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March 01, 2026

The Honorable Aisha Braveboy, Prince George's County Executive
The Honorable Marc Elrich, Montgomery County Executive
The Honorable Krystal Oriadha, Chair, Prince George's County Council
The Honorable Natali Fani-González, President, Montgomery County Council

Dear County Executive Braveboy, County Executive Elrich, Chair Oriadha, and President Fani-González:

On behalf of WSSC Water, I hereby transmit the Proposed Fiscal Year 2027 (FY 2027) Capital and Operating Budget. This budget is released and distributed for review by interested customers, citizens, and elected officials.

Budget Overview

The proposed budget for FY 2027 for all operating and capital funds totals \$1.97 billion or \$136.95 million (7.5%) more than the FY 2026 Approved Budget. The Proposed Operating Budget of \$1.2 billion represents an increase of \$63.5 million (5.6%) over the FY 2026 Approved Operating Budget of \$1.1 billion. Additionally, the Proposed Capital Budget of \$770.2 million represents an increase of \$73.4 million (10.5%) over the FY 2026 Approved Capital Budget of \$696.8 million. The non-discretionary debt service and payments to the District of Columbia Water and Sewer Authority's Blue Plains Advanced Wastewater Treatment Plant for the operating and Regional Sewage Disposal costs are 40% of the FY 2027 Proposed Operating Budget. These payments along with PAYGO financing of capital projects, chemicals for treatment, increased healthcare costs and rising energy costs represent 56% of the total operating increases.

Additional Expenditures That WSSC Water Plans to Absorb

The FY 2027 Preliminary Proposed Budget included \$89.7 million in operating expenses for WSSC Water's share of wastewater treatment costs at the Blue Plains

Advanced Wastewater Treatment Plant. The updated projections from DC Water show an increase of \$2.2 million, which WSSC Water plans to absorb.

The FY 2027 Proposed Budget of \$1.97 billion, is \$28.64 million more than the FY 2027 Preliminary Proposed Budget that was transmitted on January 12, 2026. The year one (FY 2027) increase totals \$28.64 million in capital funds across four CIP programs (four Blue Plains Wastewater Treatment Plants (WWTP) Programs). Revisions are required for the Blue Plains WWTP projects to reflect updated expenditure schedules from DC Water. Changes to the four Blue Plains WWTP Programs reflect a pull forward of programmed expenditures. This capital increase will add \$1.2 million to annual debt service, a cost that WSSC Water plans to absorb.

WSSC Water is an Anchor Institution

WSSC Water serves as a vital anchor institution within the community. We provide significant financial assistance to customers in need and maintain \$9 billion in critical infrastructure assets including more than 11,000 miles of water and sewer mains. WSSC Water is also a major employer in the service area with over 1,800 employees. Beyond our direct operations, we contribute significantly to the local economy by generating \$635 million in business activity for Montgomery and Prince George's Counties over the past five years and actively engaging with the community through more than 225 annual events. Funding to support our customers assistance programs has increased by 20% or \$1.8 million for FY 2027.

Outcome Based Budgeting Approach

This year, we continued our transparent outcome-focused approach to budgeting, ensuring meticulous alignment with our key priorities and required services for our customers. Risks are mitigated through our strategic allocation of resources across operating and capital expenditures. Work programs and funding are aligned to continue improvements required to reach desired outcomes and optimal service delivery levels. The budget incorporates strategies, such as the use of PAYGO for capital, to meet required financial metrics while balancing affordability and investment in our resources.

Alignment of Budget Drivers with Strategic Priorities

The FY 2027 budget drivers directly support the strategic priorities. Rising debt service and PAYGO obligations, which require steady payments on past borrowing, aligns with Asset Management & Infrastructure Reliability and Sustainability & Resiliency by ensuring continued investment to maintain and strengthening water and sewer systems. Competitive wages reinforce our focus on Workforce Development, as the budget incorporates newly negotiated Collective Bargaining Agreement increases and ensures livable, market-competitive pay needed to attract and retain skilled staff.

Federal funding constraints highlight the importance of Affordability & Financial Viability, by adding pressure on rates due to limited federal support relative to overall needs and the expiration of Infrastructure Investment and Jobs Act (IIJA) funding after FY 2026. Additionally, rising costs, such as higher regional sewage disposal fees, increased employee health care expenses, and utility costs driven by inflation and tariffs, continue to add significant pressure to the budget underscoring the need to invest in Optimizing Operations and Digital Transformation to improve efficiency.

Cost Containment

We prioritized cost containment and operational efficiencies by asking departments to cut expenses 5% below their FY 2026 approved budgets. This effort resulted in \$27 million in savings from items classified as discretionary. Note that labeling these items as “discretionary” does not imply they lacked value, they are not regulatory requirements or externally mandated costs.

Revenue Enhancement

During the spending affordability discussions our preliminary “same services” budget was presented with a 6.0% revenue enhancement to keep pace with rising costs and address deferred improvements that were a result of pandemic revenue downturn, keep wages competitive to retain and recruit talent to serve, and improve financial metrics to protect the AAA rating.

The Proposed FY 2027 Budget is supported overall by a 6.0% revenue enhancement comprised of a 5.0% average water and sewer volumetric and fixed fees rate increase. With the additional 1.0% achieved through the use of one-time revenue from interest income and a temporary rate stabilization fund. WSSC Water understands the difficulties associated with a revenue enhancement in the current economic climate. We believe this approach addresses the concerns of all stakeholders in the spending affordability process, while at the same time recognizes the support for the required investments. We continue to experience inflation throughout the supply chain, as well as substantial increases in Blue Plains Regional Sewage Disposal and healthcare costs that are much higher than inflation. Additionally, water and wastewater operations are energy intensive. Escalating energy costs directly impact the costs of our operations. These challenges make the rate increase vital to fulfilling our mission to provide safe, clean, and reliable water, life’s most precious resource, to our customers. This proposed budget does not propose any new positions.

Commitment to Affordability and Customer Assistance Programs

The 5.0% average revenue enhancement will add approximately \$4.92 per month or \$14.75 per quarter to the bill of a customer using 145 gallons per day, the average per person consumption of 48 gallons per day for a 3-person household. Despite this increase, WSSC Water rates remain competitive and continue to compare favorably to many other comparable, regional water and sewer utilities. The average residential bill is approximately 1.0% of the median household income.

Like many utilities across the country, WSSC Water continues to face the challenge of balancing increasing costs for infrastructure and operations with affordability considerations for our customers. While the average costs to ensure access to clean, safe drinking water and efficient wastewater treatment compares favorably to other household utilities and expenses, we understand more residents may have difficulty meeting their monthly expenses during these unprecedented and uncertain times. However, it is essential to price water at the cost of safely producing and delivering this essential resource and to offer assistance programs for our most vulnerable customers. The total of all customer assistance program support in the FY 2027 Budget is \$10.6 million, an increase of 20% from last fiscal year. This includes:

- The Customer Assistance Program (CAP), established in FY 2016 to support economically challenged customers by providing financial assistance with water and sewer bills. The CAP has already reached thousands of our customers in the current fiscal year. The CAP will continue in FY 2027, with a proposed budget estimating a \$2.2 million in revenue offset.
- The Water Fund is another program that aids eligible customers in need of assistance. Customers can make multiple requests for assistance with water and sewer bills up to \$500 per year. For FY 2027, \$750,000 is included for the Water Fund. Prior to FY 2025, the Water Fund was primarily funded through donations.
- The Connection Pipe Emergency Replacement Loan Program, funded at \$200,000, offers affordable financing of up to \$10,000 per eligible customer.
- Under the CAP Leak Repair Program, launched in fall 2024 and administered by Habitat of Humanity, CAP-enrolled customers impacted by an on-property leak are for assistance. The program budget has doubled to \$700,000 for FY 2027, and eligible customers can receive up to \$9,000 per year in water leak repair services.
- WSSC Water also offers affordable, flexible and interest-free payment plans to residential and commercial customers with past-due bills through a partnership with Promise.

- To reinforce our commitment to customer assistance, WSSC Water funded an additional \$1.8 million for new programs, representing a 20% increase over FY 2026. Specific programs will be established or enhanced based on customer needs.

Funded Essential Programs, Initiatives and Improvements

In addition to supporting enhancements to customer assistance programs, the budget funds the following essential programs, initiatives, and improvements:

- Safe Drinking Water Act and Clean Water Act compliance
- Private Side (customer) lead water service line replacement - \$34.0 million in FY 2027
- EPA Lead and Copper Rule regulatory compliance \$34 million
- Comprehensive Per- and Polyfluoroalkyl Substances (PFAS) management strategy \$6.3 million
- Operations and maintenance of our \$9 billion in infrastructure assets to support our core mission
- Debt service to support the capital improvement programs \$388.5 million
- Reduced reliance on bonds via increases to the PAYGO allocation
- Adherence to financial metrics to retain our AAA bond rating
- Inspection of large diameter pipes and valve exercising
- Investments to ensure operational reliability and resilience:
 - Upgrading Water Filtration and Water Resource Recovery Facilities to drive operational cost savings and maintain compliance
 - Upgrading aging pumping stations and force mains
 - Modernizing our meter infrastructure
 - Proactive investment to safeguard environment

Facilities Planning for Comprehensive Investment

The budget anticipates the implementation of comprehensive water and wastewater facilities condition assessment and improvement planning. The goals of Water and Wastewater Facilities Plans are to provide a long term infrastructure roadmap based on analyses of future capital investment needs necessary to meet service and regulatory mandates; protect the health and safety of customers, employees, and the environment; reduce business risk exposures; provide exceptional level of service while sustaining operational efficiency, reliability, and resilience; maintain state of good repair of WSSC Water’s assets and systems; implement WSSC Water’s initiatives, plans and policies; and advance Prince George’s and Montgomery

counties' priorities. A focus on Community Impact is a core element of WSSC Water's infrastructure planning to ensure all communities benefit from equitable infrastructure access and economic opportunities.

The budget proposes numerous capital and facility investments such as:

- Invest \$15.2 million in Master Planning and Facilities Planning and Investments
- Invest \$34.0 million in Lead and Copper Reduction regulatory compliance
- Invest \$12.9 million in Smart Water Meter Infrastructure
- Invest \$16.3 million in Energy Performance Programs
- Invest \$24.0 million in the Anacostia Depot Reconfiguration for mechanical upgrades at the warehouse and the heavy equipment shop and the replacement of the warehouse roof
- Invest \$22.8 million to replace and upgrade assets at the Support Center that have reached the end of their useful lives
- Invest \$68.0 million to replace 32 miles of water pipe in the Water Reconstruction Program
- Invest \$114.1 million to replace 42.6 miles of sewer pipe in the Sewer Reconstruction Program
- Invest \$58.0 million to replace 5 miles of large diameter water pipe in the Large Diameter Water Pipe & Large Valve Rehabilitation Program
- Invest \$26.4 million to replace 9 miles of Trunk Sewer line in the Trunk Sewer Reconstruction Program

Infrastructure Reliability

The budget proposes the rehabilitation of 35 miles of smaller water mains (<16 inches in diameter), as WSSC Water begins to ramp back up towards our asset management plan goal of 32 miles per year; continued development of our enhanced pipe condition assessment program, and evaluation of new water main rehabilitation technologies to help control costs while also minimizing disruption for our customers.

For large diameter water mains, the Prestressed Concrete Cylinder Pipe (PCCP) Program provides for the ongoing Acoustic Fiber Optic monitoring of over 110 miles of pipe, ongoing inspection, and rehabilitation and replacement of large diameter pipes. Inspection, rehabilitation, and replacement of large valves continues at two per year. The PCCP program will continue building toward a goal of replacing up to two miles per year, with several projects in the planning and design phases. Replacement of ferrous pipes is projected at four miles. Funding is also included for the continued compliance with all requirements of the WSSC Water Sanitary Sewer Overflow and Potomac Water Filtration Plant Consent Decrees.

Information Technology Strategic Plan

Information Technology is committed to providing a secure and reliable computing infrastructure that effectively meets the current and future needs of WSSC Water. The FY 2027 budget invests in system upgrades and replacements, as well as our people. Funding is included to continue enhancing our Cyber Resilience program to mitigate cybersecurity risks efficiently and effectively by ensuring our electronic data, computer systems and networks remain protected from theft, attack, or unauthorized access. Cyber Resiliency program initiatives include artificial intelligence (AI) threat detection, new end-user security awareness training, and risk reduction of identity theft through two-step authentication. Funding is also being made available to support modernization of some of our legacy systems, including work and asset management, customer service, financial and human resources applications, the deployment of AI and predictive analytics, digital twin technology and enhancing customer and employee engagement consistent with the objectives of WSSC Water's strategic plan and its digital transformation.

Budget Reductions: FY 2027 Proposed Budget

Under the General Manager's direction, the Departments identified efficiencies and controlled costs, reducing their budgets by \$27 million to maintain core mission functions and balance affordability with the need to accommodate rising costs to the utility.

To limit the impact of a rate increase on our customers, we identified non-rate revenue to offset a portion of the enhancement request. This includes a one-time true-up of \$4.9 million to interest income based on actual results and a transfer of \$5.5 million from a temporary rate stabilization fund. Together, these adjustments make up 1.0% of the required revenue enhancement, resulting in a 5.0% rate increase. As a result, we are able to maintain funding for important items like streets repairs/paving restoration following water main breaks, materials for maintenance operations and contractors for prompt responses to sewer backup events, unplanned plumbing repairs and emergencies.

System Development Charge

State law provides that the System Development Charge (SDC), a charge to new applicants for WSSC Water service which is intended to recover growth costs, may be adjusted annually by the change in the Consumer Price Index for the Washington, DC metropolitan area (CPI-W). Beginning FY 2026, WSSC Water increased both the maximum allowable charge and the SDC by 2.5%. This was the first increase since 2000. In FY 2027, WSSC Water plans to increase the maximum allowable charge as well as the SDC by the change in the CPI-W, 2.4%.

Conclusion

With this proposed budget, WSSC Water will continue to protect public health and safety by providing safe, clean, and reliable water and maintaining our AAA bond rating. This Proposed Budget is based on a 5.0% average rate revenue enhancement supplemented by 1.0% in one-time revenue from interest income and fund balance. It supports WSSC Water's strategic priorities, includes significant improvements and enhancements to existing programs and funds regulatory programs.

Sincerely,

DocuSigned by:

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Mark J. Smith
Commission, Chair

cc:
Members of Prince George's County Council
Members of Montgomery County Council
Members of the Maryland General Assembly
Kishia L. Powell, General Manager/CEO
Munetsi Timothy Musara, Chief Financial Officer