



THE PRINCE GEORGE'S COUNTY GOVERNMENT

MEMORANDUM

October 29th, 2015

TO: Mary A. Lehman, Chair
Transportation, Housing and Environment Committee (THE)

FROM: Hawi Sanu, Director *HS*
Transportation, Housing and Environment Committee (THE)

THRU Robert Williams, Council Administrator *R.W.*
Prince Georges County Council

SUBJECT: WSSC FY 2017 Spending Control Limits

Background

In May of 1993, the Montgomery and Prince George's County Councils created a Bi-County Working Group on WSSC Spending Controls to focus on the financial concerns of increasing water and sewer rates, debt, and debt service levels. This group's January 1994 report recommended "the creation of a Spending Affordability Process that requires the Counties to set annual ceilings on WSSC's rates and debt, and then place corresponding limits on the size of the capital and operating budgets of the Commission."

A Bi-County team was put together and a process was created to control capital, operational, and new debt service costs for the purpose of moderating or avoiding water and sewer bill increases. WSSC's FY 1996 Budget was the first budget to be formulated with the limits set by the Spending Affordability Process. The Spending Affordability Process focused the financial performance discussions on the need to balance affordability considerations against providing resources necessary to serve existing customers, meet environmental mandates, and provide the facilities needed to accommodate growth.

The major objectives of this process are to establish the framework for (1) controlling costs, (2) achieving low or moderate water/sewer bill increases, and (3) slowing the rate at which WSSC incurs debt, (below 40% of the Operating Budget). The impact of this process has been integral in keeping customer bill increases at a stable and reasonable level.

The Spending Affordability process provides a framework within which the Council can review and decide on spending control limits. The limits do not cap what the Councils can approve within the regular budget process that concludes in May of each year. For FY 2016, the Commission built on the new fee structure, which revised or recalibrated the Account Maintenance Fees (AMF) to recover a five year average cost for account maintenance services. The total Infrastructure Funding Fee is also a part of the FY 2017 spending affordability scenarios; this fee exclusively covers water and sewer pipes reconstruction and rehabilitation. All corresponding funds will be held in a restricted account to be used exclusively for rehabilitation and reconstruction. The AMF will directly offset account maintenance costs. With this new fee structure, the percentage of rate increase will be substantially less than the pre FY 2016 era; where the rate increase represented funds

to subsidize account maintenance costs and funds to rehabilitate and reconstruct the ailing infrastructure.

Bi- County Infrastructure Funding Work Group

Due to the constant rate increases by the Washington Suburban Sanitary Commission, (WSSC), there was a need to create a dedicated revenue source, that will not be exclusively dependent on water and sewer rates. The growing need for the infrastructure rehabilitation and reconstruction, warranted the Commission to be financially structured to accommodate these financial challenges. The Work Group, in collaboration with a renowned consultant, recommended several steps that would enable the Commission to meet its financial goals.

They were as follows:

- Increase the terms on new debt from 20 to 30 years and maintain a debt service coverage target and a matching principle of benefits and costs.
- Excess cash flow will be used as PAYGO capital funding to reduce borrowing.
- Creation of a dedicated infrastructure rehabilitation charge (fixed or volumetric).
- Creation of a more robust customer affordability program, to be enabled at the State level; MEAP guidelines will be utilized because it is an existing affordability program.

The increment of debt terms from 20 to 30 years was instituted in FY 2015 and produced an immediate benefit of approximately 2% reduction of rates. The new IFF and AMF were also a part of the FY 2016 budget, along with a 1% general rate increase. Along with the new rate structure, was the creation of a robust Customer Affordability program that started on July 1st, 2015. This program is being administered by the Maryland Energy Assistance Program (MEAP).

Schedule and Scenarios

The FY 2017 Spending Affordability Group met on September 9th and 23rd, 2015. This year's spending affordability process presented four scenarios.

1. A base case, which represented FY 2016 with the full Infrastructure Funding Fees, which was part of the FY 2016 SAR recommendation. This scenario calculated a rate increase of 4.4%. (**Scenario 1 – Attachment 1**)
2. Scenario #2 assumed the base case without the IFF phase in; that calculated a rate increase of 7.8%. (**Scenario 2 – Attachment 2**)
3. Scenario #3 was exactly the same as scenario 1, with Additional and Reinstated Programs, which yielded a rate increase of 5%. (**Scenario 3 – Attachment 3) Additional and Reinstated Programs (Attachment 3A)**)
4. For comparison purposes, Scenario #4 assumed that the new structure rate structure was not adopted; that calculated a rate increase of 7.5%. (**Scenario 4 – Attachment 4**)

WSSC FY 2017 SPENDING CONTROL LIMITS SCENARIOS

SCENARIOS	RATE INCREASE	MONTHLY RATE IMPACT FOR 160GPD	INFRASTRUCTURE INVESTMENT FEES	EFFECTIVE RATE	TOTAL MONTHLY INCREASE AT 160 GPD
Base Case with AMF and IFF phased in (Attachment 1)	4.40%	\$2.36	\$2.00	7.10%	\$4.36
Base Case with AMF , No IFF Phase In (Attachment 2)	7.80%	\$4.19	\$0.00	6.80%	\$4.19
Base Case with AMF and IFF phased in - with Additional & reinstated Programs (Attachment 3)	5.00%	* \$2.70	\$2.00	7.60%	\$4.70
FY'15 Status Quo (No AMF, IFF or A&R) - (Attachment 4)	7.50%	\$4.15	\$0.00	7.01%	\$4.15
*This scenario only represents additional and reinstated programs of \$3,599,000					

5. The recommended scenario is as follows: (**Scenario 5 – Attachment 5**)

WSSC FY 2017 SPENDING CONTROL LIMITS - RECOMMENDED SCENARIO

SCENARIO	W/S RATE INCREASE AVERAGE \$ IMPACT	INFRASTRUCTURE RENEWAL FEES AVERAGE \$ IMPACT	TOTAL AVERAGE IMPACT
Scenario 3, restrained at 3.5% rate increase, and full Infrastructure Fees with A/R	\$1.89	\$2.00	\$3.89
NOTE: This scenario assumes \$26.1 million use of Fund Balance and \$8.6 Million in unspecified reductions			
Rate Increase	3.5%		
Operating Budget	\$729,168,000		
Debt Service Expense	\$250,762,000		
New Debt	\$476,810,000		
Debt Service Ratio (Debt Service / Budget)	34.4%		

Calculated Rate increase for recommended scenario is 6.4%

Historical Data on Spending Control Limits

Historically, the Spending Affordability Process has worked and the limits have been used as a basis to formulate the Commission’s budget. Over the years, lower rate increases were achieved by use of fund balance; staff continues to urge caution in using a one-time revenue source such as fund balance to reduce rates as this only reassigns expenses to later years and does not eliminate it. Fund balance can be used for one time expenditures.

While the Spending Affordability Process was put in place to review four limits: Rates, Operating Budget, Debt Service Expense and New Debt; the most reviewed has been the rate increase and the other three limits are then adjusted accordingly.

HISTORICAL DATA OF WSSC'S RATE INCREASES

<i>Fiscal Year =></i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Adopted Rate Increase	2.50%	3.00%	6.50%	8.00%	9.00%	8.50%	8.50%	7.50%	7.25%	5.50%	1.00%
Montgomery County SAG	2.50%	3.00%	5.30%	9.70%	9.50%	9.90%	9.90%	8.50%	8.00%	6.00%	2.10%
Prince George's County SAG	2.50%	3.00%	5.30%	8.00%	6.00%	8.00%	8.00%	8.50%	7.50%	6.00%	2.10%

Rate Structure and Increases:

WSSC's current rate structure has remained unchanged since 1978, it was modified in 1992 from 100 tiers to 16 tiers. **(Attachment 6)** The tiers are based on average daily consumption, which means that once a consumer crosses tiers, they are effectively billed at that higher tier rate for previous waters consumed, within the same billing period. For example, if a consumer was at tier 1 for the first 2 months of the billing period, but had guests during the 3rd month of the same billing cycle, which resulted in a higher usage than normal, all water used during that billing period will be billed at the higher tiered rate.

This practice was deemed unusual by the consultant's report, on a study commissioned by WSSC in 2014. While the inclining block structure was fairly common amongst utilities, most do not charge for all water usage at the same high rate and have fewer tiers, (3 to 6 tiers).

There are a number of impacts from WSSC's current rate structure including:

- Ratepayers can see large fluctuations in their water bills if their average daily consumption from one quarter to another moves between tiers.
- These fluctuations can also result in WSSC's water and sewer rate revenue being less predictable from quarter to quarter.

- As per capita water consumption has declined over the last 20 years, the decline in WSSC's revenue collection has been magnified.
- Large households and large commercial ratepayers are effectively subsidizing the rest of the ratepayer base, since the rates they pay for all of their water usage are in higher tiers than the tiers which typically affect most small commercial ratepayers and small households.

WSSC, has for many years depended on rate increases to fund its operations and infrastructure needs. Water production levels have generally remained flat or have declined since FY 96, which has resulted in less revenues than was projected. With water productions declining, there was a need to move to a fixed fee base. Water production for FY 2017 will be based on 164MGD, down from 166 MGD in FY 2016.

Council Staff Recommendations

- *Council Staff recommends Scenario 5 which adds no more than \$3.89 to an average consumer's bill. This scenario also recommends \$8.6 million in unspecified reductions and \$26.1 million use of fund balance. This scenario represents a 3.5% rate increase plus \$2.00 in Infrastructure Renewal Fees.*
- *Council Staff believes WSSC's current rate structure needs a comprehensive review. The current rate structure dates back to the late 1970's and some of the negative impacts of the rate structure noted earlier have further compounded as rates have increased. Council Staff recommends that language be added to the Spending Control Limits resolution to indicate the Council's support for a rate study to be funded out of the FY 2017 budget.*
- *The Commission must continue to implement strategies and plans that will have long term benefits to the Commission and Consumers.*

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - Infrastructure Fee Phase-In (Base Case)
 Estimated Revenues and Expenditures (\$1,000)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
1 Revenue							
2 Water & Sewer Rate Revenue	\$583,375	\$576,346	\$601,544	\$662,988	\$713,088	\$761,245	\$805,450
3 All Other Sources	110,290	126,745	110,557	110,911	110,120	108,699	108,637
4 Total Revenue	693,665	703,091	712,101	773,799	823,208	869,944	914,087
5 Expenses							
6 Maintenance & Operating	377,219	393,741	410,268	427,522	445,554	464,345	483,972
7 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,930
8 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,669
9 PAYGO	19,677	25,661	31,995	39,489	46,249	52,029	56,829
10 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,286	4,286
11 Adjustments to Expenses (SDC Debt Service Offset, REDO)	-	-	-	-	-	-	-
11 Unspecified reductions	-	-	-	-	-	-	-
## Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	693,665	728,289	773,545	823,899	871,365	914,149	950,636
14 Revenue Gap (Revenue - Expenses)	-	(25,198)	(61,444)	(50,100)	(48,157)	(44,205)	(36,549)
15 Water Production (MGD)	166.0	164.0	164.0	164.0	164.0	164.0	164.0
16 Debt Service Ratio (debt service / budget)	34.0%	34.4%	35.4%	36.0%	36.4%	36.5%	36.2%

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
17 Rate Increase	1.0%	4.4%	10.2%	7.6%	6.8%	5.8%	4.5%
18 Operating Budget	\$693,665	\$728,289	\$773,545	\$823,899	\$871,365	\$914,149	\$950,636
19 Debt Service Expense	235,574	250,762	273,606	296,463	317,287	333,817	343,669
20 New Debt	422,681	476,810	462,345	366,326	365,349	303,170	238,095

NOTE:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
21 Impact of Rate Increase on Residential Monthly Bill with 160 GPD usage	\$2.36	\$5.76	\$4.70	\$4.51	\$4.14	\$3.43
22 Impact of Phase-In Infrastructure Investment Fee	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$4.36	\$5.76	\$4.70	\$4.51	\$4.14	\$3.43
	7.1%	8.7%	6.5%	5.9%	5.1%	4.0%
23 Impact of Rate Increase on Residential Monthly Bill with 100 GPD usage	\$1.30	\$3.16	\$2.58	\$2.40	\$2.27	\$1.88
24 Impact of Phase-In Infrastructure Investment Fee	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$3.30	\$3.16	\$2.58	\$2.40	\$2.27	\$1.88
	9.0%	7.9%	6.0%	5.4%	4.7%	3.7%

**WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
 FY 2017 thru 2022 Forecast : Preliminary Budget - Infrastructure Fee Phase-In (Base Case)**

Estimated Revenues and Expenditures (\$1,000)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$593,376	\$576,346	\$601,544	\$662,988	\$713,088	\$761,245	\$805,450
3 Account Maintenance Fee (Ready to Serve Charge)	32,374	32,553	32,732	32,911	33,090	33,270	33,449
4 Infrastructure Renewal Fee (Ready to Serve Charge)	19,418	38,963	39,091	39,220	39,349	39,478	39,607
5 Interest Income	1,000	700	700	700	700	700	700
6 Plumbing/Inspection Fees	7,920	7,300	7,500	7,700	7,900	8,100	8,300
7 Rockville Sewer Use	2,773	2,632	2,664	2,680	2,711	2,741	2,771
8 Miscellaneous	16,000	17,252	17,704	18,185	18,638	19,124	19,524
9 Total Revenue	662,860	675,746	701,535	764,364	815,476	864,658	909,801
10 Adjustments to Revenue							
11 Use of Fund Balance	21,577	20,138	4,686	5,435	5,232	4,286	4,286
12 Less Rate Stabilization	728	207	-	-	-	-	-
13 SDC Debt Service Offset	8,500	7,000	5,500	4,000	2,500	1,000	-
14 Reconstruction Debt Service Offset	30,805	27,345	10,166	9,435	7,732	5,286	4,286
15 Adjustments to Total Revenue	693,665	703,091	712,101	773,799	823,208	869,944	914,087
16 FUNDS AVAILABLE							
17 EXPENDITURES							
18 Salaries and Wages	111,309	116,875	122,719	128,855	135,298	142,063	149,166
19 Salaries and Wages - Additional & Reinstated Programs	-	-	-	-	-	-	-
20 Heat, Light and Power	23,353	26,656	27,731	28,056	30,053	31,271	32,555
21 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,880
22 All Other	242,557	250,210	259,818	269,811	280,203	291,011	302,251
23 All Other - Additional & Reinstated Programs	-	-	-	-	-	-	-
24 Additional Operating Reserve Contribution	6,300	6,524	4,186	4,935	4,732	4,286	4,286
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	438,414	451,066	467,944	487,947	507,829	528,303	550,138
28 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,669
29 Debt Reduction (PAYGO)	19,677	25,661	31,995	39,489	46,249	52,029	56,829
30 Total Financial Expenses	255,251	276,423	305,601	335,952	363,536	385,846	400,498
31 TOTAL GROSS EXPENSES (Operating & Financial)	693,665	728,289	773,545	823,899	871,365	914,149	950,636
32 NET EXPENSES	693,665	728,209	773,545	823,899	871,365	914,149	950,636
33 Revenue - Expenditure Gap before rate increase	-	(25,198)	(61,444)	(50,100)	(48,157)	(44,205)	(36,540)
34 Rate Increase	1.0%	4.4%	10.2%	7.6%	6.8%	6.8%	6.8%
FY17_gyr_Preliminary Forecast IIF Phase-in.xlsx							

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - No Infrastructure Investment Fee Phase-In
 Estimated Revenues and Expenditures (\$1,000)

	FY 2016 Approved	FY 2017 Proposed	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate
1 Revenue							
2 Water & Sewer Rate Revenue	\$583,375	\$576,346	\$621,025	\$683,533	\$733,698	\$781,919	\$825,189
3 All Other Sources	110,290	107,264	90,012	90,201	89,447	88,959	88,834
4 Total Revenue	693,665	683,610	711,037	773,734	823,145	870,878	914,023
5 Expenses							
6 Maintenance & Operating	377,219	393,741	410,268	427,522	445,554	464,345	483,972
7 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,880
8 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,759
9 PAYGO	19,677	25,661	31,995	39,489	46,249	52,029	56,829
10 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,286	4,286
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	693,665	728,289	773,545	823,899	871,365	914,149	950,726
14 Revenue Gap (Revenue - Expenses)	-	(44,679)	(62,508)	(50,165)	(48,220)	(43,271)	(36,703)
15 Water Production (MGD)	166.0	164.0	164.0	164.0	164.0	164.0	164.0
16 Debt Service Ratio (debt service / budget)	34.0%	34.4%	35.4%	36.0%	36.4%	36.5%	36.2%

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
17 Rate Increase	1.0%	7.8%	10.1%	7.3%	6.6%	5.5%	4.4%
18 Operating Budget	\$693,665	\$728,289	\$773,545	\$823,899	\$871,365	\$914,149	\$950,726
19 Debt Service Expense	235,574	250,762	273,606	296,463	317,287	333,817	343,759
20 New Debt	422,681	476,810	462,345	396,326	365,349	303,170	238,095

NOTE:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
21 Impact of Rate Increase on Residential Monthly Bill with 160 GPD usage	4.19	5.84	4.72	4.53	4.04	3.46
22 Impact of Phased-In Infrastructure Investment Fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	4.19	5.84	4.72	4.53	4.04	3.46
	6.8%	8.9%	6.6%	6.0%	5.0%	4.1%
23 Impact of Rate Increase on Residential Monthly Bill with 100 GPD usage	2.30	3.21	2.59	2.46	2.22	1.89
24 Impact of Phased-In Infrastructure Investment Fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	2.30	3.21	2.59	2.46	2.22	1.89
	6.2%	8.2%	6.1%	5.5%	4.7%	3.8%

Rate Increase Components (FY'17 Preliminary Proposed Budget Base Case)

	FY 2016 Approval	FY 2017 Estimate	Dollar Change	Rate Impact	Description
Revenue					
Water & Sewer Revenue	583,375,000	576,346,000	(7,029,000)	1.2%	Decrease in water production
Account Maintenance Fee	32,374,000	32,553,000	179,000	0.0%	
Infrastructure Fee	19,418,000	38,963,000	19,545,000	-3.4%	
Miscellaneous Revenue	27,693,000	27,885,000	192,000	0.0%	Based on historical miscellaneous revenue
Use of Fund Balance	-	3,514,000	3,514,000	-0.6%	Lessen impact of decreased water production
Use of Fund Balance	91,000	-	(91,000)	0.0%	Blue Plains Debt Service Bi-County Council adjustment
Use of Fund Balance	1,500,000	-	(1,500,000)	0.3%	REDO Extinguishment
Use of Fund Balance	6,300,000	6,524,000	224,000	0.0%	For operating reserve contribution
Use of Fund Balance	2,086,000	500,000	(1,586,000)	0.3%	Multi-year Additional & Reinstated
Use of Fund Balance	8,000,000	8,000,000	-	0.0%	IT Strategic Plan
Use of Fund Balance	2,000,000	-	(2,000,000)	0.3%	AMI
Use of Fund Balance - Watershed	1,600,000	1,600,000	-	0.0%	Easements & Land Acquisition
Reconstruction Debt Service Offset	8,500,000	7,000,000	(1,500,000)	0.3%	
SDC Debt Service Offset	728,000	207,000	(521,000)	0.1%	
Revenue Subtotal	693,665,000	703,092,000	9,427,000	-1.6%	
Debt Service					
Debt Service	235,574,000	250,762,000	15,188,000	2.6%	
Expenses					
All Other	242,557,000	250,210,000	7,653,000	1.3%	
Salaries & Wages	111,309,000	116,875,000	5,566,000	1.0%	
Additional & Reinstated Programs	-	-	-	0.0%	
Regional Sewage Disposal	54,895,000	51,601,000	(3,294,000)	-0.6%	
Operating Reserve Contribution	6,300,000	6,524,000	224,000	0.0%	
Additional PAYGO	1,406,000	-	(1,406,000)	-0.2%	Jt. Council Reduction in COLA to PAYGO
Fund Balance PAYGO	1,600,000	1,600,000	-	0.0%	Easements & Land Acquisition
30 Year 1.25x Coverage PAYGO	16,671,000	24,061,000	7,390,000	1.3%	
Heat, Light & Power	23,353,000	26,656,000	3,303,000	0.6%	
Unspecified Reductions	-	-	-	0.0%	Based on projection from WSSC Energy Manager.
Expenses Subtotal	458,091,000	477,527,000	19,436,000	3.4%	
Total Gross Expenses	693,665,000	728,289,000	Total	4.4%	

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - No Infrastructure Investment Fee Phase-In
 Estimated Revenues and Expenditures (\$'1,000)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$583,375	\$576,346	\$621,025	\$683,533	\$733,698	\$781,919	\$825,189
3 Account Maintenance Fee (Ready to Serve Charge)	32,374	32,563	32,732	32,911	33,090	33,270	33,449
4 Infrastructure Renewal Fee (Ready to Serve Charge)	19,418	19,481	19,546	19,610	19,674	19,739	19,803
5 Interest Income	1,000	700	700	700	700	700	700
6 Plumbing/Inspection Fees	7,920	7,300	7,500	7,700	7,900	8,100	8,300
7 Rockville Sewer Use	2,773	2,632	2,664	2,680	2,711	2,741	2,771
8 Miscellaneous	18,000	17,253	17,704	18,185	18,639	19,124	19,525
9 Total Revenue	662,860	656,265	701,871	765,299	816,412	865,593	909,737
10 Adjustments to Revenue							
11 Use of Fund Balance	21,577	20,138	3,666	4,435	4,232	4,286	4,286
12 Less Rate Stabilization	728	207	-	-	-	-	-
13 SDC Debt Service Offset	0,500	7,000	5,500	4,000	2,500	1,000	-
14 Reconstruction Debt Service Offset	30,805	27,345	9,166	8,435	6,732	5,266	4,286
15 Adjustments to Total Revenue	693,665	683,610	711,037	773,734	823,144	870,879	914,023
16 FUNDS AVAILABLE							
17 EXPENDITURES							
18 Salaries and Wages	111,309	116,875	122,719	128,855	135,298	142,063	149,166
19 Salaries and Wages - Additional & Reinstated Programs	-	-	-	-	-	-	-
20 Heat, Light and Power	23,353	26,666	27,731	28,856	30,063	31,271	32,555
21 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,880
22 All Other	242,557	250,210	259,818	269,811	280,203	291,011	302,261
23 All Other - Additional & Reinstated Programs	-	-	-	-	-	-	-
24 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,286	4,286
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	438,414	451,866	467,944	487,947	507,829	528,303	550,138
28 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,739
29 Debt Reduction (PAYGO)	19,677	25,661	31,995	39,489	46,249	52,029	56,829
30 Total Financial Expenses	255,251	276,423	305,601	335,952	363,536	385,846	400,568
31 TOTAL GROSS EXPENSES (Operating & Financial)	693,665	728,289	773,545	823,899	871,365	914,149	950,726
32 NET EXPENSES	693,665	728,289	773,545	823,899	871,365	914,149	950,726
33 Revenue - Expenditure Gap before rate increase	-	(44,679)	(62,508)	(50,165)	(48,221)	(43,270)	(36,703)
34 Rate Increase	1.0%	7.8%	10.1%	7.3%	6.6%	5.5%	4.4%

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - Infrastructure Investment Fee Phase-In and Additional & Reinstated Programs
 Estimated Revenues and Expenditures (\$1,000)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
1 Revenue							
2 Water & Sewer Rate Revenue	\$583,375	\$576,346	\$605,143	\$666,982	\$717,258	\$765,599	\$809,996
3 All Other Sources	110,290	132,657	110,557	110,811	110,120	108,699	108,637
4 Total Revenue	693,665	709,003	715,700	777,793	827,378	874,298	918,633
5 Expenses							
6 Maintenance & Operating	377,219	403,252	414,262	431,692	449,908	468,891	488,718
7 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,800
8 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,669
9 PAYGO	19,677	25,661	31,995	39,489	46,249	52,029	56,829
10 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,266	4,206
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	693,665	737,800	777,539	828,069	875,719	918,695	955,302
14 Revenue Gap (Revenue - Expenses)	-	(28,797)	(61,839)	(50,276)	(48,341)	(44,397)	(36,749)
15 Water Production (MGD)	166.0	164.0	164.0	164.0	164.0	164.0	164.0
16 Debt Service Ratio (debt service / budget)	34.0%	34.0%	35.2%	35.8%	36.2%	36.3%	36.0%

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
17 Rate Increase	1.0%	5.0%	10.2%	7.5%	6.7%	5.8%	4.5%
18 Operating Budget	\$693,665	\$737,800	\$777,539	\$828,069	\$875,719	\$918,695	\$955,302
19 Debt Service Expense	235,574	250,762	273,606	296,463	317,287	333,817	343,669
20 New Debt	422,691	476,810	462,345	396,326	365,349	303,170	238,095

NOTE:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
21 Impact of Rate Increase on Residential Monthly Bill with 160 GPD usage	\$2.70	\$5.80	\$4.71	\$4.53	\$4.16	\$3.44
22 Impact of Phased-In Infrastructure Investment Fee	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	\$4.70	\$5.80	\$4.71	\$4.53	\$4.16	\$3.44
	7.6%	8.0%	6.6%	5.9%	5.1%	4.1%
23 Impact of Rate Increase on Residential Monthly Bill with 100 GPD usage	\$1.48	\$3.10	\$2.58	\$2.48	\$2.28	\$1.89
24 Impact of Phased-In Infrastructure Investment Fee	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	\$3.48	\$3.18	\$2.58	\$2.48	\$2.28	\$1.89
	9.4%	7.8%	5.9%	5.4%	4.7%	3.7%

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - Infrastructure Investment Fee Phase-In and Additional & Reinstated Programs
 Estimated Revenues and Expenditures (\$1,000)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$583,375	\$576,346	\$605,143	\$666,982	\$717,258	\$765,599	\$809,996
3 Account Maintenance Fee (Ready to Serve Charge)	32,374	32,553	32,732	32,911	33,090	33,270	33,449
4 Infrastructure Renewal Fee (Ready to Serve Charge)	19,418	38,963	39,091	39,220	39,349	39,478	39,607
5 Interest Income	1,000	700	700	700	700	700	700
6 Plumbing/Inspection Fees	7,920	7,300	7,500	7,700	7,900	8,100	8,300
7 Rockville Sewer Use	2,773	2,632	2,664	2,680	2,711	2,741	2,771
8 Miscellaneous	16,000	17,252	17,704	18,165	18,638	19,124	19,524
9 Total Revenue	662,860	675,746	705,534	768,358	819,646	869,012	914,347
10 Adjustments to Revenue							
11 Use of Fund Balance	21,577	26,050	4,666	5,435	5,232	4,286	4,286
12 Less Rate Stabilization	728	207	-	-	-	-	-
13 SDC Debt Service Offset	8,500	7,000	5,500	4,000	2,500	1,000	-
14 Reconstruction Debt Service Offset	30,805	33,257	10,166	9,435	7,732	5,286	4,286
15 Adjustments to Total Revenue	693,665	709,009	715,700	777,793	827,378	874,298	918,633
16 FUNDS AVAILABLE							
	693,665	709,009	715,700	777,793	827,378	874,298	918,633
17 EXPENDITURES							
18 Salaries and Wages	111,309	116,875	122,719	128,855	135,298	142,063	149,166
19 Salaries and Wages - Additional & Reinstated Programs	-	1,524	1,600	1,680	1,764	1,852	1,944
20 Heat, Light and Power	23,353	26,656	27,731	28,056	30,053	31,271	32,555
21 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,880
22 All Other	242,557	250,210	259,818	269,811	280,203	291,011	302,251
23 All Other - Additional & Reinstated Programs	-	7,987	2,394	2,490	2,590	2,694	2,802
24 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,286	4,286
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	430,414	461,377	471,938	492,117	512,183	532,849	554,884
28 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,669
29 Debt Reduction (PAYGO)	19,677	25,661	31,995	39,489	46,249	52,029	56,829
30 Total Financial Expenses	255,251	276,423	305,601	335,952	363,536	385,846	400,498
31 TOTAL GROSS EXPENSES (Operating & Financial)	693,665	737,800	777,539	828,069	875,719	918,695	955,382
32 NET EXPENSES	693,665	737,800	777,539	828,069	875,719	918,695	955,382
33 Revenue - Expenditure Gap before rate increase	-	(28,797)	(61,839)	(50,276)	(48,341)	(44,397)	(42,740)
34 Rate Increase	1.0%	5.0%	10.2%	7.5%	6.7%	ATTACHMENT	3

Increased FY'17 Expenditure Assumptions Over and Above Inflation Factor

FY17 Additional & Reinstated Programs:

	Cost	W/S Impact
<i>New Workyears Impacting Water & Sewer Rates</i>		
<i>Operations</i>		
1 Potomac Solids Facility Operator	33,100	33,100
1 Patuxent Facility Technician	41,700	41,700
<i>Wastewater Preventive Maintenance</i>		
2 Unit Coordinators	170,000	170,000
<i>Supply Chain Management</i>		
7 Various Positions	628,600	502,860
<i>Water Quality</i>		
1 Water Quality Technician	63,700	63,700
<i>Contact Center Optimization</i>		
5 Various Positions	426,700	426,700
<i>County Permitting Offices</i>		
2 Permit Specialists	103,300	103,300
<i>Dental Mercury Compliance</i>		
2 Industrial Investigators	137,000	137,000
21 Subtotal Workyears		
<i>New Workyears With No Water & Sewer Rate Impact</i>		
<i>Bio-Energy Project</i>		
1 Bio-Energy Superintendent	102,000	-
<i>In-House Design and Infrastructure Projects</i>		
1 Survey Instrument Operator	55,500	-
<i>Infrastructure Projects</i>		
2 Sr. Civil Engineers	145,300	-
<i>Asset Management Program</i>		
1 Investment Planning Manager (50% operating)	91,000	45,500
25 New Workyears Salaries & Wages Impact	<u>\$ 1,997,900</u>	<u>\$ 1,523,900</u>
Benefits	1,098,800	838,100
4 Vehicles	98,000	8,200
<i>Other Additional & Reinstated Programs</i>		
Expansion of Community Outreach Activities	50,000	40,000
IT Security & Compliance	90,000	72,000
Storm Water Pollution Prevention	95,000	95,000
Public Information Dissemination	200,000	160,000
Annual Maintenance Fees on new system implementations	877,000	701,600
Software Licensing	200,000	160,000
Windows 10 / Office 2013 Upgrade	250,000	200,000 *
Water Quality Monitoring System	1,000,000	- *
Historical Archiving	100,000	80,000 *
WSSC 100th Anniversary	270,000	216,000 *
Demolition on Land Acquisition	250,000	250,000 *
Supply Chain Management Transformation	420,000	336,000 *
Contact Center Optimization	750,000	750,000 *
Additional IT Strategic Plan Costs	<u>5,100,000</u>	<u>4,080,000 *</u>
<i>Total Other Additional & Reinstated Programs</i>	<u>10,848,800</u>	<u>7,986,900</u>
Total Additional & Reinstated Programs	<u>\$ 12,846,700</u>	<u>\$ 9,510,300</u>

*Projects funded via use of fund balance. (5,912,000)

Water & Sewer operating impact of additional & reinstated programs. **\$ 3,588,800**

FY 2017 Additional & Reinstated Workyear Requests

Category	Position	Program	Brief Description	Proposed				
				Workyears	Position Costs with Benefits	Vehicle Costs	Total	Water & Sewer Operating
Savings	Various Positions	Supply Chain Management	Multi-year re-engineering of WSSC's Supply Chain Management Transformation (year 3)	7	\$ 974,300	\$ -	\$ 974,300	\$ 779,400
Bi-County Request	Permit Specialists	Co-Location of County Offices	Permit Specialists to Support County Requests for Co-Location at County Permitting Offices	2	160,100	-	160,100	160,100
Capital	Piscataway Bio-Energy Superintendent	Bio-Energy	This Superintendent will have overall responsibility for the operations and maintenance of the Bio-Energy Project.	1	158,100	24,500	182,600	2,000
Capital	Survey Instrument Operator	Capital Improvement Program	Add one Instrument Operator because of the expansion of In-House Design and Increase in Infrastructure Projects	1	86,000	-	86,000	-
Capital	Sr. Civil Engineers	Capital Improvement Program	To support: 1. Capital Improvement Program; 2. Large Diameter Water Program; 3. Small Diameter Water Program; 4. Relocations Program; 5. Sewer Program & 6. Structural Lining Program.	2	225,200	-	225,200	-
50% Capital	Request Investment Planning Manager Workyear	Enterprise Asset Management Program	This position is needed to manage the development of the capital program investment requirements, new CIP/ESP Validation and Prioritization process and development of the Enterprise Asset Management Plan (EAMP).	1	141,100	-	141,100	70,500
Regulatory	Potomac Solids Facility Operator	Operations	Although the Potomac Plant treats and dewaterers about 32 million wet pounds of water treatment residuals annually (over 4,000 dry tons) at the Solids Handling Facility, the new Discharge Permit will likely require significantly higher residuals process volumes and continuous operation. This will necessitate the requested staffing modification.	1	51,200	-	51,200	51,200
Regulatory	Industrial Investigators	RSG Dental Mercury Compliance	EPA is proposing to adopt effluent limitations guidelines and standards for dental facilities. EPA expects to promulgate the rule by June/July 2016.	2	212,400	-	212,400	212,400
Customer Service	Various Positions	Contact Center Optimization	This initiative is to begin the implementation of the Contact Center Strategic Optimization Project Consultant's recommendations to ensure the level of service to support the WSSC vision "that our customers will be delighted with our excellent products and innovative services."	5	661,400	-	661,400	661,400

FY 2017 Additional & Reinstated Workyear Requests

Category	Position	Program	Brief Description	Proposed				
				Workyears	Position Costs with Benefits	Vehicle Costs	Total	Water & Sewer Operating
Safety	Water Quality Technician	Water Quality	The Water Quality Technician will allow full operation of existing fish bio-monitors and full operation of on-line water quality monitoring system. This position will also be part of Contamination Rapid Response Team (CRRT), greatly strengthening the CRRT's capacity to respond to contamination events in timely manner.	1	98,700	24,500	123,200	100,700
Operations	Patuxent Facility Technician I	Operations	A new water treatment process, solids handling, is currently in the construction process as part of the Patuxent Plant Phase II Expansion Project. When completed it is anticipated that up to 70% of the solids currently being treated at the Parkway WWTP will be handled at the Patuxent Water Treatment Plant. There will be considerable efforts required to bring the new treatment process on line and functionally maintained thereafter. Current Patuxent staffing pattern is not sufficient for the operational demands of this new treatment process.	1	64,600	-	64,600	64,600
Operations	Field Unit Coordinators	Wastewater Preventative Maintenance Program	Request for additional Wastewater Field Unit Coordinators to improve management's span of control.	2	263,500	49,000	312,500	267,600
				26	\$ 3,096,600	\$ 98,000	\$ 3,194,600	\$ 2,369,900

WSSC SPENDING AFFORDABILITY

FY 2017 ADDITIONAL & REINSTATED PROGRAM REQUESTS SUMMARY

Program: OPERATIONS

Request: 1 Solids Facility Operator
Cost including benefits: \$51,200, Water/Sewer Impact: \$51,200
Justification:

The current Discharge Permit for the Potomac WFP expired in 2002 though the request for renewal was duly submitted by WSSC in a timely manner. It is with certainty the new Discharge Permit will include provisions that will include significantly increased water plant residuals processing requirements and continuous operation. It is anticipated, the Potomac Solids Facility will be pushed to its limits operationally, the need for additional dedicated staffing at that facility will be of paramount importance both from a Clean Water Act perspective as well as a Safe Drinking Water Act perspective because if solids are not moved from the basins effectively and on a continuous basis, water quality, WSSC's primary mission, can be negatively impacted. Additionally, this position will be actively involved in sharing the responsibility of maintaining Solids Facilities equipment through the preventative maintenance program.

Request: 1 Facility Technician
Cost including benefits: \$64,600, Water/Sewer Impact: \$64,600
Justification:

A new water treatment process, solids handling, is currently in the construction process as part of the Patuxent Plant Phase II Expansion Project. When completed it is anticipated that up to 70% of the solids currently being treated at the Parkway WWTP will be handled at the Patuxent Water Treatment Plant. There will be considerable efforts required to bring the new treatment process on line and functionally maintained thereafter. Current Patuxent staffing pattern is not sufficient for the operational demands of this new treatment process.

Program: WASTEWATER PREVENTATIVE MAINTENANCE PROGRAM

Request: 2 Wastewater Field Unit Coordinators
Cost including benefits and vehicles: \$312,500, Water/Sewer Impact: \$267,600
Justification:

Currently, the Utility Management Group only has two Field Unit Coordinators and they both manage at least 10 crews in two locations. They are responsible for their entire County Service area, which is making it very difficult to effectively manage field personnel. Two more field unit coordinators would improve management and efficiency for Collection Technicians. If approved, the Field Unit Coordinators will have approximately 10 to 11 (5 to 6 crews) employees to manage. This will increase and encourage more opportunities for field training, coaching sessions, goal setting, improved workload management, improved accountability and performance evaluation, and increased productivity/efficiency.

Program: PISCATAWAY BIO-ENERGY

Request: 1 Bio-Energy Superintendent

Cost including benefits and vehicle: \$182,600, Water/Sewer Impact: \$2,000

Justification:

During the feasibility study for the Anaerobic Digestion/Combined Heat and Power (AD/CHP) Project, the Project Team identified the need for a Superintendent for the project. This position is needed during the design phase of the project to assist in the engineering review and as well as the design of the project.

Program: SUPPLY CHAIN MANAGEMENT TRANSFORMATION

Request: 7 workyears, funds for professions services

Cost including benefits and professional services: \$1,394,300, Water/Sewer Impact: \$779,000

Justification:

Supply Chain Management Transformation allows WSSC to bring all areas of spend within the scope of best in class procurement practices. WSSC will also be able to better control spending and ensure compliance within all major areas of contracting. As WSSC transforms, opportunities abound for cost reductions and added value via improved spend analytics, strategic sourcing, category management, supplier relationship management, procurement dashboards, early pay incentives, improved asset recovery (idle asset identification, internal redeployment and surplus asset disposition that compliments total lifecycle costing, or total cost of ownership). Further, those involved in the process need to be properly trained and provided the right tools for successful implementation.

Programs: CONTACT CENTER STRATEGIC OPTIMIZATION and C.A.P.

Request: Additional funding and 5 workyears to implement the recommendations of the Contact Center Strategic Optimization Project and handle increased workload associated with the Customer Assistance Program

Cost including benefits and professional services: \$1,411,400, Water/Sewer Impact: \$661,400

Justification:

The Contact Center is a complex eco-system that requires specialized skills and tools to plan work, allocate resources, and achieve performance goals. The Contact Center Optimization Project Consultant identified two gaps that are resulting in standard Contact Center operating fundamentals and best practices not being followed. A Workforce Management Center of Excellence (CoE) is needed to forecast, plan, schedule, and handle intraday adjustments, so staffing levels required to meet service levels are achieved. The benefit of this initiative is that the Workforce Management CoE will proactively monitor staffing levels. This includes maintaining best services routing between in-house and out-sourced staff. The Quality Management CoE will develop and lead training in Quality Management processes and standards for supervisors on "how to coach" design, develop, and assist in the delivery of new hire and existing staff training.

Program: SURVEYS

Request: 1 Survey Instrument Operator
Cost including benefits: \$86,000, Water/Sewer Impact: \$0
Justification:

The Commission currently has only one Instrument Operator. Since last year, workload has increased from 7500 man-hours to 9700 man-hours. This instrument operator will complete the second team survey and allow our teams to meet the requirements of our customers. The request addresses an increase in workload for infrastructure, development design, and to support the expansion of the in-house design program in the Civil Engineering Unit as well as to provide for additional survey support for the Asset Management Program. Unable to keep up with the survey support required for the continued expansion will result in having to hire an outside consultant to provide an instrument operator to meet our needs will cost approximately \$110,000/year.

Program: WATER QUALITY

Request: Water Quality Monitoring System
Cost including design and implementation: \$1,000,000, Water/Sewer Impact: \$0
Justification:

WSSC is significantly behind compared to other utilities in the region in its capability to detect contamination events and provide early warning to protect safety of water. Currently the only on-line monitoring specifically designed to detect accidental/deliberate contamination events are the fish-monitors and two water quality panels. WSSC will make full use of monitoring capabilities that are regionally owned and shared, but a water quality monitoring system strategically designed and placed in WSSC system will markedly reduce the response time and improve our ability to minimize the impact if a contamination event occurs. The monitoring system will also provide significant dual use benefit in day to day operations, providing real-time water quality data in general water quality problems areas, which will help addressing problems proactively and assure continued compliance with drinking water regulations.

Request: 1 Water Quality Technician
Cost including benefits and vehicle: \$123,200, Water/Sewer Impact: \$100,700
Justification:

WSSC operates three fish bio-monitors at Potomac and Patuxent WFPs, which are currently the only line of defense against drinking water contamination events. These instruments have been minimally operational for several years due to limited staff resources to properly maintain and operate them. In addition, WSSC is in process of implementing additional on-line Water Quality Monitoring (WQM) system at WFPs and in the distribution system. Implementation and successful operation of WQM system will require dedicated staff to monitor, calibrate, and troubleshoot the equipment on routine basis. The Water Quality Technician will allow full operation of existing fish bio-monitors and full operation of on-line water quality monitoring system. This position will also be part of Contamination Rapid Responses Team (CRRT), greatly strengthening the CRRT's capacity to respond to contamination events in timely manner.

Program: INFRASTRUCTURE**Request: 2 Senior Civil Engineers**

Cost including benefits: \$225,200, Water/Sewer Impact: \$0

Justification:

Capital Improvement Program includes the replacement of distribution and transmission mains. This supports that effort as well as the relocation of existing infrastructure when others need it done. This program provides engineering design and project management for all new water pipeline projects in the CIP. The Distribution, Transmission and Meter / Vault programs have increased by approximately 51%, 248%, and 67% respectively. New programs such as Looping and Structural Lining have further increased the workload. Additionally, 12 miles are identified for the Systems Enhancement Unit within the Support Services Group, Utility Services Team. These projects must be identified, analyzed, reviewed, and packaged into individual projects before being scoped for designed. The benefit is that the work years will strengthen the Commission's ability to handle the growing workload required for accomplishing the WSSC's mission for infrastructure renewal. Major risks include inadequate resources for complex CIP projects; the increase in CIP projects was not accompanied by the requisite work years to handle the load, lack of resources for the evaluation, analysis, and planning for Water Programs.

Program: ASSET MANAGEMENT**Request: 1 Investment Planning Manager**

Cost including benefits: \$141,100, Water/Sewer Impact: \$70,500

Justification:

This position was identified as part of the Asset Management Program Long Term Organization Structure approved in November 2008. This is a key position to manage the development, analysis and optimization of the capital investment requirements needed to sustain the infrastructure, coordinate with the Finance team and perform the financial analysis needed for the Enterprise Asset Management Plan (EAMP), develop the EAMP, and manage the new CIP/ESP Validation and Prioritization process which includes functions transferred from the Project Delivery Group. This position would supervise one or more economics analysts. The analysis will improve the decision making process to ensure that utilization of available resources achieves the best balance in meeting levels of service, reducing risk, and making cost effective decisions to address the infrastructure needs.

Program: STORM WATER POLLUTION PREVENTION INSPECTIONS**Request: Inspection & Monitoring Services Funding**

Cost: \$95,000, Water/Sewer Impact: \$95,000

Justification:

In order to meet MDE Permit 12-SW Inspection & Monitoring Requirements; without increasing WSSC staffing levels. The Engineering & Construction Team's Environmental Group identified a new MDE/NPDES Requirement for WSSC to register and manage their Depots [Maintenance, Repair, &

Operations (MRO)] Facilities under MDE General Permit for Discharges from Storm water Associated with Industrial Activities: Permit 12-SW; by December 31, 2014, WSSC Submitted to MDE Notice of Intent (NOI) to Comply with and Register our Depots for Discharge Permit No. 12-SW; An Engineering Consultant was hired to develop the required Pollution Prevention Plans and Inspection, Monitoring, and Record Keeping Programs for WSSC Staff/Contractors; All Depot Permits are managed by the Utilities Services Zone Group Leaders with half of Anacostia assigned to the Property Management Group Leader; To provide additional programming time needed for budgets, the Depot Manager/Zone Group Leaders have decided it to be in the best interest of the Commission to contract this inspection service and not increase staffing levels. This is a request for Inspection & Monitoring Services Funding.

Program: CO-LOCATION OF COUNTY OFFICES

Request: 2 Permit Specialists

Cost including benefits: \$160,100, Water/Sewer Impact: \$160,100

Justification:

The Counties have both requested that WSSC co-locate in County Permit Buildings. This program is to expand the staff in both offices from one Supervisor Program manager and one Project Manager to include one permit specialist. The benefit of this is that it will promote better coordination with a one stop shop at county permitting buildings.

Program: DENTAL MERCURY COMPLIANCE

Request: 2 Industrial Investigators

Cost including benefits: \$212,400, Water/Sewer Impact: \$212,400

Justification:

On the basis of the Commission's 2005 dental survey and the 2011 dental facilities list from the State of Maryland's Department of Health and Mental Hygiene, it is estimated that the Commission would have to permit and regulate an additional 708 dental facilities as Significant Industrial Users (SIUs). The dental amalgam program will be a federal and state requirement. The success of this program can be measured by the percent reduction of mercury concentrations in the wastewater treatment plant headworks, and sludge, as well as the number of dental facilities permitted as SIUs. The need for this expanded program is based on adoption of the proposed Dental Category rule (40 CFR Part 441). Once this rule is finalized, the Commission must comply with all federal pretreatment program implementation requirements. If the Commission does not comply with the rule requirements within 3 years of promulgation, the Commission could be found in significant noncompliance with the federal pretreatment program implementation requirements as well as the Commission's delegation requirements with the State.

Program: WATERSHED PROTECTION

Request: Funds for demolition

Cost: \$250,000, Water/Sewer Impact: \$0

Justification:

An expanded program acquisition of properties and easements to serve as riparian buffers along streams of the Patuxent Reservoirs watershed, upstream from T. Howard Duckett Dam was approved as part of the TSG FY16 budget. Acquisitions of properties and easements to serve as riparian buffers along streams will require some demolition if the property contains an existing structure. This initiative will provide operating budget for demolition of existing structures, re-grading of the property, elimination of any hazardous materials on the sites, installation of fencing, trees and native grasses, if required. These activities will restore the property to the nature buffer required to protect the riparian buffers along streams.

Program: PROJECT COMMUNICATION AND OUTREACH

Request: Funds for program implementation

Cost: \$50,000, Water/Sewer Impact: \$0

Justification:

WSSC receives a large volume of complaints regarding the lack of communication at the community and municipality level. The goal is to better inform the public at the local level regarding projects and related inconveniences. The Project Outreach Manager (new FY16 workyear) will be responsible for creating the program to ensure reliable dissemination of information about projects to communities and municipalities. This is expected to require a combination of existing resources as well as the potential to use operating and capital funds to contract vendors.

Program: PUBLIC INFORMATION DISSEMINATION

Request: Funds for advertising

Cost: \$200,000, Water/Sewer Impact: \$0

Justification:

WSSC continues to launch new initiatives and promote existing ones, it would be appropriate to add dollars for broadcast time and other outlets. One issue is basement backups and SSOs, which under the Consent Decree, we must reduce. A substantial portion of this money will coincide with efforts by the FOG Unit (Regulatory Services) to see new information and data related to backups and SSOs. The new Project Outreach Manager could conceivably use some of these dollars for public outreach. In general, the benefits will be customers who are not only better-informed about WSSC programs and projects, but also more inclined to think WSSC is doing a good job in the present and in planning for the future, and more inclined to think WSSC is an environmental and valuable organization that performs well.

Program: WSSC HISTORICAL ARCHIVING

Request: Funding for document management vendor

Cost: \$100,000, Water/Sewer Impact: \$0

Justification:

The Commission possesses thousands of photographs, negatives and documents that hold historical value and capture the robust history of WSSC. The goal is to have a searchable database that includes all of the

documents. This will allow authorized staff to quickly access digital assets. Digital assets include all kinds of files in different formats: product images, stock photos, audio, video, presentations, etc. This digital asset would be used to create the WSSC 100th Anniversary History Book.

Program: WSSC 100TH ANNIVERSARY

Request: Funding for preparation of the 100th Anniversary

Cost: \$270,000, Water/Sewer Impact: \$0

Justification:

During FY'17, the Commission will begin the necessary planning to properly celebrate the 100th anniversary of WSSC which will occur May 1, 2018. Historically, planning has been done solely by the staff members of the Communications and Community Relations office. The funds will cover the cost of the writer for the 100th Anniversary Book, Promotional Items and Advertising. The objective will be to produce a program that reflects the importance of the Commission's core values of individual initiative, environmental stewardship, integrity & respect, accountability, cost awareness and excellence.

Program: IT SYSTEMS MAINTENANCE

Request: Funding for software fees

Cost: \$877,000, Water/Sewer Impact: \$701,600

Justification:

When new software systems and IT infrastructure systems are implemented, an annual maintenance fee is usually incurred. Software and hardware products, when applicable, incur an annual maintenance fee approximately 20% of its initial purchase price. Maintenance insures that WSSC's IT assets (software and hardware) remain vendor-supported and in compliance with the original software/hardware contract.

Program: IT STRATEGIC PLAN

Request: Funds for implementation of technology initiatives

Cost: \$5,100,000, Water/Sewer Impact: \$0

Justification:

Delivering high quality services in the modern era requires more of a water utility than just our pipes and pumps. The 21st century water and wastewater utility faces many substantial issues in the coming years relative to availability of clean drinking water, new regulations, an aging infrastructure and the increasing funding needs to support it. When it comes to how today's water and wastewater utility must respond to challenges, modernizing business processes and improving infrastructure management practices are the heart of the challenge. Leading utilities are more and more aware that information technology is integral to every aspect of its operations and that an organization's ability to take advantage of new solutions will depend on the strength of its IT investments. This Project will measurably enhance operational efficiency and customer service.

Program: WINDOWS 10/ OFFICE 2013 UPGRADES

Request: Windows 10/ Office 2013 Upgrades
Cost: \$250,000, Water/Sewer Impact: \$0
Justification:

The Commission's desktop computing assets require upgrades in order to sustain new software applications and system integrations built upon ever changing, advancing platforms. IT implements and configures the necessary infrastructure enhancements to support consolidation efforts. This budget requires extensive amount of severally tasks completed since it would be an enterprise change. Professional services funds are required for the system administrator tasks such as implementation, project management, software testing and more etc. Training is required to ensure all end users are made familiar with the new Windows Operating system and Office.

Program: SOFTWARE LICENSING

Request: Funds for general software licensing
Cost: \$200,000, Water/Sewer Impact: \$160,000
Justification:

WSSC must make sure it is properly licensed for all software products to be deployed to meet our needs. New initiatives require additional software licensing. This project will ensure that WSSC is compliant with all agreements covering deployed software. The software licensing program will enhance monitoring efforts as well as new self-service initiatives. This budget assumes a standard growth of the number of virtual machines and general use. A failure to proceed with this project could cause compliance issues with the software vendors, leading to penalties and/or termination of right-to-use.

Program: IT SECURITY & COMPLIANCE

Request: Funds for IT security and compliance
Cost: \$90,000, Water/Sewer Impact: \$72,000
Justification:

Reliable and dependable data are critical for almost every business activity in WSSC. In order to reconfigure the IT security posture at WSSC, IT plans on being able to predict behavior based on information garnered from critical points and assets connected to the network either hard-wired or through wireless fidelity. Policies, Technology and Tools have been created and identified to provide these capabilities and will be implemented over the near, medium and long terms.

Rate Increase Components (FY'17 Preliminary Proposed Budget - No Changes to Ready to Serve Charge in FY16)

	FY 2016 Estimate	FY 2017 Estimate	Dollar Change	Rate Impact	Description
Revenue					
Water & Sewer Revenue	612,267,000	604,890,000	(7,377,000)	1.2%	Decrease in water production
Account Maintenance Fee	22,900,000	22,900,000	-	0.0%	
Miscellaneous Revenue	27,693,000	27,885,000	192,000	0.0%	Based on historical miscellaneous revenue
Use of Fund Balance	-	3,514,000	3,514,000	-0.6%	Lessen impact of decreased water production
Use of Fund Balance	91,000	-	(91,000)	0.0%	Blue Plains Debt Service Bi-County Council adjustment
Use of Fund Balance	1,500,000	-	(1,500,000)	0.2%	REDO Extinguishment
Use of Fund Balance	6,300,000	6,524,000	224,000	0.0%	For operating reserve contribution
Use of Fund Balance	2,086,000	500,000	(1,586,000)	0.3%	Multi-year Additional & Reinstated
Use of Fund Balance	8,000,000	8,000,000	-	0.0%	IT Strategic Plan
Use of Fund Balance	2,000,000	-	(2,000,000)	0.3%	AMI
Use of Fund Balance - Watershed	1,600,000	1,600,000	-	0.0%	Easements & Land Acquisition
Reconstruction Debt Service Offset	8,500,000	7,000,000	(1,500,000)	0.2%	
SDC Debt Service Offset	728,000	207,000	(521,000)	0.1%	
Revenue Subtotal	693,665,000	683,020,000	(10,645,000)	1.8%	
Debt Service					
Debt Service	235,574,000	250,762,000	15,188,000	2.5%	
Expenses					
All Other	242,557,000	250,210,000	7,653,000	1.3%	
Salaries & Wages	111,309,000	116,875,000	5,566,000	0.9%	
Additional & Reinstated Programs	-	-	-	0.0%	
Regional Sewage Disposal	54,895,000	51,601,000	(3,294,000)	-0.5%	
Operating Reserve Contribution	6,300,000	6,524,000	224,000	0.0%	
Additional PAYGO	1,406,000	-	(1,406,000)	-0.2%	It. Council Reduction in COLA to PAYGO
Fund Balance PAYGO	1,600,000	1,600,000	-	0.0%	Easements & Land Acquisition
30 Year 1.25x Coverage PAYGO	16,671,000	24,061,000	7,390,000	1.2%	
Heat, Light & Power	23,353,000	26,656,000	3,303,000	0.5%	Based on projection from WSSC Energy Manager.
Unspecified Reductions	-	-	-	0.0%	
Expenses Subtotal	458,091,000	477,527,000	19,436,000	3.2%	
Total Gross Expenses	693,665,000	728,289,000	34,624,000	7.5%	Total

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
 FY 2017 thru 2022 Forecast : Preliminary Budget - FY15 Status Quo (No Recalibrated AMF, No Infrastructure Investment Fee)
 Estimated Revenues and Expenditures (\$1,000)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
1 Revenue							
2 Water & Sewer Rate Revenue	\$612,267	\$604,890	\$650,159	\$712,911	\$763,319	\$811,784	\$855,297
3 All Other Sources	81,398	78,130	60,634	60,580	60,581	58,852	58,482
4 Total Revenue	693,665	683,020	710,793	773,491	822,900	870,636	913,779
5 Expenses							
6 Maintenance & Operating	377,219	393,741	410,268	427,522	445,554	464,345	483,972
7 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,800
8 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,759
9 PAYGO	19,677	25,661	31,995	39,489	46,249	52,029	56,829
10 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,286	4,286
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	693,665	723,288	773,545	823,899	871,365	914,149	950,726
14 Revenue Gap (Revenue - Expenses)	-	(45,268)	(62,752)	(50,408)	(48,465)	(43,514)	(36,947)
15 Water Production (MGD)	166.0	164.0	164.0	164.0	164.0	164.0	164.0
16 Debt Service Ratio (debt service / budget)	34.0%	34.4%	35.4%	36.0%	36.4%	36.5%	36.2%

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
17 Rate Increase	6.0%	7.5%	9.7%	7.1%	6.3%	5.4%	4.3%
18 Operating Budget	\$693,665	\$728,288	\$773,545	\$823,899	\$871,365	\$914,149	\$950,726
19 Debt Service Expense	235,574	250,762	273,606	296,463	317,287	333,817	343,759
20 New Debt	422,681	476,810	462,345	396,326	365,349	303,170	238,095

NOTE:
 Impact of Rate Increase on Residential Monthly Bill with 160 GPD usage

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
\$	4.23	5.89	4.72	4.53	4.09	3.46
%	7.01%	9.12%	6.70%	6.02%	5.13%	4.12%

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - FY16 Status Quo (No Recalibrated AMF, No Infrastructure Investment Fee)

Estimated Revenues and Expenditures (\$1,000)

	FY 2016 Approved	FY 2017 Proposed	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$612,267	\$604,890	\$650,159	\$712,911	\$763,319	\$811,784	\$855,297
3 Account Maintenance Fee (Ready to Serve Charge)	22,900	22,900	22,900	22,900	22,900	22,900	22,900
4 Infrastructure Renewal Fee (Ready to Serve Charge)	-	-	-	-	-	-	-
5 Interest Income	1,000	700	700	700	700	700	700
6 Plumbing/Inspection Fees	7,920	7,300	7,500	7,700	7,900	8,100	8,300
7 Rockville Sewer Use	2,773	2,632	2,664	2,680	2,711	2,741	2,771
8 Miscellaneous	16,000	17,253	17,704	18,165	18,538	19,125	19,525
9 Total Revenue	662,860	655,675	701,627	765,056	816,168	865,350	909,493
10 Adjustments to Revenue							
11 Use of Fund Balance	21,577	20,138	3,666	4,435	4,232	4,286	4,286
12 Less Rate Stabilization	728	207	-	-	-	-	-
13 SDC Debt Service Offset	8,500	7,000	5,500	4,000	2,500	1,000	-
14 Reconstruction Debt Service Offset	30,805	27,345	9,166	8,435	6,732	5,286	4,286
15 Adjustments to Total Revenue	693,665	683,020	710,793	773,491	822,900	870,636	913,779
16 FUNDS AVAILABLE							
17 EXPENDITURES							
18 Salaries and Wages	111,309	116,875	122,719	128,855	135,298	142,063	149,166
19 Salaries and Wages - Additional & Reinstated Programs	-	26,656	27,731	28,856	30,053	31,271	32,555
20 Heat, Light and Power	23,353	54,995	51,601	53,510	55,490	57,543	61,880
21 Regional Sewage Disposal	54,995	250,210	259,818	269,811	280,203	291,011	302,251
22 All Other	242,557	-	-	-	-	-	-
23 All Other - Additional & Reinstated Programs	-	6,300	4,166	4,935	4,732	4,286	4,286
24 Additional Operating Reserve Contribution	6,300	-	-	-	-	-	-
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	438,414	451,866	467,944	487,947	507,829	528,303	550,138
28 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,759
29 Debt Reduction (PAYGO)	19,677	25,061	31,995	39,489	46,249	52,029	56,829
30 Total Financial Expenses	255,251	276,423	305,601	335,952	363,536	385,846	400,588
31 TOTAL GROSS EXPENSES (Operating & Financial)	693,665	728,289	773,545	823,899	871,365	914,149	950,726
32 NET EXPENSES							
	693,665	728,289	773,545	823,899	871,365	914,149	950,726
33 Revenue - Expenditure Gap before rate increase	-	(45,269)	(62,752)	(50,408)	(48,465)	(43,514)	(36,947)
34 Rate Increase	6.0%	7.5%	9.7%	7.1%	6.3%	4.3%	3.6%
FY17_5yr_Forecast_Revisionist_History_Adjusted_REDO.xlsx							

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - Infrastructure Investment Fee Phase-In and Additional & Reinstated Programs (3.5% Rate Increase)

Estimated Revenues and Expenditures (\$1,000)

	FY 2016 Approved	FY 2017 Proposed	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate
1 Revenue							
2 Water & Sewer Rate Revenue	\$583,375	\$576,346	\$596,511	\$658,004	\$707,920	\$755,887	\$799,896
3 All Other Sources	110,290	132,657	110,557	110,811	110,120	108,699	108,637
4 Total Revenue	693,665	709,003	707,068	768,815	818,040	864,586	908,533
5 Expenses							
6 Maintenance & Operating	377,219	403,252	414,262	431,692	449,908	468,891	488,718
7 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,880
8 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,669
9 PAYGO	19,677	25,661	31,995	39,489	46,249	52,029	56,829
10 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,286	4,286
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	(8,978)	(9,338)	(9,712)	(10,100)	(10,504)
13 Total Expenses	693,665	729,168	768,561	818,731	866,007	908,595	944,878
14 Revenue Gap (Revenue - Expenses)	-	(20,165)	(61,493)	(49,916)	(47,967)	(44,009)	(36,345)
15 Water Production (MGD)	166.0	164.0	164.0	164.0	164.0	164.0	164.0
16 Debt Service Ratio (debt service / budget)	34.0%	34.4%	35.6%	36.2%	36.6%	36.7%	36.4%

6

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
17 Rate Increase	1.0%	3.5%	10.3%	7.6%	6.8%	5.8%	4.5%
18 Operating Budget	\$693,665	\$729,168	\$768,561	\$818,731	\$866,007	\$908,595	\$944,878
19 Debt Service Expense	235,574	250,762	273,606	296,463	317,287	333,817	343,669
20 New Debt	422,681	476,810	462,345	396,326	365,349	303,170	238,095

NOTE:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
21 Impact of Rate Increase on Residential Monthly Bill with 160 GPD usage	\$1.89	\$5.76	\$4.69	\$4.51	\$4.71	\$3.40
22 Impact of Phased-in Infrastructure Investment Fee	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$3.89	\$5.76	\$4.69	\$4.51	\$4.71	\$3.40
Bill percentage Increase	6.4%	8.8%	6.6%	5.9%	5.2%	4.0%
23 Impact of Rate Increase on Residential Monthly Bill with 100 GPD usage	\$1.04	\$3.16	\$2.57	\$2.47	\$2.25	\$1.87
24 Impact of Phased-in Infrastructure Investment Fee	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$3.04	\$3.16	\$2.57	\$2.47	\$2.25	\$1.87
Bill percentage Increase	8.2%	7.9%	5.9%	5.4%	4.7%	3.7%

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2017 thru 2022 Forecast : Preliminary Budget - Infrastructure Investment Fee Phase-In and Additional & Reinstated Programs (3.5% Rate Increase)

Estimated Revenues and Expenditures (\$1,000)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
1 REVENUE	<u>Approved</u>	<u>Proposed</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
2 Water / Sewer Use Charges	\$583,375	\$576,346	\$596,511	\$658,004	\$707,920	\$755,887	\$799,896
3 Account Maintenance Fee (Ready to Serve Charge)	32,374	32,553	32,732	32,911	33,090	33,270	33,449
4 Infrastructure Renewal Fee (Ready to Serve Charge)	19,418	38,963	39,091	39,220	39,349	39,478	39,607
5 Interest Income	1,000	700	700	700	700	700	700
6 Plumbing/Inspection Fees	7,920	7,300	7,500	7,700	7,900	8,100	8,300
7 Rockville Sewer Use	2,773	2,632	2,664	2,680	2,711	2,741	2,771
8 Miscellaneous	16,000	17,252	17,704	18,165	18,638	19,124	19,524
9 Total Revenue	662,860	675,746	696,902	759,380	810,308	859,300	904,247
10 Adjustments to Revenue							
11 Use of Fund Balance	21,577	26,050	4,666	5,435	5,232	4,286	4,286
12 Less Rate Stabilization	728	207	-	-	-	-	-
13 SDC Debt Service Offset	8,500	7,000	5,500	4,000	2,500	1,000	-
14 Reconstruction Debt Service Offset	30,805	33,257	10,166	9,435	7,732	5,286	4,286
15 Adjustments to Total Revenue	693,665	709,003	707,068	768,815	818,040	864,586	908,533
16 FUNDS AVAILABLE							
17 EXPENDITURES							
18 Salaries and Wages	111,309	116,875	122,719	128,855	135,298	142,063	149,166
19 Salaries and Wages - Additional & Reinstated Programs	-	1,524	1,600	1,680	1,764	1,852	1,944
20 Heat, Light and Power	23,353	26,656	27,731	28,856	30,053	31,271	32,555
21 Regional Sewage Disposal	54,895	51,601	53,510	55,490	57,543	59,672	61,880
22 All Other	242,557	250,210	259,818	269,811	280,203	291,011	302,251
23 All Other - Additional & Reinstated Programs	-	7,987	2,394	2,490	2,590	2,694	2,802
24 Additional Operating Reserve Contribution	6,300	6,524	4,166	4,935	4,732	4,286	4,286
25 Unspecified reductions	-	(8,632)	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	(8,978)	(9,338)	(9,712)	(10,100)	(10,504)
27 Total Operating Expenses	438,414	452,745	462,960	482,779	502,471	522,749	544,380
28 Debt Service	235,574	250,762	273,606	296,463	317,287	333,817	343,669
29 Debt Reduction (PAYGO)	19,677	25,661	31,995	39,489	46,249	52,029	56,929
30 Total Financial Expenses	255,251	276,423	305,601	335,952	363,536	385,846	400,498
31 TOTAL GROSS EXPENSES (Operating & Financial)	693,665	729,168	768,561	818,731	866,007	908,595	944,878
32 NET EXPENSES	693,665	729,168	768,561	818,731	866,007	908,595	944,878
33 Revenue - Expenditure Gap before rate increase	-	(20,165)	(61,493)	(49,916)	(47,967)		
34 Rate Increase	1.0%	3.5%	10.3%	7.6%	6.8%		

WASHINGTON SUBURBAN SANITARY COMMISSION
WATER AND SEWER RATE SCHEDULE

APPROVED FOR IMPLEMENTATION JULY 1, 2015

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	Water Rates		Sewer Rates		Combined Water & Sewer Rates	
	July 1, 2014 Rates Per 1,000 Gallons	July 1, 2015 Rates Per 1,000 Gallons	July 1, 2014 Rates Per 1,000 Gallons	July 1, 2015 Rates Per 1,000 Gallons	July 1, 2014 Rates Per 1,000 Gallons	July 1, 2015 Rates Per 1,000 Gallons
0-49	\$ 3.17	\$ 3.20	\$ 4.22	\$ 4.26	\$7.39	\$ 7.46
50-99	3.54	3.57	4.93	4.98	8.47	8.55
100-149	3.89	3.94	5.75	5.80	9.64	9.74
150-199	4.36	4.41	6.63	6.69	10.99	11.10
200-249	5.10	5.16	7.23	7.29	12.33	12.45
250-299	5.53	5.59	7.83	7.90	13.36	13.49
300-349	5.85	5.92	8.35	8.42	14.20	14.34
350-399	6.09	6.16	8.76	8.84	14.85	15.00
400-449	6.33	6.40	8.96	9.04	15.29	15.44
450-499	6.50	6.58	9.24	9.32	15.74	15.90
500-749	6.62	6.70	9.43	9.51	16.05	16.21
750-999	6.78	6.86	9.64	9.72	16.42	16.58
1,000-3,999	6.91	6.99	10.05	10.14	16.96	17.13
4,000-6,999	7.07	7.15	10.28	10.37	17.35	17.52
7,000-8,999	7.16	7.25	10.43	10.52	17.59	17.77
9,000 & Greater	7.29	7.37	10.70	10.80	17.99	18.17

Flat Rate Sewer Charge - \$104.00 per quarter

Drinking water systems imperiled by failing infrastructure

By RYAN J. FOLEY

Sep. 26, 2015 10:05 AM EDT

DES MOINES, Iowa (AP) — Deep inside a complex of huge tanks, drinking water for Iowa's capital city is constantly cleansed of the harmful nitrates that come from the state's famously rich farmland.

Without Des Moines Water Works, the region of 500,000 people that it serves wouldn't have a thriving economy that has become a magnet for tech companies such as Microsoft. But after decades of ceaseless service, the utility is confronting an array of problems: Water mains are cracking open hundreds of times every year. Rivers that provide its water are more polluted than ever. And the city doesn't know how it will afford a \$150 million treatment plant at a time when revenues are down and maintenance costs are up?

"We're reaching the end of the life cycle of some of the most critical assets we've got," said Bill Stowe, CEO and general manager of the utility, which has a downtown treatment plant that was built in the 1940s, long before nitrates, which can harm infants, became a pressing concern. He said the industry is getting "all kinds of these warning alarms that we haven't heard before."

A similar crisis is unfolding in cities across the country. After decades of keeping water rates low and deferring maintenance, scores of drinking water systems built around the time of World War II and earlier are in need of replacement. The costs to rebuild will be staggering. The costs of inaction are already piling up. The challenge is deepened by drought conditions in some regions and government mandates to remove more contaminants.

At stake is the continued availability of clean, cheap drinking water — a public health achievement that has fueled the nation's growth for generations and that most Americans take for granted.

The U.S. Environmental Protection Agency projects that it will cost \$384 billion over 20 years to maintain the nation's existing drinking water systems, which will require tens of thousands of miles of replacement pipe and thousands of new or renovated plants. The American Water Works Association, an industry-backed group, puts the price even higher — \$1 trillion to replace all outdated pipes and meet growth over the next quarter-century.

"The future is getting a little dark for something as basic and fundamental as water," said Adam Krantz of the Water Infrastructure Network, a lobbying group that is fighting cuts to key federal water programs.

A HIDDEN CRISIS, A SHORTAGE OF MONEY

Unlike pothole-scarred roads or crumbling bridges, decaying water systems often go unnoticed until they fail.

"Buried infrastructure is out of sight, out of mind. We take it for granted. We turn on the faucet and we get good, clean, quality water," said Will Williams, head of asset management for the engineering firm Black & Veatch and an expert on water infrastructure.

When failures happen, help can be hard to come by.

Without big changes in national policy, local governments and their ratepayers will be largely on their own in paying for the upgrades. The amount of federal money available for drinking-water improvements is just a drop in the bucket.

Cities and utilities have historically been reluctant to raise rates sharply or to incur high levels of debt to pay for them, although both are increasingly happening.

"That's the key that Americans have to understand: If they want this system, they are going to have to be willing to finance it, to pay for it," said Greg DiLoreto, past president of the American Society of Civil Engineers.

The group's 2013 report warned of a looming funding crisis and a future with more equipment failures that will disrupt water service, transportation and commerce.

"Not meeting the investment needs of the next 20 years risks reversing the environmental, public health and economic gains of the last three decades," the report said.

The largest source of federal assistance is the Drinking Water State Revolving Fund, which goes largely to small towns and mid-sized cities. Some communities that need the most help shun the program because it offers mostly loans, not grants. A new program authorized by Congress to attract private investment in larger, big-city projects has yet to get off the ground.