Term Expected Real Rate of Return
Asset class:		
Domestic Equity	48.30%	5.70%
Non-U.S. Equity	18.70%	5.95%
U.S. Fixed Income - Investment	20.60%	2.25%
U.S. Fixed Income - High Yield	8.30%	3.78%
Emergency Markets Currency	4.10%	3.80%
Total Weighted Average Real Return	100.00%	4.80%
Plus Inflation		2.50%
Total Return without Adjustment		7.30%
Risk Adjustment		-0.30%
Total Expected Return		7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The OPEB Plan's funding expectations/policy is to contribute approximately $10.0 million per year to the OPEB trust, in addition to paying benefits for retirees. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected trust return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

M. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 7.00%, as well as what WSSC's net OPEB liability would be if it were calculated using rates that are 1.00% lower or 1% higher than the current rate (in thousands).

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 268,418	$ 240,305	$ 216,940
Plan Fiduciary Net Position	118,546	118,546	118,546
Net OPEB Liability	$ 149,872	$ 121,759	$ 98,394
Ratio of Plan Net Position to Total OPEB Liability	44.2%	49.3%	54.6%

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends

The following presents the net OPEB liability, calculated using the trend assumptions below, as well as, what WSSC's net OPEB liability would be if it were calculated using rates that are 1% lower or 1% higher than the current rate (in thousands).

	1% Decrease 3.50%	Current Trend 4.50%	1% Increase 5.50%
Total OPEB Liability	$ 216,000	$ 240,305	$ 269,737
Plan Fiduciary Net Position	118,546	118,546	118,546
Net OPEB Liability	$ 97,454	$ 121,759	$ 151,191
Ratio of Plan Net Position to Total OPEB Liability	54.9%	49.3%	43.9%

Other Key Actuarial Assumptions

The other key actuarial assumptions that determined the total OPEB liability as of December 31, 2017 and 2016 included:

Valuation date	July 1, 2017	July 1, 2017
Measurement date	December 31, 2017	December 31, 2016
Inflation	2.50%	2.50%

M. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Changes in the Net OPEB Liability

Changes in the Net OPEB Liability for the year ended December 31, 2017 were as follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at 12/31/16	$ 228,143	$ 94,318	$ 133,825
Changes for the year:			
Service cost	2,716	-	2,716
Interest	16,104	-	16,104
Differences between expected and actual experience	4,927	-	4,927
Changes in assumptions	-	-	-
Contributions – employer, including benefits paid	-	21,586	- (21,586)
Contributions – retiree	-	4,168	(4,168)
Net investment income	-	14,247	(14,247)
Benefit payments, including refunds of employee contributions	(11,586)	(15,754)	4,168
Administrative expense*	-	(20)	20
Net change	12,161	24,227	(12,066)
Balances at 12/31/17	$ 240,304	$ 118,545	$ 121,759
Plan's fiduciary net position as a percentage of the total pension liability	49.33%		

M. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Restated changes in the Net OPEB Liability for the year ended December 31, 2016 were as follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at 12/31/15	$ 221,336	$ 75,955	$ 145,381
Changes for the year:			
Service cost	2,852	-	2,852
Interest	15,303	-	15,303
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions – employer	-	21,348	(21,348)
Contributions – retiree	-	3,967	(3,967)
Net investment income	-	8,363	(8,363)
Benefit payments, including refunds of employee contributions	(11,348)	(15,315)	3,967
Administrative expense*	-	-	-
Net change	6,807	18,363	(11,556)
Balances at 12/31/16	$ 228,143	$ 94,318	$ 133,825
Plan's fiduciary net position as a percentage of the total pension liability	41.34%		

* Administrative expenses are paid directly by WSSC

M. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Expense

For the years ended June 30, 2018 and 2017 (as restated), WSSC recognized OPEB expense as follows (in thousands):

	2018	2017
OPEB cost distributions:		
Operating	$ 9,357	$ 8,978
Non-operating	(286)	976
Capital	1,975	2,162
Total OPEB expense	$ 11,046	$ 12,116

Deferred Outflows (Inflows) of Resources

Deferred outflows of resources and deferred inflows of resources related to pensions were reported for the years ended June 30, 2018 and 2017 (as restated) from the following sources (in thousands):

Deferred Outflows	2018	2017
Contributions made subsequent to the measurement date	$ 4,236	$ 5,275
Net difference between expected and actual experience	3,942	-
Deferred Outflows	$ 8,178	$ 5,275
Deferred Inflows		
Net difference between projected and actual earnings on pension plan investments	$ (7,524)	$ (2,196)
Deferred Inflows	$ (7,524)	$ (2,196)

Contributions made subsequent to the measurement date will be recognized as expense in the next year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows (in thousands):

Year ended June 30	Amortization
2019	$1,033
2020	1,033
2021	1,032
2022	484

M. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Historical trend information showing the Plan's progress is presented in the Plan's December 31, 2017 comprehensive annual financial report, which can be requested from WSSC's offices.

N. DEFERRED COMPENSATION PLAN

WSSC offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All of the assets of the deferred compensation plan are held in a trust for the exclusive benefit of participants and beneficiaries. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

O. COMMITMENTS AND CONTINGENCIES

Construction expenditures for fiscal 2019 are not expected to exceed $656 million, a portion of which will be funded by capital contributions. Commitments in connection with this construction program approximated $223 million at June 30, 2018.

For fiscal years 2018 and 2017, the Commission paid $83.0 million and $84.1 million, respectively, to fund its share of construction costs under the regional Blue Plains Intermunicipal Agreement of 2012. The Commission estimates its share of the construction costs over the next six years to be $433.5 million, of which $65.3 million is expected to be incurred in fiscal year 2019 and the balance over fiscal years 2020 to 2025. In addition, for fiscal years 2018 and 2017, the Commission made total payments of $56.5 million and $47.2 million, respectively, to DC Water for its share of operating and maintenance costs.

WSSC receives several federal and state grants. The grant funds expended are subject to compliance audits by the grantors.

The United States Department of Justice, the United States Environmental Protection Agency and the Maryland Department of the Environment (collectively, "the Regulators") alleged, in previous years, that sanitary sewer overflows ("SSOs") from WSSC's sanitary sewer collection system were violations of the Federal Clean Water Act and analogous State law. Federal agencies have pursued similar enforcement actions nationally against public wastewater treatment system owners. WSSC contested this action and the initial remedial measures proposed by the Regulators. Negotiations to resolve the enforcement action through the entry of a mutually agreeable Consent Decree began in March 2002. In July 2005, a proposed Consent Decree was executed between WSSC, the Regulators and four environmental groups in which WSSC agreed to undertake certain remedial measures to eliminate and/or reduce SSO occurrences. The proposed Consent Decree was approved by the U.S. District Court with an official start date of December 7, 2005. In fiscal 2016, the U.S. District Court approved a six-year extension to the original term of the Consent Decree. Costs of these remedial measures are estimated at $2.060.6 million and are to be expended over at least 19 years, $742.4 million of which is expected to be incurred after fiscal year 2018. The costs are included in WSSC's budget and capital improvements program. WSSC also paid civil penalties totaling $1.1 million. These costs were accrued in fiscal 2005, and paid in fiscal 2006.

O. COMMITMENTS AND CONTINGENCIES (continued)

In February 2014, the Potomac Riverkeeper, Inc. ("PR") and the Chesapeake Bay Foundation, Inc. ("CBF") filed a complaint for injunctive relief and penalties in U.S. District Court in Maryland alleging violations of the Clean Water Act ("CWA") by the Commission (the "Issuer"). Under a Consent Decree executed by the District Court of Maryland on April 15, 2016, the Commission is required to undertake short-term operational changes and capital improvements at the Potomac Water Filtration Plant that will enable WSSC to reduce solids discharged to the river, and to plan, design and implement upgrades or new construction to achieve requirements established by MDE and incorporated in a new discharge permit. An Audit report and Long-Term Upgrade Plan were submitted by WSSC for consideration by MDE on December 26, 2016. WSSC and its consultant are preparing an Amended Long-Term Upgrade Plan to address deficiencies in the 2016 Plan and issues raised by MDE and PR in response to the Plan. Estimated order of magnitude costs for implementation of improvements in the draft revised Plan range from $151 million to $282 million, depending on the design plan options that are to be determined as part of the Parties' future resolution process. The WSSC Adopted FY19-24 Capital Improvements Program (CIP) has programmed a total of $155 million for implementation of improvements pursuant to a Long-Term Upgrade Plan. If necessary, WSSC will seek to amend the project for additional costs needed as part of an approved Long-Term Upgrade Plan.

WSSC is involved in judicial and administrative proceedings. These actions include personal injury, property damage, personnel and environmental claims, and various claims filed by contractors against WSSC for cost overruns on construction contracts. While the outcomes of these matters are uncertain, it is the opinion of management and WSSC's General Counsel that resolution of all claims outstanding will not have a material adverse effect on the financial position or changes in net position of WSSC.

WSSC purchases insurance on its property (structures, contents, boiler and machinery, etc.) for physical damages where it has been determined that a reasonable amount of exposure exists. In addition, WSSC is self-insured for workers' compensation in accordance with the statutory requirements of the State of Maryland. The workers' compensation accrued liability includes an estimate for claims incurred but not yet reported to the claims administrator. WSSC also maintains crime and terrorism insurance and fiduciary liability policies having various self-insured retention levels. Claims have not exceeded policy limits in the past three years.

WSSC is self-insured for all public liability. Each year, funds are budgeted for normal claims. However, should the past loss experience change, or should a catastrophic loss occur in excess of applicable insurance coverage, funds for such loss or losses would have to be obtained from ad valorem taxation or other sources of revenue since a self-insurance fund has not been established.

General liability and workers' compensation claim activity consisted of the following at June 30 (in thousands):

	2018	2017
Claim liability - beginning of year	$ 16,981	$ 21,742
Current year claims and changes in estimates	10,475	7,014
Claim payments	(13,019)	(11,775)
Claim liability - end of year	$ 14,437	$ 16,981

This liability is included in accounts payable and accrued expenses on the balance sheet.

During fiscal 2018 and 2017, WSSC leased a variety of equipment with annual rental payments of approximately $1.3 million and $1.8 million, respectively.

P. RESTATEMENT

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The statement is effective for periods beginning after June 15, 2017. To comply with GASB Statement No. 75, prior year balances were restated resulting in a net $100.1 million decrease in net position as of June 30, 2016.

A summary of the transaction and the impact of the restatement are illustrated below:

(1) The net OPEB liability, actuarially determined in accordance with GASB 75 requirements, has been reported. Additional OPEB costs and adjustments to the net OPEB liability were distributed across the organization based on current WSSC practice.
(2) Contributions to the OPEB Plan from WSSC subsequent to the measurement date of the net OPEB liability and before the end of its reporting period have been reflected as deferred outflows of resources.
(3) WSSCs balances of deferred outflows of resources and deferred inflows of resources related to OPEB, have been represented.
(4) All fringe benefits, including insurance costs, are allocated across the organization based on charges for salaries and wages, therefore a portion of the restatement impacts capital assets.

P. RESTATEMENT (continued)

	Fiscal 2017 as previously reported	Restatement as of July 1, 2016	Restatement as of June 30, 2017	Fiscal 2017 Restated
Current and other assets	$ 398,317	$ -	$ -	$ 398,317
Capital assets, net of accumulated depreciation	7,767,282	18,355	(1,801)	7,783,836
Total assets	8,165,599	18,355	(1,801)	$ 8,182,153
Deferred outflows of resources	56,974	6,074	(799)	62,249
Total assets and deferred outflows	$ 8,222,573	$ 24,429	$ (2,600)	$ 8,244,402
Current and other liabilities	$ 790,519	$ 124,507	$ (6,507)	$ 908,519
Bonds and notes payable, net of current maturities	2,658,926	-	-	2,658,926
Total liabilities	3,449,445	124,507	(6,507)	3,567,445
Deferred inflows of resources	50,073	-	2,196	52,269
Total liabilities and deferred inflows	3,499,518	124,507	(4,311)	3,619,714
Net investment in capital assets	4,573,318	(3,290)	(591)	4,569,437
Restricted for growth construction	19,284	-	-	19,284
Unrestricted	130,453	(96,788)	2,302	35,967
Total net position	4,723,055	(100,078)	1,711	4,624,688
Total liabilities, deferred inflows and net position	$ 8,222,573	$ 24,429	$ (2,600)	$ 8,244,402
Operating revenues	$ 725,796		$ -	$ 725,796
Operating expenses	(599,258)		2,687	(596,571)
Non-operating revenues (expenses)	(32,537)		(976)	(33,513)
Income before capital contributions	94,001		1,711	95,712
Capital contributions	85,504		-	85,504
Change in net position	$ 179,505		$ 1,711	$ 181,216

Q. SUBSEQUENT EVENTS

The WSSC has evaluated events subsequent to September 14, 2018 and through the date the financial statements were available to be issued, and determined there have not been any events that have occurred that would require adjustments to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SCHEDULE A-1

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ 10,744,773	$ 10,576,413	$ 9,828,010	$ 11,098,519	$ 10,541,264
Interest on total pension liability	63,199,824	61,935,402	61,611,259	67,317,785	66,214,298
Effect of plan changes	-	-	-	-	-
Effect of assumption changes or inputs	-	-	32,257,956	-	-
Differences between expected and actual experience	3,474,382	(10,448,960)	(53,390,196)	(8,657,936)	-
Benefit payments, including refunds	(58,642,039)	(57,554,539)	(56,672,851)	(54,934,361)	(53,545,268)
Net change in total pension liability	18,776,940	4,508,316	(6,365,822)	14,824,007	23,210,294
Total pension liability, beginning of the year	917,584,542	913,076,226	919,442,048	904,618,041	881,407,747
Total pension liability, end of the year	936,361,482	917,584,542	913,076,226	919,442,048	904,618,041
Plan Fiduciary Net Pension					
Employer contributions	24,193,212	22,606,531	22,346,849	20,965,016	20,498,919
Member contributions	5,290,757	4,213,793	3,930,364	3,823,065	3,652,732
Investment income, net of investment expenses	118,185,475	61,852,141	(10,371,882)	37,575,768	110,734,486
Benefit payments, including refunds	(58,642,039)	(57,554,539)	(56,672,851)	(54,934,361)	(53,545,268)
Net change in plan fiduciary net position	89,027,405	31,117,926	(40,767,520)	7,429,488	81,340,869
Plan fiduciary net position, beginning of year	744,797,952	713,680,026	754,447,546	747,018,058	665,677,189
Plan fiduciary net position, end of year	833,825,357	744,797,952	713,680,026	754,447,546	747,018,058
Net pension liability, beginning of year	172,786,590	199,396,200	164,994,502	157,599,983	215,730,558
Net pension liability, end of year	$ 102,536,125	$ 172,786,590	$ 199,396,200	$ 164,994,502	$ 157,599,983
Plan fiduciary net position as a percentage of total pension liability	89.0%	81.2%	78.2%	82.1%	82.6%
Covered payroll	$ 143,155,112	$ 133,766,444	$ 132,229,882	$ 124,053,349	$ 121,295,379
Plan's net pension liability as a percentage of covered payroll	71.6%	129.2%	150.8%	133.0%	129.9%

This schedule is presented to illustrate the requirement to show information for 10 years. The Plan presents information for available years and additional years will be displayed as they become avaialble.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes: - There have been no changes in benefit assumptions since the implementation of GASB 67 and 68.

Changes in assumptions - There were several changes in actuarial assumptions since the prior year, including rates of mortality, retirement, and termination; as well as inflation, salary increases, and investment return.

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
SCHEDULE A-2

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2008	21,786,354	15,916,076	5,870,278	94,177,964	16.9%
2009	14,444,809	16,758,266	(2,313,457)	99,161,337	16.9%
2010	12,201,033	18,224,804	(6,023,771)	107,839,077	16.9%
2011	26,295,382	18,686,402	7,608,980	110,570,426	16.9%
2012	22,757,807	19,038,875	3,718,932	112,656,065	16.9%
2013	22,739,819	20,498,919	2,240,900	121,295,379	16.9%
2014	25,745,448	20,965,016	4,780,432	124,053,349	16.9%
2015	20,100,358	22,346,849	(2,246,491)	132,229,876	16.9%
2016	18,393,733	22,606,531	(4,212,798)	133,766,456	16.9%
2017	18,591,764	24,193,212	(5,601,448)	143,155,101	16.9%

Notes to Schedule of Contributions:

Valuation date:

Actuarially determined contribution rates are calculated as of July 1st of the fiscal year in which the contributions are reported. WSSC's policy is to complete an actuarial study at least once every two years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (funding valuation uses a fixed rate of contribution)
Inflation	2.50%
Salary increases	2.75 to 7.50 % including inflation
Investment rate of return	7.0% net of pension plan investment expenses, including inflation
Retirement age	Table of rates by age and eligibility
Mortality	Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, with Blue Collar adjustments and one-year age set-forward and projected to 2025 using Scale BB. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of the actuarial experience analysis covering 2011 through 2016.

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
SCHEDULE A-3

	2017	2016
Total OPEB Liability		
Service cost	$ 2,715,880	$ 2,852,227
Interest on total OPEB liability	16,104,693	15,302,770
Effect of plan changes	-	-
Effect of assumption changes or inputs	-	-
Differences between expected and actual experience	4,927,026	-
Benefit payments, including refunds	(11,586,194)	(11,348,096)
Net change in total OPEB liability	12,161,405	6,806,901
Total OPEB liability, beginning of the year	228,143,752	221,336,851
Total OPEB liability, end of the year	240,305,157	228,143,752
Plan Fiduciary Net Pension		
Employer contributions, including benefits paid	21,586,194	21,348,096
Member contributions	4,168,418	3,967,312
Investment income, net of investment expenses	14,247,468	8,362,666
Benefit payments, including refunds	(15,754,612)	(15,315,408)
Administrative expenses	(20,000)	-
Net change in plan fiduciary net position	24,227,468	18,362,666
Plan fiduciary net position, beginning of year	94,318,236	75,955,570
Plan fiduciary net position, end of year	118,545,704	94,318,236
Net OPEB liability, beginning of year	133,825,516	145,381,281
Net OPEB liability, end of year	$ 121,759,453	$ 133,825,516
Plan fiduciary net position as a percentage of total OPEB liability	49.3%	41.3%
Covered employee payroll	$ 124,331,306	$ 122,144,339
Net OPEB liability as a percentage of covered employee payroll	97.9%	109.6%

This schedule is presented to illustrate the requirement to show information for 10 years. The OPEB Plan presents information for available years and additional years will be displayed as they become avaialble.

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
SCHEDULE A-4

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2008	22,466,763	12,963,000	9,503,763	84,760,168	15.3%
2009	22,745,474	13,829,000	8,916,474	89,245,204	15.5%
2010	21,175,619	14,675,000	6,500,619	97,055,169	15.1%
2011	21,298,235	14,735,000	6,563,235	99,513,383	14.8%
2012	20,180,734	17,539,809	2,640,925	101,390,459	17.3%
2013	20,128,000	19,060,000	1,068,000	109,165,841	17.5%
2014	16,752,000	20,437,000	(3,685,000)	111,648,014	18.3%
2015	16,766,000	22,379,000	(5,613,000)	119,006,893	18.8%
2016	14,960,787	21,348,096	(6,387,309)	122,144,339	17.5%
2017	14,960,787	21,586,194	(6,625,407)	124,331,306	17.4%

Notes to Schedule of Contributions:

Valuation date:

Actuarially determined contribution rates are calculated as of July 1st of the fiscal year in which the contributions are reported. WSSC's policy is to complete an actuarial study at least once every two years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Investment rate of return	7.00%
Asset valuations methodology	Assets are based on market value
Healthcare cost trend rates	5.75% for 2017, 5.50% for 2018, 5.25% for 2019, 4.75% for 2020, 4.50% thereafter, Post-Medicare 4.50% for all years
Retirement age	Table of rates by age and eligibility
Mortality	Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, with Blue Collar adjustments and one-year age set-forward and projected to 2025 using Scale BB. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of the actuarial experience analysis covering 2016.

APPENDIX B

SELECTED INFORMATION RESPECTING MONTGOMERY COUNTY AND PRINCE GEORGE'S COUNTY

MONTGOMERY COUNTY

General

The information contained under the heading "Montgomery County" has been provided by Montgomery County**. The Commission has not undertaken to audit, authenticate or otherwise verify the information regarding Montgomery County set forth in this Appendix B. The Commission makes no guaranty, warranty or other representation respecting the accuracy and completeness of such information. The Commission is not in a position to, and will not, undertake to update any information set forth herein regarding Montgomery County.**

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 496 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

Government

The County Council is comprised of nine members, four of whom are elected by the qualified voters of the entire County. Each of the five other members of the Council must, at the time of their election, reside in a different one of five Council manic districts of the County and each of these five members shall be nominated and elected by the qualified voters in their respective districts. Populations of the Council manic districts are substantially equal.

The County Executive, who must be a qualified voter of the County for the five years preceding his or her election and who may not be less than thirty years of age, is elected by the qualified voters of the entire County at the same time as the Council. Both the County Executive and the County Council members serve a four-year term. Montgomery County voters in November 2016 approved a referendum to limit the County Executive and Councilmembers to three four-year terms. The first election that this change will impact is in 2018.

Population

The population of the County, according to the 2010 Census, was 971,777, an increase of 10.6 percent since the 2000 Census and exceeded 1 million in 2012.

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Households and Population

	Households	Population	Population Percent Change from Prior Census
2017 (est)	375,960	1,050,370	8.1%
2016	373,346	1,049,477	7.477
2015	371,468	1,040,116	7.0
2014	364,854	1,030,447	6.0
2013	364,743	1,016,677	4.6
2012	361,116	1,004,709	3.4
2011	359,496	989,794	1.9
2010 (U.S. Census)	357,086	971,777	10.6
2009	345,301	959,013	9.1
2008	341,812	942,748	7.3
2007	343,540	931,694	6.0
2006	341,438	926,492	5.4
2005	339,628	921,531	4.9
2004	337,838	914,991	4.1
2000 (U.S. Census)	324,565	878,683	15.7

Note: Data for households and total population from 2011 to 2016 from the American Community Survey, U.S. Census Bureau. Data for households from the American Community Survey are defined as occupied housing units. The estimate of households and population in 2017 derived by the Montgomery County Department of Finance from using average annual rate from 2015 to 2045 from MWCOG.

Median Age

	1960	1970	1980	1990	2000	2010	2016
Median Age	28.1	27.9	32.1	33.9	36.8	38.5	39.0

Sources: For 2010 and 2016 the American Community Survey, U.S. Bureau of the Census. For previous years, Decennial Census, U.S. Bureau of the Census

Employment

The County's economic structure reveals a diversified economy with a strong service sector. The total private sector (trade, information services, financial activities, professional services, education and health, and hospitality) employed 80.6 percent of the total workforce in 2016, the latest available annual data. The following tables present the County's employment by industrial sector.

Payroll Employment

	2010	2015	2016
TOTAL PRIVATE SECTOR	358,172	369,541	373,686
PUBLIC SECTOR EMPLOYMENT:			
Federal	45,072	47,321	48,068
State	1,199	1,249	1,217
Local	37,140	40,774	40,478
TOTAL PUBLIC SECTOR	83,411	89,344	89,763
GRAND TOTAL	441,583	458,885	463,449

Notes: The following groups are excluded from the payroll count. Federal, military, self-employed, railroad workers and domestic employees.
Payroll employment represents the total number of jobs covered by the Maryland Unemployment Insurance Program.
Source: State of Maryland, Department of Labor, Licensing and Regulation.

Payroll Employment Shares by Industry

	2015	2016
TOTAL PRIVATE SECTOR	80.5%	80.6%
PUBLIC SECTOR EMPLOYMENT:		
Federal	10.3%	10.4%
State	0.3%	0.3%
Local	8.9%	8.7%
TOTAL PUBLIC SECTOR	19.5%	19.4%
GRAND TOTAL	100.0%	100.0%

Source: State of Maryland, Department of Labor, Licensing and Regulation.

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Payroll Employment
(NAICS Series)

	2015	2016	Difference	Percent Change
Total Private Sector	369,541	373,686	4,145	1.10%
Goods-Producing	35,559	35,588	29	0.10%
Natural Resources and Mining	308	310	2	0.60%
Construction	23,585	23,332	(253)	-1.10%
Manufacturing	11,666	11,946	280	2.50%
Service-Providing	333,982	338,098	4,116	1.20%
Trade, Transportation, and Utilities	57,695	56,846	(849)	-1.50%
Information	12,354	11,780	(574)	-4.60%
Financial Activities	30,607	29,790	(817)	-
Professional and Business Services	99,022	102,397	3,375	3.40%
Education and Health Services	69,925	71,561	1,636	2.30%
Leisure and Hospitality	41,827	43,203	1,376	3.30%
Other Services	22,552	22,521	(31)	-0.10%
Public Sector Employment	89,344	89,763	419	0.50%
Federal Government	47,321	48,068	747	1.60%
State Government	1,249	1,217	(32)	-2.60%
Local Government	40,774	40,478	(296)	-0.70%
Grand Total	458,885	463,449	4,564	1.00%

* North American Industrial Classification System.

During calendar year 2016 the County's unemployment rate averaged 3.3 percent. The table below presents the County's labor force, employment and unemployment for the calendar years 2008 through 2017.

Montgomery County's Resident Labor Force
Employment & Unemployment

	Labor Force	Employment	Unemployment	Unemployment Rate
2017*	554,029	536,300	17,729	3.20%
2016	551,392	533,201	18,191	3.30%
2015	548,499	527,034	21,415	3.90%
2014	544,210	520,288	23,922	4.40%
2013	542,690	515,689	27,001	5.00%
2012	540,427	512,438	27,989	5.20%
2011	536,832	508,549	28,283	5.30%
2010	532,549	502,710	29,839	5.60%
2009	522,421	494,565	27,856	5.30%
2008	515,987	499,705	16,282	3.20%

Source: State of Maryland, Department of Labor, Licensing and Regulation and the Bureau of Labor Statistics (BLS).
* Estimated by the Montgomery County Department of Finance.

Federal Government Employment

The County is home to 18 Federal agencies in which over 55,500 civilians are employed. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's premier centers of medical research. The following is a partial list of federal agencies in the County and their estimated employment in 2016.

Department of Health and Human Services (HHS)	31,435
National Institutes of Health	
Food and Drug Administration	
Department of Defense	14,000
Walter Reed National Military Center	
Carderock Naval Surface Warfare Center	
Department of Commerce	5,755
National Oceanic & Atmospheric Administration	
National Institute of Standards & Technology	
Nuclear Regulatory Commission	2,340
Department of Energy	1,035

Source: Maryland Department of Commerce 2016 data.

Private Sector Employment

There are several thousand private sector employers in Montgomery County. Below is a listing of some of the County's largest employers.

Name of Firm	Est. No. of Employees
Marriott International, Inc.	5,800
Adventist Hospital	4,290
Kaiser Foundation Health Plan	2,640
MedImmune/Astra Zeneca	2,320
Government Employee Insurance Company (GEICO)	2,270
Holy Cross Hospital	2,000
Verizon	2,000
Westat, Inc.	2,000
Suburban Hospital	1,815
Henry M. Jackson Foundation	1,780
Lockheed Martin	1,610

Source: Montgomery County, AIS, 01.15.18

Source: Maryland Department of Commerce 2016 data.

Personal Income

Actual personal income of County residents exceeded $84.5 billion in calendar year 2016 which is an increase over the 2015 amount of $80.8 billion. The County's total personal income experienced an increase of 4.6 percent in 2016, greater than the nation's increase of 2.3 percent, and greater than the State's rate of 3.6 percent. The County's total personal income increase of 4.6 percent is greater than the ten-year (2006-2015) annual average growth rate of 2.6 percent.

The County accounts for 24.2 percent of the State's personal income in 2016, which is a percentage that has ranged from a low of 23.5 percent in 2014 to a high of 24.5 percent in 2012.

Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2016	$84,518	$349,267	$15,912,777	24.2%
2015	80,786	337,212	15,547,661	24.0
2014	75,745	322,609	14,811,388	23.5
2013	74,018	312,370	14,068,960	23.7
2012	76,994	314,160	13,904,485	24.5
2011	73,818	304,388	13,233,436	24.3
2010	69,149	288,737	12,459,613	23.9
2009	66,148	279,901	12,079,444	23.6
2008	67,564	280,995	12,492,705	24.0
2007	63,700	267,774	11,995,419	23.8

Source: Montgomery County, AIS, 01.15.18

Notes: Data from U.S. Department of Commerce, Bureau of Economic Analysis, revised November 2017 (County, State, and U.S.).

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Average Household and Per Capita Personal Income

According to the Bureau of Economic Analysis, U.S. Department of Commerce, the County's total personal income exceeded $84.5 billion in calendar year 2016, up from a revised $80.8 billion in 2015, while per capita income reached $80,967 in 2016, up from a revised $77,961 in 2015. Average household income increased from a revised $217,484 in 2015 to $226,381 in 2016.

Per Capita and Average Household Income, 2016

County	Per Capita Income	County	Average Household Income
Marin, CA	$115,952	San Mateo, CA	$306,914
Fairfield, CT	106,666	Fairfield, CT	300,346
San Mateo, CA	105,721	Marin, CA	284,229
Westchester, NY	94,140	Santa Clara, CA	268,485
Somerset, NJ	90,268	Westchester, NY	268,087
Morris, NJ	89,065	Somerset, NJ	259,339
Santa Clara, CA	88,920	Morris, NJ	245,181
Arlington, VA	87,986	Nassau, NY	244,985
Collier, FL	84,101	**Montgomery, MD**	**226,381**
Norfolk, MA	81,948	Fairfax, VA	226,268
Montgomery, MD	**80,967**	Collier, FL	220,096
Nassau, NY	79,314	Loudon, VA	220,038
Bergen, NJ	77,187	Norfolk, MA	219,227
Fairfax, VA	75,978	Bergen, NJ	214,961
Middlesex, MA	75,869	Lake, IL	209,875
Chester, PA	75,281	Chester, PA	207,644
Lake, IL	72,956	Contra Costa, CA	205,507
Montgomery, PA	72,780	Middlesex, MA	203,248
Howard, MD	71,869	Howard, MD	202,583
Loudon, VA	70,840	Arlington, VA	195,606

Source: Montgomery County, AIS, 01.15.18

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 200,000 and the number of households of at least 100,000 where income levels are considerably higher than in the central city and other jurisdictions in the area.

Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA), November 2017 for total personal income and per capita data; the Department of Finance used the number of households from the American Community Survey, U.S. Census Bureau, and the total personal income from the BEA.

Property Tax Information

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was levied above the constant yield rate for FY17. Following the Fairness in Taxation (FIT) legislation, the County Charter requires an affirmative vote of nine members of the Council to increase the real property tax rate to a level that will produce total revenues exceeding the total revenue produced by the tax on real property in the preceding year, plus 100 percent of any increase in the Consumer Price Index with exemptions for revenue from newly constructed, rezoned property and development district tax to fund capital improvement projects. The tax rate adopted for Levy Year 2016 (i.e., FY17), in conjunction with a one-time income tax offset credit, generated revenues below the Charter limit for that year.

Generally, property taxes are levied as of July 1 and become delinquent on October 1. Interest and penalty amounts are assessed annually at 20 percent on delinquent tax bills. Owner-occupied residential and "small business" property owners pay their tax on a semi-annual schedule, with the first and second installments due on September 30 and December 31, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30. Property tax revenue is reported net of refunds paid.

The County collects delinquent real property taxes through a public tax lien sale. Tax liens, representing delinquent taxes on real property are sold in random groups, utilizing a sealed bid process, on the second Monday in June, when taxes have remained overdue since the preceding October 1 or in the case of a semi-annual schedule, January 1.

Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation (SDAT). Assessment rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value (full cash value) and assessed in each year at a percentage of market value. One-third of the real property base is reassessed every three years. An increase in full cash value arising from such reassessment is phased in over the ensuing three tax years in equal annual amounts. A decline in assessed valuation becomes fully effective in the first year.

As the level of new construction was less than $1.7 billion in FY10, less than $1.0 billion in FY11, less than $0.6 billion in FY12, and less than $1.5 billion in FY13, coupled with a decline in the valuation of properties, the real property taxable base decreased at an average annual rate of 2.9 percent, measured from FY11 to FY13, compared a modest growth rate of 0.4 percent from FY10 to FY11. That two-year decline was attributed to the dramatic decreases in the reassessment rates in FY10, FY11, and FY12. As such real property taxable assessments declined 3.3 percent in FY12 and 2.4 percent in FY13. However, in FY14, real property taxable assessment increased 1.0 percent and 2.4 percent in FY15. Due to a decline in business investment in personal property between FY10 and FY13, attributed to an adjustment by the SDAT to assessments of individual personal property, the personal property base decreased at an average annual rate of 4.4 percent during the four-year period (from FY10 to FY13). In FY14, personal property taxable assessment increased 2.9 percent but decreased 1.5 percent in FY15. In FY16, real property taxable assessments increased 4.0 percent and personal property taxable assessment increased 6.3 percent. In FY17, real property taxable assessments increased 4.3 percent and personal property taxable assessments increased 4.3 percent. The increase in real property taxable assessment is due to the increase in the triennial reassessment rates for residential and commercial properties in Group Two.

Assessed Value of All Taxable Property by Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Percent Change From Prior Year	Ratio of Assessment to Full Market Value
2017	$177,495,353,017	$4,051,372,468	$181,546,725,485	4.30%	93.73%
2016	170,176,446,052	3,884,349,017	174,060,795,069	4.03	92.56
2015	163,656,758,206	3,655,133,210	167,311,891,416	2.27	96.67
2014	159,891,865,334	3,709,327,508	163,601,192,842	1.06	91.77
2013	158,272,830,848	3,604,478,750	161,877,309,598	-2.43	93.05

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports.

Tax-exempt properties are excluded from the above figures. In FY16, such exemptions for real property owned by Federal, State, County, and other governmental units, and certain non-profit organizations totaled nearly 21,000 accounts at the beginning of the fiscal year based on data from the State Department of Assessments and Taxation. Tax-exempt real property constitutes 6.1 percent of the total number of accounts for the real property assessable base. The SDAT grants exemptions from property taxes, pursuant to State law. The ratio of total assessed value to total full market value is based on studies conducted by the SDAT.

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Tax Levies and Revenue

Fiscal Year	County Tax Levy	Revenue From Current Year Assessment	Ratio of Current Yr Revenue to Tax Levy	Revenue From Prior Year Assessment	Total Revenue	Ratio Of Total Revenue to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy
2017	$1,313,146,277	$1,295,425,337	98.65%	($28,250,117)	$1,267,175,220	96.50%	$10,832,703	0.82%
2016	1,172,889,804	1,148,375,647	97.91	(21,380,048)	1,125,995,599	96.00	13,853,525	1.18%
2015	1,133,030,658	1,108,320,647	97.82	(21,354,590)	1,086,966,057	95.93	15,573,609	1.37
2014	1,148,085,538	1,126,029,910	98.08	(18,755,733)	1,107,274,177	96.45	14,453,739	1.26
2013	1,081,306,701	1,056,688,995	97.72	(23,627,793)	1,033,061,202	95.54	18,400,655	1.70

Tax Rates and Tax Levies, by Purpose

	General County		Transit		State		Total	
FY	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2017	$0.773	$1,111,560,661	$0.052	$87,864,138	$0.112	$199,012,237	$0.937	$1,398,437,036
2016	0.723	1,171,363,784	0.060	96,861,676	0.112	191,350,411	0.895	1,459,575,871
2015	0.732	1,133,030,658	0.040	61,702,899	0.112	183,907,978	0.884	1,378,641,535
2014	0.759	1,148,085,538	0.042	63,303,304	0.112	179,561,927	0.913	1,390,950,769
2013	0.724	1,081,306,701	0.048	71,440,950	0.112	177,724,401	0.884	1,330,472,052

Note: Rates are per $100 of assessed value. Tax rates shown are for real property only, and tax levies are based upon a 100% of full cash value assessment. The personal property rate for General County was $1.9335 in FY17, $1.8075 in FY16, $1.8300 in FY15, $1.898 in FY14, $1.810 in FY13, and $1.783 in FY2012.; the personal property rate for Transit was $0.13 in FY17, $0.15 in FY16, $0.1 in FY15, $0.105 in FY14, $0.120 in FY13, and $0.095 in FY12. (The State does not tax personal property).

Ten Highest Commercial Property Taxpayers' Assessable Base
As of June 30, 2017

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co	$ 914,226,121	$ 15,487,201	$ 898,738,920	0.50%
Federal Realty Investment Trust	490,232,481	486,372,601	3,859,880	0.27
WMATA	390,620,933	390,620,933	-	0.22
Verizon - Maryland	339,716,240	-	339,716,240	0.19
Montgomery Mall LLC	338,261,500	338,261,500	-	0.19
Street Retail Inc.	334,461,733	334,461,733	-	0.18
Chevy Chase Land Co	323,940,900	323,940,900	-	0.18
W P Project Developer LLC.	294,665,550	294,665,550	-	0.16
Washington Gas Light Co.	283,348,210	-	283,348,210	0.16
Wheaton Plaza Reg Shopping Ctr	282,862,634	281,606,504	1,256,130	0.16
Total	$ 3,992,336,302	$ 2,465,416,922	$ 1,526,919,380	2.21%
Assessable Base (June 30, 2017)	$181,546,725,485			

Sources: State of Maryland, Department of Assessments and Taxation, and Montgomery County Department of Finance, Division of Treasury.

ECONOMY

New Construction

Between FY16 and FY17, the number of new construction projects decreased 8.1 percent. At the same time, the value of new construction added to the real property tax base increased 1.4 percent to $1.640 billion. Over the prior nine-year period (from FY08 to FY16), the number of projects, both residential and non-residential increased from 952 to 1,797. During that same period, the value of new construction averaged $1.282 billion between FY08 and FY16 and ranging from a high of $1.618 billion in FY16 to a low of $0.586 billion in FY12. The decline in the construction of residential properties beginning in FY08 and ending in FY12 reached its lowest level in five fiscal years. Because of the depressed housing market beginning in late 2005, the value of new residential construction declined at an average annual rate of 27.7 percent between the peak in 2008 and 2012, but since 2012, new residential construction increased at an average annual rate of 25.6 percent.

New Construction Added to Real Property Tax Base

Montgomery County
($ millions)

Fiscal Year	Construction Starts	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2017	1,651	$820.4	$101.7	$130.9	$578.8	$ 7.9	$1,639.8
2016*	1,797	755.2	118.6	130.1	595.2	18.5	1,617.5
2015	1,819	660.2	30.9	27.6	696.6	4.2	1,419.5
2014	1,775	652.4	73.5	59.1	517.6	6.8	1,309.4
2013	1,497	537.2	91.9	123.8	651.8	3.0	1,407.7
2012	839	241.5	39.0	60.7	241.3	3.1	585.6
2011	863	540.2	20.6	56.6	226.9	75.5	919.8
2010	833	599.4	19.7	180.3	354.7	226.6	1,380.7
2009	738	724.1	5.8	455.4	229.5	0.0	1,414.8
2008	952	882.7	25.8	318.5	256.6	0.0	1,483.6
10-Year Summary		$6,413.2	$527.5	$1,543.1	$4,349.1	$345.1	$13,178.4
Categories as Percent of Total		48.7%	4.0%	11.7%	33.0%	2.6%	100.0%

Source: Montgomery County, AIS, 01.15.18

Source: Dodge Analytics, McGraw-Hill Construction, and Maryland State Department of Assessments and Taxation.
*2016 data was revised based on McGraw-Hill Construction revision.

Development Districts

In 1994, the County Council enacted the Development District Act, which allows the County to create development districts and to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or acquisition of infrastructure improvements. The proceeds of development district bonds are used to fund certain road, park, and sewer infrastructure improvements supporting development within the districts.

As a result of a petition by property owners and the subsequent review and analysis of the feasibility of the proposed development district, the County Council, in January 1998, created the County's first development district, West Germantown. A second district, Kingsview Village Center, was created on July 28, 1998.

In separate actions in September 2000 and October 2001, the County Council approved resolutions initiating evaluation of three proposed new development districts located in Clarksburg: Clarksburg Town Center, Clarksburg Village and Clarksburg Skylark (currently marketed as Arora Hills). The Clarksburg Town Center development district was created on March 4, 2003. However, in October 2010, the Council adopted Resolution 16-1544 which effectively terminated the Clarksburg Town Center development district.

Economic Development Initiatives

In an effort to stimulate employment growth and new investment, the County initiates programs and promotes the strengths of each of its local employment centers.

Overview of Montgomery County

The County is divided into two major commercial real estate areas: the core and non-core markets. The core markets include the Bethesda/Chevy Chase and Silver Spring submarkets. These two are characterized by high- density, mass transit-serviced areas. Historically, they are some of the most highly demanded areas in Suburban Maryland.

The non-core markets include all of the remaining submarkets in Montgomery County including the technology based I-270 corridor. Each of the submarkets is outside of the Capital Beltway and generally exhibits more suburban traits although, this trait is changing as companies are requiring more amenities for their employees.

The I-270 Technology Corridor is an internationally recognized life sciences and advanced technology center. It is home to over 1,000 biotechnology and advanced technology companies, including GlaxoSmithKline (formerly Human Genome Sciences), Lockheed Martin, MedImmune/Astra-Zeneca, IBM and Hughes Communications.

The White Flint Sector Plan, with the development clustered within 430 acres around the Metro Station, increased development capacity dramatically. With 9,800 new residential units and almost 6 million square feet of additional commercial development allowed to be phased in within a ten-minute walk from Metro, this area is transitioning from a tired transportation corridor full of strip centers to a vibrant, mixed use urban neighborhood. The award-winning Pike & Rose project has delivered almost 900 new residential units, a new hotel, and over 500,000 square feet of commercial space, with a new office building under review. The County has completed a new 650 space garage, the first phase of a road project, and new separated bike lanes on two existing streets in White Flint to allow for better local mobility and connections. Two new mixed use projects have been approved and are out for financing. The White Flint 2 Sector Plan, which includes 460 acres adjacent to the White Flint Sector Plan, is under final review by the Council and will encourage further mixed use.

The U.S. Route 29 Corridor in eastern Montgomery County continues its steady transformation into the County's other major technology and business center, with more than 100 major employers, most notably the FDA Headquarters campus that includes over 2.1 million square feet of office, lab and support facilities.

Central Business Districts

The County is committed to promoting new investment in its Central Business Districts (CBDs). The County's four CBDs are Silver Spring, Wheaton, Bethesda, and Friendship Heights, and are served by the region's longest extensions of the Metrorail system. The CBDs are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations. A summary of the four CBDs are as follow:

Downtown Silver Spring

Since 1998, the State and Montgomery County invested a total of approximately $200 million in the redevelopment of downtown Silver Spring. Downtown Silver Spring transformed into a vibrant business, retail and entertainment hub with the American Film Institute (AFI) and Discovery Communications leading the way. Other prominent locations in this district are:

- The Fillmore Silver Spring has been a huge success and brings the tradition of legendary and diverse lineups of performers across many genres of music to the 23,000 square foot venue that can host 2,000 patrons.
- The Silver Spring Civic Building and Veterans Plaza add a new dimension to the arts & entertainment economy in the area. The facility has transformed what it means to be in a public space in Silver Spring and is an economic engine for the nearby retail community.

- The new Silver Spring Library is 63,000 square feet, almost four times bigger than the current Silver Spring Library, and is designed to allow for a Purple Line station.

- Public transportation is being bolstered with the planned Purple Line light rail, which will add new transit options to the region, with two stations in downtown Silver Spring and nine in the Silver Spring Regional Area.

The new Progress Place, which serves low-income and homeless populations, began operation in December 2016. By partnering with, local developer, Washington Property Company for the design and construction of a new Progress Place on County-owned land, the County was able to expand services, via 21 apartments for persons transitioning out of homelessness. Washington Property Company will redevelop the former Progress Place site as a high-rise residential development. This partnership illustrates the County's continued commitment to smart growth by leveraging publicly owned land, promoting transit-oriented development in Silver Spring and expanding the County's capacity to serve the community.

Wheaton

The limited size of Wheaton's Central Business District (CBD), 76 acres, combined with the number of small commercial property parcels and multiple property owners, presents a challenge in redeveloping Wheaton, given the cost of land aggregation necessary for larger-scale development. The County recognized that it and other public entities held enough real estate assets in Wheaton that were capable of accommodating larger development projects. The County determined that some of these assets might be used to stimulate redevelopment in Wheaton as listed below:

- The Wheaton CBD and Vicinity Sector Plan, promotes transit-oriented, "smart growth" development in downtown Wheaton. Such development will enhance Wheaton's strong retail base, which includes a newly renovated Westfield Wheaton regional shopping mall and over 300 locally owned and operated small businesses, including more than 80 restaurants. A 148,000 square foot Costco Wholesale opened alongside the Westfield shopping mall in 2013.

- Also in 2013, Foulger-Pratt developed a certified LEED Silver high-rise residential project with certified LEED Gold first floor Safeway grocer located directly at the Wheaton Metro Station. The building, known as The Exchange at Wheaton, features a 17th floor sky terrace, pool, dog park, and fitness facility with 486 rental units and 58,000 SF of retail.

- In October 2014, the Montgomery County Department of Transportation (MCDOT) entered into a joint development partnership with StonebridgeCarras for the Wheaton Revitalization Project which will provide a new 14-story government office building, below ground parking garage, and a town square as part of the Revitalization Strategy for this area. This mixed-use development will endeavor to improve mobility, increase Wheaton Metro Station use, diminish negative environmental impacts, reduce traffic congestion and increase the diversity of employment opportunities and services in the Wheaton area.

- The Mid County Regional Services Center Building was vacated on August 31, 2017 and will be demolished as part of the planned Plaza development south of Reedie Drive. Building demolition is scheduled for early 2018. The Mid County Regional Service Center moved on September 5, 2017 to a temporary home at 11435 Grandview Ave, Wheaton, MD 20902 as it awaits the completion of the Wheaton Revitalization Project which will be its permanent location. The revitalization project continues to be on schedule and within budget. Mass excavation for the new building and garage foundations continues and is scheduled to finish in early January 2018. Substantial completion for the entire project is anticipated for Spring of 2020.

Bethesda

Downtown Bethesda is one of the County's major urban business and entertainment centers, with nearly 200 restaurants combined with the density of both high-rise office and residential buildings. Downtown Bethesda is a thriving destination offering residents, visitors, and its workforce multi-cultural dining, live theater, cinema, unique shops, and numerous special events and festivals.

- Residents and visitors alike continue to enjoy the artistic and enriching performances provided at the Bethesda Round House Theatre, Imagination Stage, Bethesda Row Landmark Theatre, and Bethesda Blues and Jazz Super Club. These marquee entertainment organizations highlight classical plays, children's theatre, live music, and independent and foreign films.

- Bethesda has a workforce of nearly 44,000 and includes employees who work for some of the region's most notable employers, including Capital One (formerly Chevy Chase Bank), Clark Construction Group, Calvert Investments, Cohn Reznick, and Marriott Hotels and Resort.

- Bethesda Row, located two blocks from downtown Bethesda, illustrates the redevelopment of a commercial area to a mixed-use, walkable district. It has become a sought after and prestigious address in the DC Metro area. The neighborhood delivers dining - 33 food options; shopping – 34 retail stores and 20 service oriented venues, along with 180 high-end apartments and over 530,000 square feet of Class A office space. It is home to Riverbed Technology, Honest Tea, MIDCAP, and Tracx US to name a few of the many businesses located at Bethesda Row. The development's location on the Capital Crescent Trail and its proximity to a Metro station provide convenient connections to downtown Washington, D.C., and other parts of the region. In 2002, Bethesda Row received a Charter Award from the Congress for the New Urbanism and an Award for Excellence from the Urban Land Institute.

- The $300 million, 40-acre Intelligence Community Campus-Bethesda celebrated its grand opening in October 2015. The site will be home to roughly 3,000 employees from the federal government's intelligence gathering agencies, including the Office of the Director of National Intelligence in the Washington National Capital area. The building will consume 69 percent less energy than it did before renovation and can also be zero-net energy, meaning it could produce as much energy as it consumes during a year. Running off photovoltaic solar panels, the garage, Vehicle Control Center and Vehicle Inspection Station at ICC-B already operate as zero-net energy buildings. The VCC uses groundwater heat pumps, temperature control and energy-efficient glass. The facility's garage is net-positive, meaning it generates more power than it needs. Overall, the entire campus is expected to use 31 percent less energy than before renovation.

- Marriott International will move its headquarters to a new $600 million complex in downtown Bethesda and is considering plans to build a new 200-plus room hotel.

Friendship Heights

The Friendship Heights CBD is located at the Montgomery County-Washington, D.C. border with the Metrorail station at Wisconsin and Western Avenues at its center. Adjacent to the Friendship Heights CBD are multiple smaller jurisdictions and developments, including the Village of Friendship Heights special taxing district, the Town of Somerset, the Brookdale neighborhood, and the Somerset House complex.

- The Friendship Heights area was the first top-tier luxury shopping center on the east coast outside of New York City. It was developed in the 1950's. The Collection at Chevy Chase, formerly named the Chevy Chase Center, is a mixed-used development, with 100,000 square feet of neighborhood-oriented retail, and a 200,000 square foot office tower. On September 8, 2017, the Planning Board approved Site Plan Amendments for updates to The Collection to modify the public use and amenity space, provide on-site pedestrian and vehicular circulation, update architecture, and revise the quantity of on-site parking.

- Wisconsin Place, completed in 2009, is a mixed-used development on Wisconsin Avenue. Wisconsin Place consists of 305,000 square feet of retail (Bloomingdale's and Whole Foods are the anchor tenants), 432 luxury apartments, 295,000 square feet of office space, a 20,500 square foot community center and a 1,765 space underground parking garage.

- Friendship Heights is known as the “Rodeo Drive” of Washington, DC/Maryland. There are a large number of upscale malls and luxury retailers that give this area its nickname. Chevy Chase Pavilion is on the Washington D.C. and Maryland border and hosts stores like H&M, J.Crew, Nordstrom Rack, Old Navy, and World Market. Mazza Gallerie is a small, upscale shopping mall in Washington, D.C. Stores include Neiman Marcus, Ann Taylor, Charles Schwartz & Son Jewelers, Saks Fifth Avenue Men's Store, Tabandeh, Pampillonia Jewelers, Williams Sonoma and more. Neighboring the Mazza Gallerie, are the Shops at Wisconsin Place, located in Chevy Chase, MD, there are open-air, high-end retail stores and restaurants including Bloomingdales, MAC Cosmetics, Sephora, Anthropologie, BCBG, Cole Haan, Eileen Fisher, The Capital Grille, Le Pain Quotidien, P.F. Chang's and Whole Foods Market. Further up Wisconsin Avenue, still in Chevy Chase, MD, The Collection boasts high end shops, such as Cartier, Gucci and Jimmy Choo. Chevy Chase is also home to a Tiffany & Co as well as a full Saks Fifth Avenue department store.

Existing Office/R&D/Commercial Space

As of December 2017, Montgomery County has more than 140 million square feet of commercial real estate space (office, flex, industrial, and retail). Most of Montgomery County’s office space is located along two “Technology Corridors”, the I-270 corridor and the Route 29 corridor. The I-270 corridor includes the Bethesda, Rockville, Gaithersburg and Germantown markets and features over 104 million square feet of commercial space. Notable buildings along the I-270 corridor include the 1.27 million square foot MedImmune building in Gaithersburg and 800,000 square foot Marriott headquarters in North Bethesda. The Route 29 corridor connects Silver Spring to Burtonsville and includes over 14 million square feet of commercial space. Also featured along Route 29 is the WesTech Business Park and surrounding area, which includes just under eight million square feet of office, R&D, light industrial, and retail development.

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Office/Flex/Industrial/Retail Space Availability by Major Submarkets
as of September 2017

Montgomery County Market	Total Inventory (Square Feet)	Direct Vacant (Square Feet)	Direct Vacancy Rate	Vacancy Rate w/Sublet
Bethesda/Chevy Chase	15,981,260	1,234,964	7.7%	8.8%
Gaithersburg	21,404,595	1,778,451	8.3	8.6
Germantown	9,347,449	607,362	6.5	6.6
Kensington/Wheaton	7,037,188	576,272	7.9	7.9
North Bethesda/Potomac	16,456,359	2,543,188	15.5	15.6
North Rockville	22,908,750	2,611,483	11.4	12.1
North Silver Spring/Rt 29	8,920,078	610,479	6.8	7.7
Rockville	19,658,014	1,716,790	8.7	9.2
Silver Spring	11,692,859	805,541	6.9	7.3
Other Markets*	7,009,074	748,378	10.7	10.7
Total County	140,415,626	13,232,908	9.4	9.9

Source: CoStar Property, the County's source for commercial real estate information.
*Other markets include I-270 North, Outlying Montgomery County East, and Outlying Montgomery County West submarkets.

Agriculture

Agriculture in Montgomery County is a diverse industry that occupies about one-quarter of the County land area. The County's agriculture industry contributes over $287 million to the local economy. Over $85 million comes from the County's thriving equine industry, about $154 million from horticulture, and $48 million from traditional agriculture. There are more than 540 farms and 350 horticultural enterprises in the County. Forty-two (42) percent of the County's 540 farms are farmed as a primary occupation. Cash grain farms are the predominant agricultural use in the County covering over 45,000 acres. There are 219 farms, or forty (40) percent, that produce table food crops-products for direct human consumption. The majority of farms are family-run operations, most having been in the same family for several generations. The industry as a whole employs more than 10,000 residents.

Preservation of rural land for agricultural use is a high priority in the County. Farmland preservation efforts consist of a variety of strategic programs offered by the County and State. The County received a total of $19.7 million in Rural Legacy Program grant awards.

Since its creation in 1980, the 93,000 acre Agricultural Reserve controlled farmland development in the County. There are approximately 70,000 acres of farmland in the Reserve, and another 20,000 acres within the Reserve are publicly owned (parkland) or previously developed land (rural villages). Currently, Montgomery County is ranked second nationally in acres of farmland protected through easements, and has the highest percentage of land in farms preserved in the nation (94 percent).

In 1980, sixty (60) percent of the farmland in the Agricultural Reserve was owned by speculators. Through farmland preservation programs, this trend was significantly reduced as more farms are now owned and operated by farmers. Farmers and landowners can choose from seven separate agricultural land preservation programs. Each of these programs places an easement on the property that prevents future commercial, residential or industrial development of the land.

The Office of Agriculture supports retail and wholesale agricultural marketing programs, such as the County-sponsored farmer's markets and annual farm tour, and promotion of wholesale and cooperative marketing. The Office also provides programs and technical assistance for farmers; these initiatives include Fuel-Energy Tax Relief, Deer Donation Program, Weed Control Services, Agricultural Product, New Farmer Project, Farm Logo Program, and many more.

Major capital assets acquired during the current fiscal year included approximately $889,000 for purchasing preservation easements on farmland in agricultural zones. These assets enhance the preservation of farmland protected by Transferable Development Rights easements (TDRs) including other agricultural lands not protected by agricultural easements. An additional $338,000 is earmarked for pending FY18 easement settlements in association with the County and State Agricultural Easement Programs.

Office/Industrial Projects

Over five million square feet of future academic, science, and technology-oriented office space remains approved and ready for potential development in Montgomery County. The Johns Hopkins Research Campus, Medimmune, and the Shady Grove Life Sciences building remain the largest of these types of active and ongoing commercial development projects in the county.

In 2017, two new and substantial office development projects have progressed down the development pipeline. The new 825,000 square foot Marriott headquarters achieved permitting in late fall, and the old police station located in downtown Bethesda at 7359 Wisconsin Avenue is pending approval in early 2018 for redevelopment into a 535,000 square foot mixed-use office/hotel with approximately 400,000 square feet of dedicated office space.

A notable shift away from single-use, traditional office development toward more dynamic mixed-use commercial space has also been recently observed. Crystal Rock and Rock Spring Center are two substantial examples of active single-use office projects in the county that have recently added residential and/or retail components to their development portfolio. Montgomery County's industrial and logistics' markets continue to experience growth primarily in large self-storage development projects. Two self-storage projects currently exist in the county's pipeline, Rockville's CubeSmart and EZ Storage, which could lead to an additional 220,000 square feet of industrial/logistics GFA in Montgomery County.

Public/Private Projects

Viva White Oak (formerly LifSci Village)

The White Oak Science Gateway Master Plan was approved in 2014 and several plans are underway including new retail, civic uses, diverse housing and a hotel. The proposed Master Plan developments will provide unique opportunities to capitalize on the presence of the U.S. Food and Drug Administration (FDA), transform the East County into a vibrant hub for technological advancement and bring the much-desired amenities to the community.

The proposed Viva White Oak project will merge County property and property owned by Global Life Sciences, LLC to create a 280-acre mixed-use development. The goal is to initiate a world-class life sciences, education and research campus that will be an economic engine in the eastern portion of the County, and complement nearby Federal agencies; most notably the consolidated FDA headquarters.

The County enrolled its portion of the Viva White Oak property in the State's Voluntary Clean-Up Program and environmental remediation was completed in late 2014. The Viva White Oak Sketch Plan was approved by the Planning Board in November 2017 and the transportation improvement program is being financed under a new initiative: the Local Area Transportation Improvement Program (LATIP). The final Preliminary/Site Plan is expected to be approved in late 2018 and construction to start shortly thereafter.

Pinkney Innovation Complex for Science & Technology at Montgomery College

The Pinkney Innovation Complex for Science & Technology at Montgomery College (PIC MC) is an integrated academic, business and research campus in Germantown. PIC MC, previously known as the Montgomery College-Germantown Science and Technology Park, was identified in 2001 by the County as a location to grow life sciences and technology companies. With a total of $6.1 million in funding appropriations to Montgomery College from the State and the County, the campus was able to add 20 acres to its own 20 acres to create a 40-acre park. Since its beginning, PIC MC has successfully located an anchor tenant, Holy Cross Germantown Hospital, a 93-bed hospital employing, to date, about 730 healthcare professionals and related jobs, and a medical office building with 50 plus doctors, nurses and medical personnel. Students in the Allied Health Science programs do their clinical rotations at the hospital and, upon graduation, are eligible to become employees. Targeted business sectors include life sciences, cybersecurity and technology, which reflect the signature academic programs offered at the Germantown campus. Additionally, the County-owned life sciences and technology incubator, the Germantown Innovation Center, houses 24 start-up companies with 116 employees in 35,000 square feet on the Germantown campus. PIC MC has received preliminary subdivision approval of a 5.67-acre parcel for construction of a building, up to 150,000 square feet. At full build out, the campus is expected to accommodate close to a million square feet of private sector space in addition to the College's academic buildings.

Montgomery County Business Innovation Network

The Montgomery County Business Innovation Network is a program of three business incubator facilities that has successfully assisted start-up technology and professional services companies to grow and expand in the County. To date, over 245 companies have graduated from the County's incubators, with over 80% of those graduates successfully transitioning to commercial spaces within Montgomery County. The Maryland Technology Development Center opened its doors in 1998. After helping over 100 start-up companies to grow, the center has been successfully converted into the coveted National Cybersecurity Center of Excellence that began operations in January 2016 and functions as a regional hub for civilian cybersecurity initiatives. The County opened a second incubator in 2004, called the Silver Spring Innovation Center (SSIC). The SSIC is located in the heart of the County's media tech industries and supports tech and engineering firms. The Rockville Innovation Center (RIC), which opened in 2007, and the Germantown Innovation Center (GIC), the latest addition to the incubator program that opened in October 2008, now have a life sciences industry expert (BioHealth Innovations, Inc) managing the programs to further the facilities' economic outputs.

National Institute of Allergy and Infectious Diseases

The National Institute of Allergy and Infectious Diseases (NIAID) brought a projected 2,000 workers to a new 491,000 square-foot building on Fishers Lane in Twinbrook, under a lease signed by the U.S. General Services Administration. Chevy Chase-based JBG Companies constructed and leased the 10-story office at 5601 Fishers Lane, near where NIAID already had 150,000 square feet of laboratory space. There is also a 5-story, concrete parking garage located adjacent to the building. NIAID signed a 15-year lease for its new quarters, which was completed in 2014.

Downtown Rockville

This planned mid-rise building is part of the third phase of the Rockville Metro Plaza (RMP) redevelopment, otherwise known as RMP III. The first two phases of the Rockville Metro Plaza redevelopment focused on office space. For these phases, tenants secured included the Choice Hotels International Headquarters and the Kabu Japanese Steakhouse.

Foulger-Pratt is expected to submit preliminary drawings to the City of Rockville for RMP III. The timeline for the project involves two years of planning and approvals followed by two years of construction. Delivery is expected by 2021.

Construction began in early 2016 on Brightview, located at 285 North Washington Street in Rockville Town Center. It is a 195-unit senior living community that will provide independent and assisted-living residences specializing in Alzheimer's care. The ground floor features 6,568 square feet of retail while community amenities include a landscaped courtyard with public art installation and a rooftop garden. Developed by Shelter Development Group, Brightview Rockville Town Center opened in October 2017.

Construction began in February 2016 on The Metropolitan, which adds to the redevelopment of Rockville Town Center with a 6-story, 275-unit luxury apartment complex that includes 6,113 SF of retail on the ground level. Developed by Kettler, The Metropolitan is expected to open in 2018.

Retail Sales

Retail sales, measured by sales tax data collected in FY2017, increased in Maryland and in Montgomery County. Compared to the prior fiscal year when retail sales in the County increased a modest 0.1 percent, sales increased 2.4 percent in FY2017. The increase was attributed to purchases of apparel items which increased 19.1 percent, and purchases of building and industrial supplies which were up 3.1 percent.

Major Retail Centers

As of third quarter 2017, according to the Montgomery County Planning Department, Montgomery County contains 24,740,297 square feet of retail-appropriate space. Within this, 19,705,719 square feet of space was occupied by retail tenants. Of the total retail, there were 5,615 unique retailers. The remaining square footage was either occupied by nonretail tenants, such as a bank or a gym, or was vacant. The vacancy rate for the county was 6.8%, and there were 524 available properties. The three largest retail centers are: Westfield Wheaton at 1,540,124 SF; Westfield Montgomery 1,249,536 SF; and Lakeforest Mall 994,254 SF.

Westfield Wheaton Shopping Mall is located adjacent to the Wheaton Metro Center at the intersection of Georgia Avenue and Veirs Mill Road in the Wheaton Central Business District. This was the County's first shopping mall (opened in 1960) and was enclosed and remodeled in 1987. JC Penney, Macy's, and Target anchor the mall, which includes 163 stores, with an expansion that included Costco, which opened in 2013.

Westfield Montgomery Shopping Mall opened in 1968, and has 1.25 million square feet of leased space. It features Nordstrom, Macy's, Macy's Furniture Gallery, Sears Roebuck & Co. There are 195 stores, and three parking garages. In 2014 the mall enlarged the Macy's, moved the Sears Automotive Center, and added a promenade with shops and restaurants with outdoor seating, a new parking garage and ArcLight Cinemas space was added. In 2016 a new $7.1 million Montgomery County Transit Center was opened at the mall funded with $6 million from the mall to include six covered bus bays, screens with real-time bus arrival information and walled-in areas with radiant heat lamps. Lakeforest Mall, located along Maryland Route 355 and Montgomery Village Avenue near I-270, opened in 1978. At Lakeforest Mall, there is a complete selection of stores, eateries and services for the Gaithersburg and upper Montgomery County area. There are over 140 shopping choices, some of the retailers are: Aeropostale, Charlotte Russe, The Children's Place, Cotton On, Crazy 8, Finish Line, Foot Locker, Forever 21, Gymboree, H&M, Hollister Co, Hot Topic, JCPenney, Journeys, Lord & Taylor, Macy's, New York & Company, Payless ShoeSource, Ruby Tuesday, Sears, Shoe Dept Encore, Victoria's Secret, and Zumiez.

Clarksburg Premium Outlets is a 392,000 square foot, two-story LEED-certified venue which opened in October 2016. The outlet is located right off I-270 Exit 18 in Clarksburg, and includes 96 top brand stores such as Banana Republic Factory Store, Coach, kate spade new york, Nike Factory Store, Polo Ralph Lauren Factory Store, Saks Fifth Avenue Off 5th, Steve Madden, Tory Burch, and Under Armour.

General Obligation Bonds

County general obligation bonds are secured by the full faith, credit, and taxing powers of the County. Bonds are normally issued in serial maturities from one to 20 years, with five percent of the principal retired each year. This practice produces equal annual payments of principal over the life of the bond issue and declining annual payments of interest on the outstanding bonds. The Charter limits the term of any bond to a maximum of 30 years.

Variable Rate Demand Obligations

Variable rate demand obligations ("VRDO") are debt instruments that represent borrowed funds that are payable on demand and accrued interest based on prevailing short-term money market rates. VRDOs are general obligations of the County and are, therefore, secured by an irrevocable pledge of the full faith and credit and unlimited taxing power of the County.

The County issued two series of VRDOs in 2006 which were to mature on June 1, 2026. The proceeds of the 2017 GO Series B Refunding Bonds issued on October 31, 2017 were used to refinance all of the County's outstanding VRDOs.

On December 19, 2017, the County issued $170,000 aggregate principal amount of Variable Rate, Tax-Exempt General Obligation Bonds Series E (VRDO). The County is required by the terms of the Note Order to make annual sinking fund payments to retire one-tenth of the notes each year beginning in 2028. The new VRDOs were issued in the Daily Mode and currently bear interest at the Daily Rate, which is established by the remarketing agents and re-sets daily. Interest on these obligations is payable on the first business day of each month.

The General Obligation Bonded Debt Ratios displayed below measure the burden of the County's net direct debt, which consists primarily of general obligation bonds and outstanding BANs/commercial paper, and debt service payments on such. As with the calculation of the Legal Debt Limit, the County includes its BANs/commercial paper in these ratio calculations because it intends to repay such notes with the proceeds of general obligation debt to be issued in the near future. The ratios are as follows: 1) net direct debt as a percentage of full (market) value of taxable property; 2) debt service on outstanding general obligation bonds as a percentage of General Fund expenditures and transfers out; 3) net direct debt per capita; 4) net direct debt per capita as a percentage of per capita income; and 5) rate of replacement of general obligation bond principal (payout ratio) in ten years. The results of these indicators are displayed in the table below.

General Obligation Bonded Debt Ratios
2008-2017

Fiscal Year	Net Direct Debt to Market Value	GO Bond Debt Service to General Fund Expenditures	Net Direct Debt Per Capita	Net Direct Debt Per Capita to Per Capita Income	GO Bond Payout Ratio
2008	1.18	7.95	1,848	2.70	71.39
2009	1.13	7.31	1,997	2.83	70.63
2010	1.22	7.92	2,277	3.24	69.37
2011	1.27	8.58	2,507	3.55	68.65
2012	1.46	8.87	2,625	3.60	67.88
2013	1.58	8.88	2,737	3.74	68.33
2014	1.61	8.96	2,819	3.88	68.64
2015	1.57	9.62	2,761	3.76	67.41
2016	1.73	9.36	3,132	4.07	67.88
2017	1.74	10.01	3,220	3.99	67.26

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Statement of Direct and
Overlapping Debt
As of June 30, 2017
And Including 2017 General Obligation Bonds

Direct Debt:		
General Obligation Bonds Outstanding(1)	$ 2,465,065,000	
Short-Term BANs/Commercial Paper Outstanding(2)	160,000,000	
2017 General Obligation Fixed Rate Bonds (Series A, B, C & D)(3)	686,725,000	
2017 General Obligation Variable Rate Bonds (Series E)(4)	170,000,000	
Revenue Bonds Outstanding	212,311,000	
Total Direct Debt		$ 3,694,101,000
Overlapping Debt (as of June 30, 2017):		
Washington Suburban Sanitary Commission Applicable to Montgomery County	2,096,133,000	
Housing Opportunities Commission	820,629,094	
Montgomery County Revenue Authority	84,938,772	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	55,125,000	
Kingsview Village Center Development District	923,480	
West Germantown Development District	10,740,000	
Towns, Cities and Villages within Montgomery County	136,211,201	
Total Overlapping Debt		$3,204,700,547
Total Direct and Overlapping Debt		$ 6,898,801,547
Less Self-Supporting Debt (as of June 30, 2017):		
County Government Revenue Bonds	212,311,000	
Washington Suburban Sanitary Commission Applicable to Montgomery County	2,096,133,000	
Housing Opportunities Commission	820,629,094	
Montgomery County Revenue Authority	84,938,772	
Total Self-Supporting Debt		$ (3,214,011,866)
Net Direct and Overlapping Debt		$ 3,684,789,681
Ratio of Debt to June 30, 2017 Assessed Valuation of (100% Assessment):		$ 181,546,725,485
Direct Debt		2.03%
Net Direct Debt(5)		1.92%
Direct and Overlapping Debt		3.80%
Net Direct and Overlapping Debt		2.03%
Ratio of Debt to June 30, 2017 Market Value of:		$ 193,683,159,880
Direct Debt		1.91%
Net Direct Debt		1.80%
Direct and Overlapping Debt		3.56%
Net Direct and Overlapping Debt		1.90%

(1) This amount has been reduced by $414,200,000, the amount of the County's general obligation bonds and VRDOs refunded with a portion of the proceeds of the fixed rate bonds issued and delivered by the County on November 15, 2017.
(2) Net of amount retired with: (i) a portion of the proceeds of the 2017 Fixed Rate Bonds. (ii) the proceeds of the 2017 Variable Rate Bonds.
(3) Issued and delivered by the County on November 15, 2017.
(4) Issued and delivered by the County on December 19, 2017.
(5) Net Direct Debt of $3,481,790,000 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

PRINCE GEORGE'S COUNTY

Overview

The information contained under the heading "Prince George's County" has been obtained from Prince George's County. The Commission has not undertaken to audit, authenticate or otherwise verify the information regarding representation respecting the accuracy and completeness of such information. The Commission is not in a position to, and will not, undertake to update any information regarding Prince George's County.

The County is a body corporate and politic and a political subdivision of the State of Maryland. Services provided or paid for by the County from local, State and federal sources include police, fire and emergency services; programs for the aging; public works; stormwater management; and court and correctional services. The County also is responsible for adoption and maintenance of building codes and regulation of licenses and permits; collection of taxes and revenues; maintenance of public records; conducting elections; and collection and disposal of refuse.

Health care, elementary, secondary and community college education and library services are provided by other entities and are partially financed by the County. Public transit, planning, parks, recreation, water, sewer and public housing are provided by related entities. Public assistance is provided by the State of Maryland. Hospital services are provided by a nonprofit corporation under a lease arrangement with the County. For accounting purposes, certain of these governmental entities are included in the County's financial statements.

County residents enjoy a diversity of leisure options, including a park system encompassing almost 28,000 acres of parkland and open space. Leisure facilities and services provided by the Maryland-National Capital Park and Planning Commission (the "M-NCPPC") include a sports and concert facility (Show Place Arena); a 10,000 seat AA Minor League Baseball stadium (Bowie Baysox); community centers; recreational buildings; aquatic facilities; ice rinks; golf courses; an equestrian center; tennis courts; a performing arts and cultural center; and a gymnastic center.

The County is only minutes to downtown Washington, adjacent to Northern Virginia, 25 minutes to historic Annapolis, and 45 minutes to Baltimore's Inner Harbor. However, some of the region's most exciting attractions are located right in Prince George's County. The County is home to the MGM National Harbor -- a 23-story resort featuring premier amenities including a casino, world-class spa and salon, a 3,000-seat entertainment theater, high-end branded retail, meeting space, and restaurants from renowned local and national chefs. Other recreational facilities include an 87,052-seat National Football League stadium (FedEx Field – Home of the Washington Redskins); an amusement park (Six Flags of America) featuring rides, attractions and shows; a 240,000 square foot Olympic-quality recreational Sports and Learning Complex; National Harbor on the Potomac; the Gaylord National Resort and Convention Center; the NASA Goddard Space Flight Center; The Capital Wheel; the National Wildlife Visitor Center; and the Clarice Smith Performing Arts Center. The County also has numerous high-quality mixed-used developments such as the Brickyards, Carrollton Station, Towne Centre at Laurel and Woodmore Town Centre at Glenarden. The County is home to six universities and colleges, including the flagship campus of the University System of Maryland. Prince Georgians enjoy an excellent road system and some of the most affordable housing in the Washington area as well as convenient access to three major airports and the Port of Baltimore.

Government

The County operates under a Charter which was adopted in November 1970 (the "County Charter"). The powers of the County are provided in the County Charter and in the Constitution and the laws of the State of Maryland, including Title 10 of the Local Government Article of the Annotated Code of Maryland, as amended, replaced or recodified from time to time. Under the County Charter, the County is composed of an executive and a legislative branch.

The executive branch implements and enforces the laws and administers the day to day business of the County. It consists of a County Executive (who is elected by the qualified voters of the entire County) and all other officers, agents and employees under the County Executive's supervision and authority, including the Chief Administrative Officer, who is responsible for the day to day administration of the County. The County

Executive is elected for four-year terms by qualified voters of the County and is limited by the County Charter to two consecutive four-year terms in office.

The legislative branch of the County currently consists of a nine-member County Council (elected from Councilmanic Districts) and its staff. Charter amendments were recently adopted by the voters in November 2016 changing the composition of the County Council to include two at-large members. The election for these two new members will occur in 2018. County Council members are elected for four-year terms by qualified voters of the County and are limited by the County Charter to two consecutive four-year terms in office as district members and not more than two consecutive terms as at-large members.

Each member of the County Council has one vote. Five votes generally are required to pass legislation and six votes are needed to enact emergency bills and to override a veto by the County Executive. The County Council customarily elects from among its members a Chairman and a Vice-Chairman to serve one-year terms.

The court system for the County was established by and is operated under the authority of the State. District and Circuit Court judges are appointed by the Governor, but Circuit Court judges must thereafter run for election. Other State court officials are directly elected for various terms.

Population

From 1980 to 2010 the County has grown at an average rate of approximately 66,116 people every 10 years. Between 2000 and 2010 the population growth in the County increased 7.7%. The County's growth has been slightly slower than the population growth in Maryland (9.0%) and the United States (9.7%) between 2000 and 2010. The population for 2017 is estimated to be 912,756 a difference of 0.9% from the 2016 population of 908,049.

In 2016, 65.2% of the County's residents were between the ages of 18 and 64 years old, which was slightly higher than the State of Maryland (63.0%) and the United States (62.0%). The share of the County's population that was 65 years and older (12.3%) was lower compared to the State of Maryland (14.6%) and the United States (15.2%).

Population

1980 – 2010

Year	County	State of Maryland	United States
2010	863,420	5,773,552	308,745,538
2000	801,515	5,296,486	281,421,906
1990	729,268	4,798,000	248,769,873
1980	665,071	4,216,000	226,505,000
Percent Change (2000-2010)	7.7%	9.0%	9.7%
2017 (Est.)	912,756	6,052,177	325,719,178

Source: Decennial Census, Bureau of the Census, Department of Commerce (as of March 2018)

Income

In 2016, the County's aggregate personal income totaled $41.9 billion. The per capita personal income in the County during 2016 was $46,168. The growth rate of the County's per capita personal income between 2006 and 2016 was 2.3%. This percentage was lower than in the United States (2.6%) and consistent with the State of Maryland (2.4%).

The County's median household income in 2016 was $79,148 compared to $69,879 in 2012, an increase of 13.3% in the 5-year period. Jurisdictional comparisons are shown below:

Median Household Income

2012 and 2016

Metro Jurisdiction	Median Household Income 2012	2016	% Change
State of Maryland	$71,122	$78,945	11%
Washington Metro Area:			
Prince George's County	**69,879**	**79,184**	**13.3%**
Calvert County	87,449	98,732	**12.9%**
Charles County	90,880	95,735	**5.3%**
Frederick County	80,765	90,043	**11.5%**
Montgomery County	94,965	99,763	**5.1%**
Baltimore Metro Area:			
Anne Arundel County	89,179	96,483	**8.2%**
Baltimore City	39,241	47,350	**20.7%**
Baltimore County	62,444	72,764	**16.5%**
Carroll County	80,028	90,343	**12.9%**
Harford County	76,645	84,175	**9.8%**
Howard County	108,844	120,941	**11.1%**

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates (as of March 2018). Inflation-adjusted.

Employment

A comparison between the employment distribution of the County and the State of Maryland is shown in the following chart.

Comparative Distributions of Non-Agricultural Employment by Industry
2012 - 2016

Industry	Prince George's County (2012) Sectoral Employment	% of Total	Prince George's County (2016) Sectoral Employment	% of Total	Maryland (2016) Sectoral Employment	% of Total
Government Employment	86,122	29%	88,966	29%	486,101	19%
Private Employment	213,729	71%	222,973	71%	2,140,409	81%
Natural Resources and Mining	192	0%	125	0%	6,431	0%
Construction	24,909	8%	26,057	8%	160,868	6%
Manufacturing	7,428	2%	7,447	2%	103,592	4%
Trade, Transportation and Utilities	57,141	19%	60,135	19%	461,148	18%
Information	4,764	2%	3,668	1%	37,695	1%
Financial Activities	11,826	4%	11,279	4%	139,872	5%
Professional and Business Services	38,640	13%	40,621	13%	442,057	17%
Education and Health Services	30,741	10%	33,408	11%	425,693	16%
Leisure and Hospitality	28,326	9%	31,425	10%	272,346	10%
Other Services	9,760	3%	8,808	3%	90,685	3%
Unclassified	2	0%	0	0%	22	0%
Total	299,851	100%	311,939	100%	2,626,510	100%

Source: Maryland Department of Labor, Licensing and Regulations Employment and Payroll - County Industry Series (as of March 2018)

Between 2008 and 2017, the unemployment rate for the County generally remained close to the State of Maryland's unemployment rate and below that of the United States as shown in the following table.

Labor Market Characteristics
2008-2017

	County Residents		Unemployment Rate		
Year	Civilian Labor Force	Resident Employment	Prince George's County	State of Maryland	United States
2008	450,361	430,909	4.3	4.2	5.8
2009	457,576	425,799	6.9	7.0	9.3
2010	479,606	443,635	7.5	7.7	9.6
2011	482,913	446,857	7.5	7.2	8.9
2012	484,964	449,665	7.3	7.0	8.1
2013	485,677	451,935	6.9	6.6	7.4
2014	486,269	456,768	6.1	5.8	6.2
2015	487,573	461,938	5.3	5.1	5.3
2016	494,517	472,880	4.4	4.4	4.9
2017	506,790	485,807	4.1	4.1	4.4

*Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics Program.*Not seasonally adjusted. (as of March 2018)*

The County's diversity in employment is shown in the following table reflecting the largest private and largest public sector employers in the County.

Prince George's County Principal Employers
2017

Employer	Product or Service	Number of Employees
LARGEST PRIVATE SECTOR EMPLOYERS		
United Parcel Service	Package Delivery (Regional Headquarters)	3,000
MGM National Harbor	Casino Gaming	2,830
Marriott International/Gaylord Resort and Convention Center	Hotels and Motels	2,200
University of Maryland Capital Region Health	Health Services/Nursing Homes	1,800
Verizon	Communications Services	1,800
Melwood	Social Services	1,400
Doctors Community Hospital	Medical Services	1,300
MedStar Southern Maryland Hospital Center	Medical Services	1,240
LARGEST PUBLIC SECTOR EMPLOYERS		
University System of Maryland[1]	Higher Education	20,205
Prince George's County Public Schools	Education	19,118
Joint Base Andrews Naval Air Facility Washington[2]	Defense Installation (civilian and military employees)	17,500
Prince George's County	Local Government	7,076
United States Internal Revenue Service[2]	Revenue Collection/Data Processing	4,735
United States Bureau of the Census[2]	Demographic and Economic Surveys	4,605
NASA/Goddard Space Flight Center[2]	Space Satellite Design and Tracking	3,000
Prince George's Community College	Education	2,080
National Maritime Intelligence-Integration Office[2]	Maritime Intelligence Analysis	1,890
United States Department of Agriculture[2]	USDA Library/Agricultural Research	1,725
National Oceanic and Atmospheric Administration[2]	Weather Analysis and Reporting	1,375
Adelphi Laboratory Center[2]	Military Installation	1,235

Note: Excludes post offices, state government, national retail and food service; includes higher education.
[1]Includes University of Maryland College Park, University of Maryland University College and Bowie State University
[2]Excludes contractors

Source: Maryland Department of Commerce; Prince George's County Economic Development Corporation (as of March 2018)

Retail Sales

The Maryland sales and use tax rate is 6% on all taxable sales other than certain vehicle rentals and sales of mobile homes. Beginning July 1, 2011, the tax rate for alcoholic beverages, including mixtures, increased from 6% to 9%. Most sales of food by substantial grocery or market businesses are not subject to the sales tax. Other exemptions include medicine, energy for residential use, manufacturing machinery and equipment, and certain agricultural equipment and supplies.

Housing

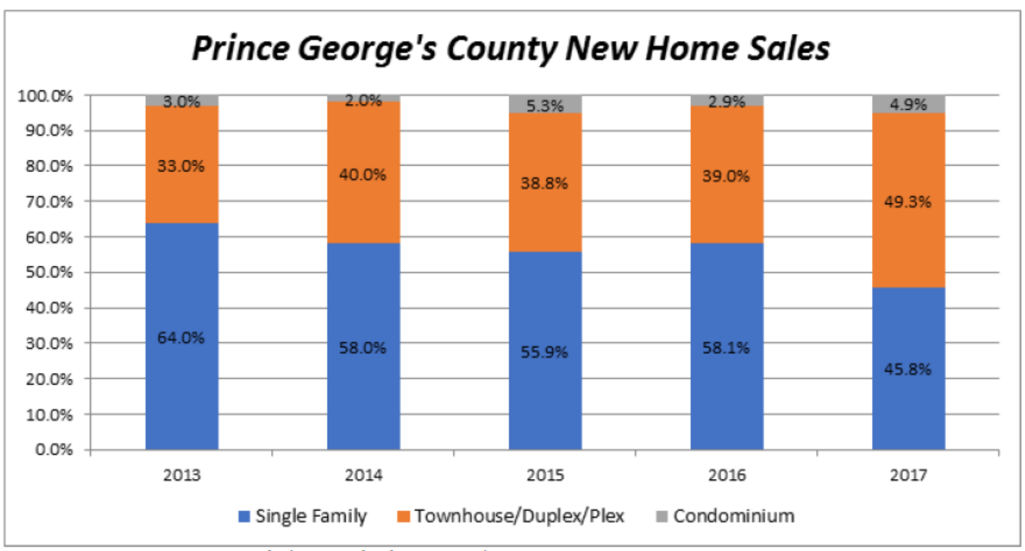
The composition of the County's housing market is displayed in the following table. Between 2012 and 2016, total housing units increased by 1.7% (an increase of approximately 3,525 units). During this time period, single family homes increased by 0.5% and multi-family homes increased from 2.1%.

Housing Units by Type of Structure

	2012	2013	2014	2015	2016
Single Family					
Number of Units	222,668	221,589	223,761	223,345	223,888
Percent of Market	67.7%	67.3%	67.9%	67.4%	67.3%
Multi-Family					
Number of Units	106,376	107,778	105,589	107,949	108,681
Percent of Market	32.3%	32.7%	32.1%	32.6%	32.7%
Total Units	329,044	329,367	329,350	331,294	332,569

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates (as of March 2018)

Historically, single family homes have made up a majority of new home sales in the County. Single family detached homes have averaged 56.4% of new total sales from 2013 to 2017.



Source: Metro Study (Accessed February 2018)

According to the State Department of Assessments and Taxation, median residential sales of owner-occupied properties in the County have increased by 15.4% from fiscal year 2016 to fiscal year 2017. The median sales price of these properties has also increased during this time period from $288,000 in 2016 to $302,313 in 2017.

Median Residential Sales

Improved, Owner-Occupied Properties

Fiscal Year	Number of Transactions	Annual Growth Rate	Median Sales Price	Annual Growth Rate
2017	7,904	15.4%	302,313	5.0%
2016	6,851	32.0%	288,000	3.2%
2015	5,192	13.9%	279,189	9.5%
2014	4,559	2.8%	255,000	13.8%
2013	4,435	16.0%	224,000	6.7%
2012	3,822	18.9%	210,000	-6.9%
2011	3,214	-11.9%	225,450	-8.0%
2010	3,647	34.4%	245,000	-13.1%

Source: Maryland Department of Assessments and Taxation (as of March 2018)

The following table shows the number of residences distributed within certain housing value ranges. During 2016, the majority of residences were valued between $200,000 and $499,999.

Estimated Market Value of Owner-Occupied Residential Property

	2015		2016		Increase (Decrease)
Value Range	Number of Residences	Share of Residences	Number of Residences	Share of Residences	Number of Residences
Less than $50,000	4,236	2.3%	3,664	2.0%	(572)
$50,000 to $99,999	5,471	2.9%	3,606	1.9%	(1,865)
$100,000 to $149,999	9,232	4.9%	8,516	4.6%	(716)
$150,000 to $199,999	26,025	13.9%	21,020	11.2%	(5,005)
$200,000 to $299,999	65,581	35.1%	67,497	36.1%	1,916
$300,000 to $499,999	64,581	34.6%	69,332	37.1%	4,751
$500,000 to $999,999	10,838	5.8%	12,225	6.5%	1,387
$1,000,000 or more	852	0.5%	1,007	0.5%	155
Total Owner-Occupied Units	186,816		186,867		51

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates (as of March 2018)

Note: Due to rounding, percentages may not total 100 percent.

Commercial and Industrial Growth

A summary of building permit activity, including residential as well as commercial and industrial (non-residential) projects, is provided in the following table.

Between 2008 and 2017, the value of new residential construction within the County has averaged approximately $293.3 million annually. Non-residential construction has averaged approximately $530.8 million annually. The value of new residential construction within the County in 2017 was $306.3 million as compared to $801.9 million in 2016. The value of new non-residential construction within the County in 2017 was $363.3 million as compared to $199.9 million in 2016.

Building Permits

	Residential			Commercial			Total		
Calendar Year	Permits Issued	Total Valuation ($K)	Average Valuation ($K)	Permits Issued	Total Valuation ($K)	Average Valuation ($K)	Total Permits Issued	Total Valuation ($K)	Average Valuation ($K)
2008	2,177	216,459	99	325	1,910,146	5,877	2,502	2,126,605	850
2009	2,220	255,011	115	198	294,894	1,489	2,418	549,905	227
2010	1,405	205,514	146	205	104,220	508	1,610	309,734	192
2011	1,394	166,440	119	157	103,627	660	1,551	270,067	174
2012	1,247	190,332	153	178	235,578	1,323	1,425	425,910	299
2013(1)	1,642	264,814	161	224	131,814	588	1,866	396,628	213
2014(2)	1,727	264,638	153	359	364,466	1,015	2,086	629,104	302
2015(3)	1,669	261,672	157	294	1,600,038	5,442	1,963	1,861,710	948
2016(4)	1,745	801,888	460	203	199,938	985	1,948	1,001,826	514
2017(5)	1,798	306,273	170	215	363,286	1,690	2,013	669,559	333
Total CY 08-17	17,024	$2,933,041	$1,734	2,358	$5,308,007	$19,579	19,382	$8,241,048	$4,052
Average Annual	1,702	$293,304.10	$173	236	$530,801	$1,958	1,938	$824,105	$405

(1)Prince George's County Department of Permitting, Inspections and Enforcement (DPIE) Opened July 1, 2013
(2)First full year of DPIE Existence
(3)Major design-build commercial developments under construction in CY 2015: MGM Resort Casino $1,300,000 and College Park Hotel $130,000
(4)Recovery in residential market and increased construction of larger, more expensive homes and apartments
(5)As of December 12, 2017

Source: Bureau of the Census and Prince George's County Department of Permitting, Inspections and Enforcement (Updated December 2017)

During 2017, approximately 748,183 square feet of new commercial space was delivered to the market in Prince George's County. In 2017, Prince George's County accounted for 8.21 percent of all the new commercial space delivered in the Washington Metropolitan Region. The total square footage of commercial space delivered by type during the calendar years 2013 through 2017 is shown below:

Commercial Square Feet Delivered, by Type

Type	2013	2014	2015	2016	2017
Office	0	0	160,000	72,508	60,840
Retail	370,724	541,742	76,309	802,761	171,964
Flex	99,974	0	49,949	479,815	22,180
Industrial	622,489	173,989	1,063,106	0	493,199
Total Square Footage	1,093,187	715,731	1,349,364	1,355,084	748,183
Metropolitan Area	13.30%	9.07%	22.98%	14.87%	8.21%

Source: CoStar (Accessed February 2018)

Economic Activity

Contracting opportunities with government, research, technology and defense industry anchors contributed to a growing County economy. The federal government and the County's mixed commercial base cushion the impact of economic downturns, but also have supported a measured rate of recovery.

- Every economic indicator that should be up, is up; indicators that should be down, are trending downward.

- The County created over 11,287 net new jobs from second quarter of 2016 to the second quarter of 2017. During this period, Prince George's County's job growth of 3.9% was

Prince George's County Economic Development Corporation

- Market the County as a great business location – regionally and globally
- Retain, expand and grow existing businesses
- Attract new businesses
- Promote the growth and development of small, minority and disadvantaged businesses
- Operate the "Innovation Station" to nurture advanced technology and life sciences firms
- Promote strategic retail development, and attract new restaurants and dining concepts
- Serve as the "front door" for applications to the $50 million Economic Development Incentive Fund
- Assist local companies export to selected markets, attract foreign direct investment, and attract international companies to the County
- Secure funds necessary to implement economic development strategies, Foreign Trade Zone (FTZ), and expand incubator/accelerator program
- Provide workforce services and training to County businesses, job seekers and residents

more than double that of the United States, and nearly triple that of the State of Maryland.

- Property values have risen 8.5% percent in the County during the past year (2016 over 2017).

- The County's overall unemployment rate has fallen dramatically – down from nearly 7.5 percent in December 2010 to only 4.0 percent in 2017.

Economic Development Strategy

The M-NCPPC, and its consultant, Battelle Technology Partnership Practice, completed work on a targeted economic development strategy for the County in May 2013. The strategy continues to be employed to identify and target key high-growth industries that have the greatest potential to contribute to economic growth and development in the County; leveraging the County's unique assets to capture economic development opportunities; and setting forth targeted strategies and actions to maximize economic development. The high-growth industry sectors are Healthcare and Life Sciences, Business Services, ICE (Information, Communications and Electronics) and the federal government.

There are fourteen federal located in the County, with most of them focused on research and development. These agencies attract technology companies as partners/contractors for their operations. The NASA Goddard Space Flight Center, the USDA Beltsville Agricultural Research Center, USDA-APHIS, the Army Research Laboratory, the Institute for Defense Analysis, the Internal Revenue Service, and the U.S. Census Bureau Supercomputer Center support the local technology business base. The University of Maryland at College Park has continuing construction of facilities, some identified for national security-related IT tenants, on its 124-acre Enterprise Campus research park.

Below is additional information about certain significant retail, commercial, and/or entertainment projects that are pending or have been completed recently:

- The United States Citizenship & Immigration Services (USCIS) through a long-term lease agreement with One Town Center, LLC will build a 575,000 square foot, high security, blast resistant office building and 1,000 space parking structure at the Branch Avenue Metro Station. This $265 million project is projected to spur additional transit-oriented development that includes retail, residential, and additional office space. Upon completion in 2020, USCIS will relocate 3,200 full-time and 500 part-time employees from Washington, D.C. to its new headquarters at the property in Camp Springs.

- The County negotiated a $30 million grant from the Maryland Department of Transportation for the construction of the major access road serving the proposed Konterra Development, an economic development project in the northern portion of the County that is expected to create jobs and strengthen the County's commercial tax base. The access road connects Konterra to the new Contee Road Interchange at I-95, as well as to the new Intercounty Connector (MD Route 200) interchange at Virginia Manor Road. The realignment and reconstruction of the roadway provides access to undeveloped and previously inaccessible areas in northern Prince George's County. The proposed Konterra Town Center East 488-acre development adjacent to the new road has the ability to accommodate about two million square feet of commercial space and 2,000 residential units. Construction is scheduled to begin in 2018.

- Worldshine Adult Medical Day Care Center opened a 40,000 square foot facility in Beltsville to support the health, nutritional, social support, and daily living needs of adults in professionally staffed group settings. With a capital investment of over $1 million, the business will create 50 new jobs.

- Iron Mountain, a Fortune 1000 company headquartered in Boston, MA, expanded to the Mid-Atlantic area and opened a record storage, data management, and cloud computing center in Forestville. The company invested $15 million into the 125,000 square foot facility. Iron Mountain will create 30 new jobs.
- FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes (financial, legal, operational, political and regulatory, reputational

and transactional). FTI relocated its Annapolis core operations headquarters to Melford Plaza in Bowie investing over $6 million. This project is an attraction of 115 high-wage jobs from Anne Arundel County to Prince George's County.

- The new Homewood Suites by Hilton will be situated at the Inglewood Business Park, within the newly developing "Downtown Largo." The $20 million extended stay all sites hotel will be four-stories, 116 keys, 82,000 square feet with 3,000 square feet of flexible meeting space. The company commits to have 100% of 25 newly created and vacant positions to be filled by Prince George's County residents.

- Prince George's Post-Acute, LLC, an affiliated of Future Care Health and Management Corporation, is Maryland's largest private nursing home company. Future Care has 12 current locations in and around Maryland, employs over 2,750 employees and treats approximately 1,800 Marylanders each day. Currently under construction, the project is a two-story skilled nursing facility center which will service both a sub-acute population needing short-term stays for rehabilitation and post-operative recovery, and a long-term population for those needing end of life care. The $19 million facility, located in Landover, will employ 149 full-time and 56 part-time professional and non-professional positions.

- The Shops at Iverson is a 600,000+ square foot retail and office center. The property sits on 20 acres and has the potential to become a true mixed-use town center over the next five years. Primary initiatives are to attract game-changing, nationally recognized tenants including a grocer, up to a dozen national restaurant brands, and office tenants to occupy 50,000 square feet in the existing vacant tower. Currently under construction, the $30 million renovation project includes energy efficiency upgrades and retrofits to the entire shopping center and redesign and renovations to the existing food court area.

- Westphalia Town Center is a planned mixed-use town center in Upper Marlboro that will offer 347 townhomes, over 400 apartments, a 150-room hotel and 500,000 square feet of retail shopping on 479 acres during phase one. The project broke ground in June 2013. Townhome construction began in 2016. At completion of the overall project, the development will have 15,000 homes, one million square feet of retail, four million square feet of office space and three hotels, making it one of the largest developments in Prince George's County.

- MGM Resorts completed construction of the MGM National Harbor on 23 acres. The $1.4 billion casino opened in December 2016 and employs over 3,600 individuals, many of them are Prince Georges County residents.

- Minimally Invasive Vascular Center, an endovascular surgery facility opened its first location in the County in Laurel. With an investment of $15 million, the center opened in 2018 and will create 50 medical jobs.

- Panda Power Funds began construction of the $1.0 billion 884 Mega-Watt Mattawoman natural gas electric power plant in Brandywine.

- Kaiser Permanente of the Mid-Atlantic, an affiliate of Kaiser Permanente, is expanding to a 176,000 square foot build-to-suit Class A office building adjacent to the New Carrollton Metro Station in Lanham for its administrative and information technology operation of 850 employees to be delivered by November 2018.

- The Hotel at University of Maryland has completed construction of a $115 million, 300-room, four-star luxury hotel and conference center. Delivered in 2017, the project also includes office and retail space, high-end restaurants, and a luxury spa.

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Major Economic Development Projects

Several projects, reflecting a range of commercial development in the County, are listed in the following chart. A map showing the location of the major economic development projects identified in this section follows the chart.

Major Commercial Projects Recently Completed, Under Construction, or in Development Stage

As of March 2018

	Project Name	Location Number in Map	New or Expansion	Expected Occupancy	Capital Investment ($ Millions)	Size (Square Feet) at Full Build-Out
A.	Projects Completed or Under Construction					
	Laurel Commons	2	Expansion	Completed	N/A	665,000
	The Brickyard	3	New	Completed	N/A	1,300,000
	Enterprise Campus (UMCP) 2 Office Buildings	6	New	Completed	25.0	120,000
	Bowie Marketplace (Retail)	8	New	Completed	22.0	130,000
	The Hotel at the University of Maryland	9	New	Completed	115.0	519,900
	New Carrollton Metro Area North (Mixed-Use)	10	New	Completed	135.0	700,000
	New Carrollton Metro Area South (Mixed-Use) - (Phase 1)	10	New	2018	160.0	300,000
	Melford (formerly MD Science and Tech Center)	11	New	Completed	18.0	40,000
	Steeplechase 95 International Business Park (Retail Phase 2)	12	New	Completed	13.8	46,000
	Ritchie Station (Phase 1)	13	New	2018	76.2	381,000
	Branch Avenue Metro (Residential and Retail)	14	New	Completed	N/A	400,000
	Branch Avenue Metro (U.S.C.I.S.)	14	New	2020	265.0	575,000
	MGM National Harbor, LLC	15	New	Completed	1,400.0	1,079,000
	Brandywine Crossing (Phase 2)	16	New	Completed	14.2	71,000
	Andrews Federal Campus (Phase 1)	17	New	Completed	30.0	125,079
	Cafritz Property (Retail)	18	New	2017	250.0	370,000
	Regional Medical Center	19	New	2021	543.0	595,744
	Westphalia Town Center (Phase 1)	21	New	N/A	N/A	5,900,000
	Purple Line Transit Light Rail (Prince George's County Section)	25	New	2022	2,000.0	N/A
	Sub-Total A				$5,067.2	13,317,723
B.	Projects in Development Stage					
	Konterra (Town Center East)	1	New	N/A	N/A	5,300,000
	Greenbelt Metro Area (Mixed-Use)	4	New	N/A	N/A	3,000,000
	University of Maryland Innovation District	5	New	N/A	N/A	2,804,000
	Enterprise Campus (UMCP)	6	Expansion	N/A	N/A	2,000,000
	College Park Metro (Mixed-Use)	7	New	N/A	N/A	N/A
	Andrews Federal Campus (Phase 2)	17	New	N/A	N/A	167,033
	Brandywine Village	20	New	N/A	N/A	218,500
	Panda Mattawoman (Natural Gas Electric Power Plant)	23	New	N/A	1,000.0	N/A
	Keys Energy Center (Natural Gas Electric Power Plant)	24	New	N/A	850.0	N/A
	Hampton Mall (Redevelopment)	26	New	N/A	161.0	280,000
	Sub-Total B				$2,011.00	13,769,533
	Total (A+B)				$7,078.20	27,087,256

Source: Prince George's County Economic Development Corporation

Transportation

The County is located near three major airports: Baltimore Washington International Thurgood Marshall Airport; Washington Dulles International Airport; and Ronald Reagan Washington National Airport. Interstate 95 provides the County with access to the nation's eastern seaboard, including the major commercial centers in Baltimore, Philadelphia and New York City. Interstate 495 (the Capital Beltway) circles Washington, D.C. and provides access both to that city and to nearby suburban jurisdictions. Other major highways in the County include the Baltimore-Washington Parkway (Route MD 295), U.S. Route 50 (access to Maryland's eastern shore) and U.S. Route 3/301 (access to Baltimore and Virginia). The Washington Metropolitan Area Transit Authority (WMATA) Metrorail system operates a 117 mile subway system. The system serves Washington, D.C. and nearby suburban areas, including five lines and 15 stations that serve the County. WMATA's local bus system has more than 70 routes serving County residents. The County supplements WMATA's bus service with "*TheBus*."

The County is served by CSX Transportation, Norfolk Southern, Amtrak (including a station at New Carrollton on Amtrak's Northeast Corridor service), and the MARC (Maryland Area Regional Commuter) rail system which has two lines that run through the County, both of which provide service between Baltimore City (and surrounding areas) and Washington, D.C.'s Union Station, with nine stations in the County. More than 90 freight lines serve the County. Most of the County lines lie within the Washington commercial zone as defined by the Interstate Commerce Commission.

Utilities

Baltimore Gas & Electric Company (BGE), Potomac Electric Power Company (PEPCO), Southern Maryland Electric Cooperative, Inc. (SMECO), and Allegheny Power provide the County with electricity services. County residents have the option of choosing their electric supplier. Natural gas is supplied by Washington Gas or BGE; however, County residents have the option of buying natural gas directly from natural gas suppliers. BGE and PEPCO are both subsidiaries of Exelon Corporation. Washington Suburban Sanitary Commission provides the water supply to the entire County and wastewater treatment services for part of the County. The District of Columbia Water and Sewer Authority also provides wastewater treatment services for parts of the County. Storm drainage for the County is provided by the County Department of the Environment.

Property Taxes

The County levies real and personal property taxes on all taxable property within its boundaries. Taxes are due in full on July 1 and become delinquent on the following October 1 with the exception of those taxes owed by (1) small business owners for which annual property taxes do not exceed $100,000 who qualify for a semi-annual payment plan (effective July 1, 2012); and (2) and homeowners living in their properties who qualify for a semi-annual payment plan. Semi-annual taxpayers must pay one-half of the annual taxes by September 30 and the remaining one-half in a second installment by December 31 of the fiscal year. No discount is allowed for early payment. Interest at the rate of 2/3% per month and a penalty of 1% per month are charged after September 30 (December 31 for the second semi-annual payment), except that tax bills issued after September 30 may be paid within 30 days without interest or penalty. Tax sales to recover delinquent real property taxes are held on the second Monday in May in the fiscal year taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

An independent state agency, the State Department of Assessments and Taxation ("SDAT"), assesses all real and tangible personal property on a rolling basis every three years for purposes of property taxation by State and local governmental units. Prior to tax year 2001, real property had been valued at market value and assessed in each year at 40% of phased-in market value. Beginning in tax year 2001, property tax rates are applied to 100%, instead of 40%, of the value of real property.

By law, the annual taxable assessment growth of owner-occupied residential property is capped at the lesser of the percentage of increase in the Consumer Price Index ("CPI") for the previous 12 months or 5% of the prior year's taxable assessment. The cap for fiscal year 2018 is set at 1%, based on the CPI. In fiscal year 2019, the cap is set at 2% based on the CPI. State law also provides that certain owner occupants of residential property may receive certain property tax credits based on various criteria including their income and net worth. The County is reimbursed by the State for some of these tax credits. Certain real estate developments inside the Capital Beltway within census tracts where the median household income does not exceed 100% of the median household income for the County based on census numbers (Revitalization Tax Credit Districts) are eligible to receive tax credits. This provides tax incentives for revitalization projects, with a long-term goal of enhancing the communities and preserving the tax base.

Tangible personal property and commercial and manufacturing businesses are assessed annually at fair market value with no inflation allowance, based upon annual reports filed with SDAT. Public utility property is assessed at fair market value determined by reference to both income and property values, with the exception that power-generating personal property has been subject to a phased-in partial assessment due to the State's electricity deregulation. The County grants some personal property tax credits for research and development property, designed to stimulate economic development.

The following tables set forth both the growth rate of and the assessed and estimated actual value of real and personal property in the County.

Annual Growth Rates

Fiscal Year	Assessed Value	Estimated Actual Value
2018[1]	6.1%	0.7%
2017	7.2%	8.1%
2016	3.5%	5.3%
2015	1.2%	2.4%
2014	-3.8%	-3.2%
2013	-6.8%	-7.3%
Six-Year Average:	1.2%	1.0%

[1]Estimated for the year ending June 30, 2018 as of March 30, 2018

Source: Office of Finance

The total General Fund property tax revenues included in the County's approved operating budget for fiscal year 2019 are $825.8 million (adjusted for tax credits, assessment abatements and deletions, allowance for municipal tax differential and uncollectible taxes). Total property tax revenues in fiscal year 2018 are estimated to total $790.8 million.

Real and Personal Property Taxes

(Levies and Collections)

Fiscal Year	Assessed Value ($ millions)	Tax Rate per $100 Assessed Value	Tax Levy Excluding Adjustments	Collected During Fiscal Year	Percent Collected as of June 30
2018[1]	$ 90,756.7	$1.00	$ 907,222,484	$ 887,556,513	97.8%
2017	85,523.9	1.00	909,650,941	905,652,881	99.9
2016	79,760.3	1.00	853,046,726	852,874,411	99.9
2015	77,078.0	0.96	791,690,172	787,981,697	99.5
2014	76,180.7	0.96	778,008,663	773,446,612	99.7
2013	79,191.1	0.96	803,094,590	798,920,671	99.8

[1]Fiscal Year 2018 collections are through February 28, 2018.

Source: Office of Finance

The following table provides a breakdown of the property tax rate into its component parts. The "General" rate is the only listed component that is subject to the limitations of Section 812 of the County Charter ("Section 812"). Pursuant to Section 812, the County shall not levy "a real property tax which would result in a total collection of real property taxes greater than the amount collected in fiscal year 1979." Section 812 further provides that "the County may levy a real property tax which would result in a total collection of real property taxes greater than the amount collected in fiscal year 1979 if the real property tax rate does not exceed two dollars and forty cents ($2.40) for each One Hundred Dollars ($100.00) of assessed value." In 2012, Maryland Senate passed Bill 848 that provides for the property tax rate to be set higher than the rate authorized under the County Charter. Any additional revenue generated as a result of the higher property tax rate is for the sole purpose of funding the approved budget of the local school board. The fiscal year 2016 Budget set the County's nominal real property rate at $1.00/$100 of assessed value. The "Stormwater Management" component pays debt service on bonds issued to provide funds for, and other expenses pertaining to, stormwater management facilities. The Washington Suburban Transit Commission (WSTC) component pays for the County's contribution to WSTC and other related mass transit costs. The Maryland State and the M-NCPPC components identify taxes collected by the County on behalf of those entities.

FY 2018 Property Tax Rates in Dollars/$100 of Assessed Value				
PRINCE GEORGE'S COUNTY		OVERLAPPING TAXING ENTITIES		
General	Stormwater Management	WSTC	Maryland State	M-NCPPC
$1.00	$0.054	$0.026	$0.112	$0.294

Source: Office of Finance

Property Tax Levies
($ thousands)

Fiscal Year	PRINCE GEORGE'S COUNTY General	PRINCE GEORGE'S COUNTY Stormwater Management	OVERLAPPING TAXING ENTITIES WSTC	OVERLAPPING TAXING ENTITIES Maryland State	OVERLAPPING TAXING ENTITIES M-NCPPC
2018[(1)]	$ 862,041	$ 45,181	$ 24,677	$ 97,123	$ 267,732
2017	820,635	42,232	23,176	91,154	251,324
2016	781,337	39,442	21,789	85,751	236,074
2015	725,143	38,102	21,050	82,832	216,026
2014	704,813	37,592	20,734	81,875	212,594
2013	769,416	39,600	21,652	84,913	222,092

[(1)]Estimated for the year ending June 30, 2018 as of February 28, 2018

Source: Office of Finance

The top 10 principal taxpayers within the County for fiscal year 2017 are as follows:

Principal Taxpayers
June 30, 2017

Taxpayer	Real Property Assessment	Personal Property Assessment	Total Assessment
Potomac Electric Power Co	$ 7,605,500	$ 631,057,720	$ 638,663,220
Gaylord National LLC	596,270,566		596,270,566
National Harbor Grand LLC	477,716,582		477,716,582
Verizon-Maryland		281,655,140	281,655,140
Empirian Village of Maryland, LLC	273,544,500	1,265,030	274,809,530
Washington Gas Light Company	6,189,700	252,784,820	258,974,520
JKC Stadium (FedEx Field)	208,927,300		208,927,300
Terrapin Row Prop Owner LLC	199,791,601		199,791,601
Greenbelt Homes, Incorporated	198,096,200		198,096,200
Baltimore Gas & Electric Company		180,785,370	180,785,370
Totals	$1,968,141,949	$ 1,347,548,080	$3,315,690,029
Percentage of Total Assessable Base	6.0%	4.1%	10.1%

Source: Office of Finance

Statutory Debt Limit

Pursuant to the Express Powers Act, the statutory debt limit of the County is a total of 6% of the assessable base of real property of the County and 15% of the County's assessable base of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article, as amended, replaced or recodified from time-to-time. State law authorizes certain exclusions. Obligations issued by the Revenue Authority and the Industrial Development Authority are excluded from the County's statutory limit. The current debt limit of the County is shown in the following table.

Statutory Debt Limit

June 30, 2017

County General Obligation Bonds	$ 1,364,205,000
Total Debt of the County	1,364,205,000
Less: Portion of Debt Excludable by State Law:	
County General Obligation Bonds for:	
Mass Transit Facilities	6,968,657
Stormwater Facilities	137,098,650
Solid Waste Projects	33,142,545
School Facilities Surcharge-Supported	270,251,443
School Facility Supported by Telecommunication Tax	18,731,670
Total Excludable Debt	466,192,965
County Debt Subject to Statutory Debt Limitation	898,012,035
Assessable Base of Real Property Taxation (FY2017)	86,941,639,900
Assessable Base of Personal Property and Operating Real Property Taxation (FY2017)	3,208,418,700
Debt Limit (a total of 6% of Real Property Assessable Base and 15% of Assessable Base of Personal Property) (FY2017)	5,697,761,199
Less: County Debt Subject to Debt Limitation	898,012,035
County Debt Margin	$ 4,799,749,164

Source: Office of Finance

The following schedule shows gross direct debt of the County and various entities incurred for capital purposes and outstanding.

Direct, Overlapping and Underlying Debt Statement

($ millions)

June 30, 2017

	Gross Debt Principal Amount	Self-Supporting Debt	Net Tax-Supported General Fund Debt Principal Amount
Direct Debt			
County General Obligation Bonds:			
General Purpose	898.0	-	898.0
Mass Transit	7.0	7.0	-
Stormwater Management	137.1	137.1	-
Solid Waste Management	33.1	33.1	-
School Facilities Surcharge-Supported	270.3	270.3	-
School Facilities Supported by Telecommunication Tax	18.7	18.7	-
Total Direct Debt	1,364.2	466.2	898.0
Overlapping and Underlying Debt			
Washington Suburban Sanitary Commission	773.2	773.2	-
Maryland-National Capital Park and Planning Commission	61.1	61.1	-
Industrial Development Authority of Prince George's County Lease Revenue Bonds	40.0	-	40.0
Underlying Towns and Cities Within County	41.6	41.6	-
Total Overlapping and Underlying Debt	915.9	875.9	40.0
Total Direct, Overlapping Debt and Underlying Debt	2,280.1	1,342.1	938.0

Source: Office of Finance

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of ____________, 2019 (the "Disclosure Certificate"), is executed and delivered by the Washington Suburban Sanitary Commission (the "Commission") in connection with the issuance and delivery of its $_____________ Consolidated Public Improvement Refunding Bonds of 2019 (the "Bonds"). The Commission hereby covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Commission for the benefit of the holders from time to time of the Bonds and the beneficial owners from time to time of the Bonds and in order to assist the Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Commission pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Disclosure Representative" shall mean the Chief Financial Officer of the Commission or her designee, or such other person as the Commission shall designate from time to time.

"Dissemination Agent" shall mean the Commission or any Dissemination Agent designated in writing by the Commission.

"EMMA" means the Electronic Municipal Market Access system maintained by the MSRB for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 6(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, and its successors.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Underwriter" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

SECTION 3. *Scope of Agreement.*

(a) The disclosure obligations under this Disclosure Certificate relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the Commission.

(b) The Commission is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

SECTION 4. *Provision of Annual Reports.* The Commission shall, not later than March 31 after the end of the fiscal year, commencing with the fiscal year ending June 30, 2018, provide to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate; provided that the audited financial statements of the Commission may be submitted separately from the balance of the Annual Report.

If the Commission is unable to provide the annual financial information and operating data within the applicable time periods specified herein, the Commission shall send in a timely manner a notice of such failure to the MSRB.

SECTION 5. *Content of Annual Reports.* The Commission's Annual Report shall contain or incorporate by reference the following:

- Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles, unless the audited financial statements are not available on or before the date of such filing, in which event said audited financial statements will be promptly provided when and if available and the Commission will provide unaudited financial statements as part of the Annual Report; and

- The information provided in the Official Statement prepared and delivered by the Commission with respect to the Bonds, under the headings "Employees' Retirement Plan," "Leases and Agreements," "Bonded Indebtedness of the District," "Summary of District Ad Valorem Taxes and Other Charges and Revenues Therefrom," "Capital Improvements Program," and "Water and Sewerage Facilities, Service Centers and Statistics," and updated as of a date no earlier than the last day of the immediately-preceding fiscal year.

SECTION 6. *Reporting of Significant Events.*

(a) In a timely manner, not in excess of 10 business days, the Commission will provide to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations;

(vii) modifications to rights of holders of the Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Commission;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a financial obligation of the Commission, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Commission, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Commission, any of which reflects financial difficulties.

The Commission hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Bonds. Nevertheless, the Commission intends to provide the Underwriter with complete assistance in complying with the Rule. Therefore, the Commission covenants to provide notice of all of the above-enumerated events should they occur.

SECTION 7. *Termination of Reporting Obligation.* The Commission's obligations under this Disclosure Certificate shall terminate when there are no longer any Bonds outstanding.

SECTION 8. *Dissemination Agent.* The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Commission may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) said amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Commission, or type of business conducted by the Commission;

(b) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the initial offering of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) said amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of the Bonds.

The reasons for any amendment and the impact of the change, if any, in the type of operating data or financial information being provided will be explained in information provided with the Annual Report containing the amended operating data or financial information.

SECTION 10. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Commission chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Commission shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Default.* Failure to comply with this Disclosure Certificate shall not be deemed to be a default or an event of default with respect to the Bonds.

SECTION 12. *Filing with EMMA.* Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Commission, the Dissemination Agent (if any), the Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. *Limitation of Forum.* Any suit or other proceedings seeking redress with regard to any claimed failure by the Commission to perform its obligations under this Disclosure Certificate must be filed in the Circuit Court of Montgomery County, Maryland or the Circuit Court of Prince George's County, Maryland.

SECTION 15. *Law of Maryland*. This Disclosure Certificate and any claims made with respect to performance by the Commission of its obligations under this Disclosure Certificate shall be subject to and be construed according to the laws of the State of Maryland (without regard to provisions on conflict of laws) or federal laws.

WASHINGTON SUBURBAN
SANITARY COMMISSION

By: ________________________________
Patricia A. Colihan
Chief Financial Officer

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Washington Suburban Sanitary Commission
Laurel, Maryland

Ladies and Gentlemen:

In connection with the issuance and sale of $__________ Washington Suburban Sanitary District, Maryland (Montgomery and Prince George's Counties, Maryland) Consolidated Public Improvement Refunding Bonds of 2019 dated _________, 2019 (the "Bonds"), maturing annually on June 1 in the years 2019 through 20_, inclusive, in the amounts set forth therein and bearing interest, payable semi-annually on June 1 and December 1 in each year, beginning June 1, 2019, we have examined:

(i) Titles 16 through 25 of Division II of the Public Utilities Article of the Annotated Code of Maryland, as amended (herein sometimes called the "Act");

(ii) Resolution No. 2019-2196, adopted by the Washington Suburban Sanitary Commission (the "Commission") on July 18, 2018 (the "Resolution");

(iii) the form of Bond;

(iv) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(v) other proofs submitted to us relative to the issuance and sale of the Bonds.

The terms of the Bonds are contained in the Resolution and the Bonds.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property.

In rendering this opinion, we have relied without independent investigation on certifications provided by the Commission with respect to certain material facts within the knowledge of the Commission relevant to the tax-exempt status of interest on the Bonds. We have not examined any documents or other information concerning the business or financial resources of the Washington Suburban Sanitary District, Montgomery County, Maryland, or Prince George's County, Maryland and we express no opinion as to the accuracy or completeness of any information that may have been relied upon by holders of the Bonds in making their decision to purchase the Bonds.

Based upon the foregoing, we are of the opinion that, under existing statutes, regulations and decisions:

(a) The Commission is a validly created and existing public corporation of the State of Maryland.

(b) The Bonds are valid and legally binding general obligations of the Washington Suburban Sanitary District, all the assessable property within which is subject to the levy of an *ad valorem* tax, without limitation of rate or amount, to pay the Bonds and the interest thereon.

(c) Interest on the Bonds is exempt from taxation by the State of Maryland and its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds.

(d) Assuming compliance with the covenants referred to herein, interest on the Bonds will be excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds in order for interest on the Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made), (ii) other requirements applicable to the investment of the proceeds of the Bonds, and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with the proceeds of the Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Commission has made certain covenants regarding actions necessary to maintain the exemption of interest on the Bonds from federal income taxation purposes of interest on the Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(e) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, as an enumerated item of tax preference or other specific adjustment. Interest income on the Bonds will be includable in the applicable tax base for purposes of determining the branch profits tax imposed on foreign corporations engaged in a trade of business in the United States.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,

APPENDIX E

Book-Entry System

General. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, DTC's nominee, the Bond Registrar and Paying Agent or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or its Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Book-Entry Only System — Miscellaneous. The information in the Section "Book-Entry Only System — General" has been obtained from DTC. The Commission takes no responsibility for the accuracy or completeness thereof. The Commission will have no responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The Commission cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuation of Book-Entry Only System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commission. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Commission may also decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the Book-Entry Only System is discontinued, the Bonds in fully certificated form will be issued as fully registered Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. Such Bonds will be transferable only upon the registration books kept at the principal office of the Bond Registrar and Paying Agent, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar and Paying Agent, and duly executed by the registered owner or a duly authorized attorney. Within a reasonable time of such surrender, the Commission shall cause to be issued in the name of the transferee a new registered Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond surrendered and maturing on the same date and bearing interest at the same rate. The new Bond or Bonds shall be delivered to the transferee only after due authentication by an authorized officer of the Bond Registrar and Paying Agent. The Commission may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

In the event that the Book-Entry Only System is discontinued, the Bonds may be transferred or exchanged at the principal office of the Bond Registrar and Paying Agent. Upon any such transfer or exchange, the Commission shall execute and the Bond Registrar and Paying Agent shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Bond Registrar and Paying Agent may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer.

The Bond Registrar and Paying Agent shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of $5,000 which is not being called for redemption.

NEITHER THE COMMISSION NOR THE BOND REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

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FORM OF ISSUE PRICE CERTIFICATE FOR
QUALIFIED COMPETITIVE BID

$____________
WASHINGTON SUBURBAN SANITARY
DISTRICT, MARYLAND
(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)
Consolidated Public Improvement Refunding Bonds of 2019

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF WINNING BIDDER] (the "[SHORT FORM NAME OF WINNING BIDDER]"), hereby certifies as set forth below with respect to the sale of the above-captioned obligation (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT FORM NAME OF WINNING BIDDER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Bonds used by [SHORT FORM NAME OF WINNING BIDDER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT FORM NAME OF WINNING BIDDER] to purchase the Bonds.

(b) [SHORT FORM NAME OF WINNING BIDDER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT FORM NAME OF WINNING BIDDER] constituted a firm bid to purchase the Bonds.

2. ***Defined Terms***.

(a) *Issuer* means Washington Suburban Sanitary Commission.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is ___________, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax and Section 148 Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McKennon Shelton & Henn LLP, as Bond Counsel to the Issuer in connection with rendering their respective opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the Issuer from time to time relating to the Bonds.

[NAME OF WINNING BIDDER],
By: ____________________________________
Title: __________________________________

Dated: ___________, 2019

SCHEDULE A

Expected Initial Offering Prices of the Bonds

[Insert]

<u>SCHEDULE B</u>
Copy of Bid

[See Attached]

APPENDIX F-2

FORM OF ISSUE PRICE CERTIFICATE FOR
NONQUALIFIED COMPETITIVE BID

$____________
**WASHINGTON SUBURBAN SANITARY
DISTRICT, MARYLAND
(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)
Consolidated Public Improvement Refunding Bonds of 2019**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF THE WINNING BIDDER] (the "[SHORT FORM NAME OF WINNING BIDDER]"), [on behalf of itself and [NAMES OF MEMBERS OF THE UNDERWRITING SYNDICATE] (together, the "Underwriting Group"),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the General Rule Maturities***. As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which 10% of such Maturity was sold by [SHORT FORM NAME OF WINNING BIDDER] [the Underwriting Group] to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [SHORT FORM NAME OF WINNING BIDDER] [the members of the Underwriting Group] offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the [SHORT FORM NAME OF WINNING BIDDER] [members of the Underwriting Group] [has] [have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it] [they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to the foregoing, no Underwriter has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms***.

(a) *General Rule Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the "General Rule Maturities."

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT FORM NAME of WINNING BIDDER] [the Underwriters] [has] [have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means Washington Suburban Sanitary Commission.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a participant of the Underwriting Group or a related party to a participant of the Underwriting Group. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ___________, 2019.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax and Section 148 Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McKennon Shelton & Henn LLP, as Bond Counsel to the Issuer, in connection with rendering their respective opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the Issuer from time to time relating to the Bonds.

[NAME OF WINNING BIDDER], as
[_______________]

By: _________________________
Title: ______________________

Dated: ___________, 2019

SCHEDULE A

Sale Prices of the General Rule Maturities

[Insert]

Initial Offering Prices of the Hold-The-Offering-Price Maturities

[Insert]

SCHEDULE B

Pricing Wire or Equivalent Communication

[See Attached]

APPENDIX G

Description of Refunded Bonds

Consolidated Public Improvement Refunding Bonds of 2009
(To be redeemed on or about June 1, 2019)

Maturity Date (June 1)	Par Amount	Coupon	Call Date	CUSIP
2020	$9,860,000	5.000%	6/1/2019	940157RU6
2021	9,905,000	4.000	6/1/2019	940157RV4
2022	6,845,000	4.000	6/1/2019	940157RW2
2023	4,120,000	3.500	6/1/2019	940157RX0
2024	4,105,000	3.500	6/1/2019	940157RY8
2025	4,090,000	4.000	6/1/2019	940157RZ5
2026	920,000	4.000	6/1/2019	940157SA9
2027	955,000	4.000	6/1/2019	940157SB7
2028	995,000	4.000	6/1/2019	940157SC5
2029	1,030,000	4.000	6/1/2019	940157SD3