



FY 2026 Spending Affordability

Prince George's County Committee of the Whole

October 8, 2024

Munetsi T. Musara, Chief Financial Officer
Letitia Carolina-Powell, Budget Division Manager



Agenda

- FY26 Budget Priorities
- Rate Request History
- Cost Drivers
- FY26 Budget Increases
- Rate Comparison
- Summary LT Plan FY25 vs FY26
- Preliminary Long-Term Fiscal Plan
- Strategic Plan




WSSC WATER AT A GLANCE


 **106 years** of no drinking water quality violations, ever.


 **8th**
Largest water utility
in the United States

 **1.9M**
Residents
served

 **162 MGD**
Water provided
each day


 **1000 Sq. Miles**
Size of WSSC Water's
Service Area

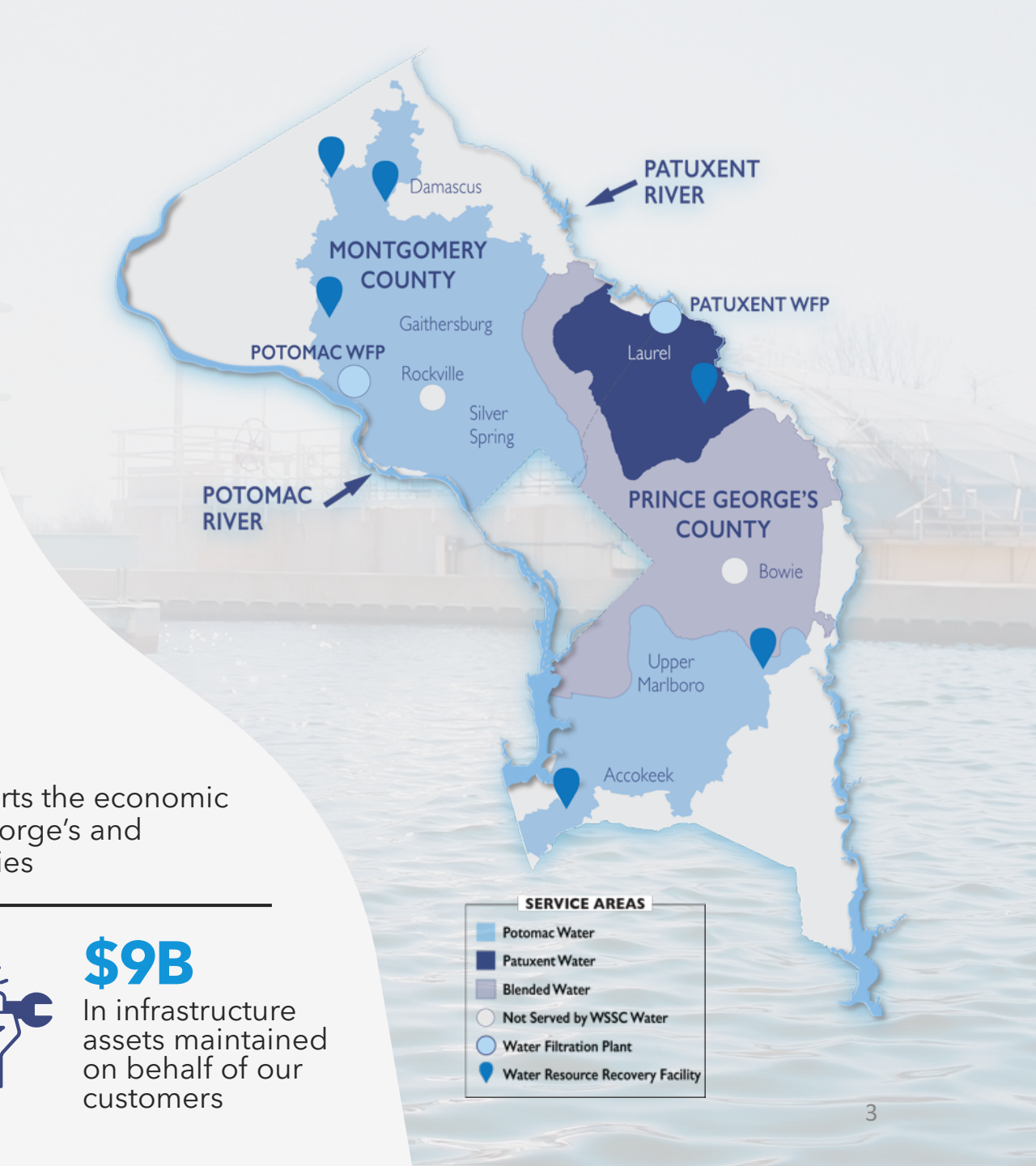
 **1,700+**
Members of Team H₂O
deliver on our mission

 **\$114.9B**
WSSC Water supports the economic
output of Prince George's and
Montgomery counties

 **\$1.8B**
FY2025 Operating &
Capital Budget

 **\$4.9B**
6-Year Capital
Improvements
Program

 **\$9B**
In infrastructure
assets maintained
on behalf of our
customers



Formulate a Budget that is Fiscally Responsible

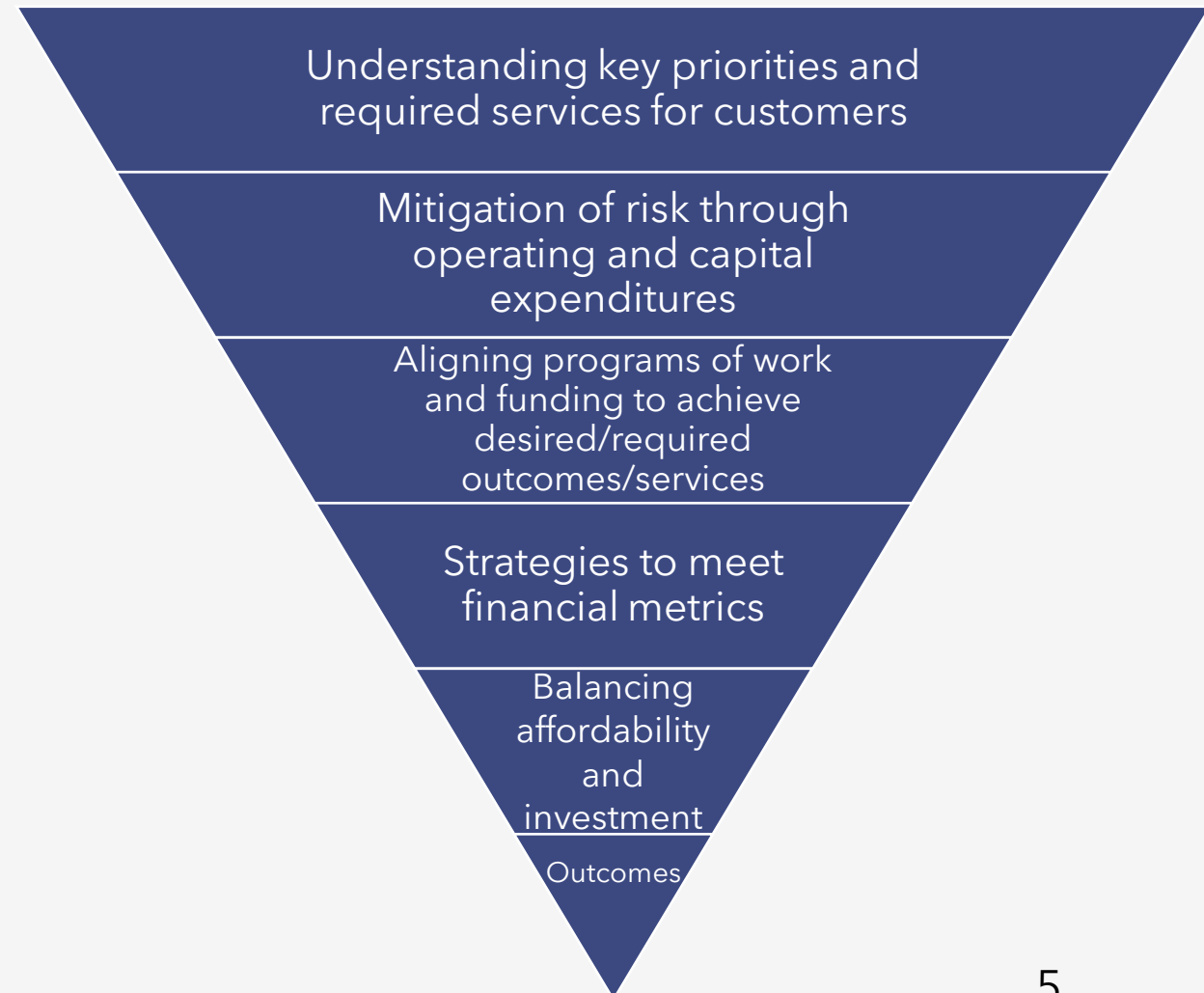
The FY 2026 Goals:

- Maintain WSSC Water's AAA credit rating
- Adhere to financial metrics and guidelines
- Budget within proposed rate increases
- Plan bond issuance limits over the six-year program
- Keep project funding affordable
- Use PAYGO to lower debt service expense and improve metric results - especially with rate risk
- Leverage external funding to supplement the operating and capital budgets
- Place increased importance on prioritization of projects
- Enhance the Customer Assistance Program

Outcome Based Budgeting Approach

Outcomes

- Safe Drinking Water and Clean Water Act compliance
- Support \$38.5 billion and \$85.1 billion in economic output for Prince George's and Montgomery Counties respectively
- Maintain our asset portfolio through increased investment in critical infrastructure, systems and processes
- Team H2O: Retention, Recruitment and Engagement
- Improve service delivery
- Drive efficiencies in operations
- Enterprise risk mitigation



FY 2026 Operating Budget Priorities

- Safe Drinking Water Act and Clean Water Act compliance
- Operation and maintenance of \$9 billion in critical infrastructure assets to support our core mission
- Continue to invest in Team H2O and provide a competitive total rewards program, promote career growth and workforce development
- Leverage best practices and innovative technologies
- Enhance customer experience through customer education, affordability, reliability and trust
- Promote environmental justice by ensuring equitable access to our services and programs



★ **106 years** of no drinking water quality violations, ever.
★ **Platinum Peak Performance** recognition for wastewater treatment and resource recovery excellence.



8th
Largest combined water and wastewater utility in the United States by population served



1.9M
Residents served



162 MGD
Water provided each day



1,000 Sq. Miles
Size of WSSC Water's Service Area



1,700+
Members of Team H₂O deliver on our mission



\$114.9B
WSSC Water supports the economic output of Prince George's and Montgomery counties



\$1.8B
FY2025 Operating & Capital Budget



\$4.9B
6-Year Capital Improvements Program

FY 2026 Capital Budget Priorities

- Provisioning for Lead and Copper Reduction regulatory compliance
- Facilities Planning and Infrastructure Investments beginning in FY2026 and increasing funding in FY2027- FY2031
- Comprehensive PFAS Management Strategy – mitigation in drinking water, wastewater effluent and biosolids beginning FY2027 - FY2031
- Upgrades to Water Filtration and Water Resource Recovery Facilities to drive operational cost savings and maintain compliance
- Upgrade aging pumping stations and force mains
- Modernize Meter infrastructure
- Modernize Depots to improve health and safety for Team H2O members
- Be intentional in addressing equity and environmental justice



FY 2026 Key Long-Term Initiatives



- **PFAS** - New federal drinking water limits for PFAS were finalized in 2024 and will go into effect in 2029. The state of Maryland also has plans underway to set PFAS limits in wastewater and biosolids. The funds are needed to test potential treatment enhancements to maintain a reliable margin of compliance in drinking water, and to increase our in-house laboratory capabilities to support the large number of samples needed for compliance monitoring and wastewater source tracking requirements.
Risk if not funded - Violation of SDWA drinking water regulations; compromise public health protection; diminished level of public trust
- **Lead & Copper Rule** - The Lead and Copper Rule, originally promulgated in 1991 and subsequently revised in 2021 required the replacement of public and private lead service lines if certain levels of lead in the water exceeded in the home tap water. Subsequently in 2024, proposed improvements to the 2021 ruling stipulate a mandatory requirement for 100% replacement regardless of lead levels.
Risk if not funded - Violation of SDWA drinking water regulations; compromise public health protection; diminished level of public trust
- **Fire Hydrants Inspection** - 14 new Utility Technicians requested to meet the AWWA standard for annual inspection of all Fire Hydrants. The inspection goal is 45,000 and increasing due to new water main installations.
Risk if not funded - Will not meet the AWWA standard for annual fire hydrant inspection and decreased fire protection safety
- **5-year Vehicle Replacement Plan** - In 2023 WSSC Water had 220 vehicles that were overdue for replacement (23% of the fleet). Of those 220 vehicles 47 were at least five years overdue. Budget cuts and vehicle availability from manufacturers during and directly after the pandemic drastically reduced the number of vehicles replaced. Therefore, the critically needed 5-Year vehicle replacement plan was developed.
Risk if not funded - The spend for parts and service on an increasingly aging fleet has increased each year over the last 5 fiscal years. In FY24, spend for parts and repairs was over budget by nearly 70%, just to keep vehicles up and running. Inefficiency in operation and negatively affect service to ratepayers, employee safety is at risk with older vehicles until they are replaced
- **Healthcare and Insurance Costs** - Rise in healthcare and insurance costs due in part to inflation and increase in prescription drugs.
Risk if not funded - Unable to provide adequate and competitive healthcare and insurance options for our employees and retirees.

Innovation, Technology, & Research Update

Achieved **>\$4M Savings and Revenue**

○ **Avoided >\$3M CIP Spending**

- Avoided catastrophic equipment failure w/ Video Vibration Monitoring (\$100K)
- Avoided major facility modification w/ Western Branch Hoisting Trolley (\$1M)
- Extended Potomac UV sluice gate useful life (>\$2M)

○ **Achieved ~\$750K Cost Savings**

- Avoided unnecessary hydrant replacements by expanding use of fire hydrant tool at all depots (~\$300K)
- 3D metal printing for Potomac pump cooling system avoided buying new system (\$50K)
- Reduced energy and chemical use at Seneca WRRF (~\$400K)

○ **Avoided \$200K Consulting Costs**

- Our in-house expertise avoided ~\$200K in consulting fees across several pilots and in-house designs

○ **Generated ~\$55K Revenue**

- Optimatics \$48K/y
- \$7K fire hydrant tool sales

Innovation, Technology, & Research – Key Projects

REDUCE

Non-revenue water loss

- Pressure transient monitoring
- Novel leak detection approaches

EXTEND

Equipment life

- Video vibration monitoring
- Smart Cover/ ADS Echo

DEVELOP

New products

- Fire hydrant tool for sale
- Probing rod puller in testing phase

SUPPORT

Public health

- Tools to identify lead service lines
- PFAS research

REDUCE

Energy / chemical use

- Efficient Nutrient Removal at WRRFs

ADAPT

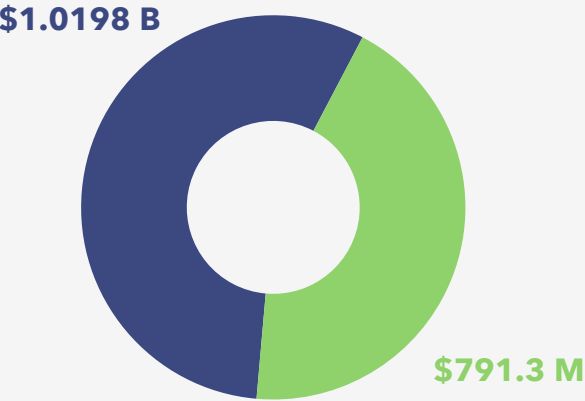
To climate change

- DOE project converting CO₂ to renewable methanol



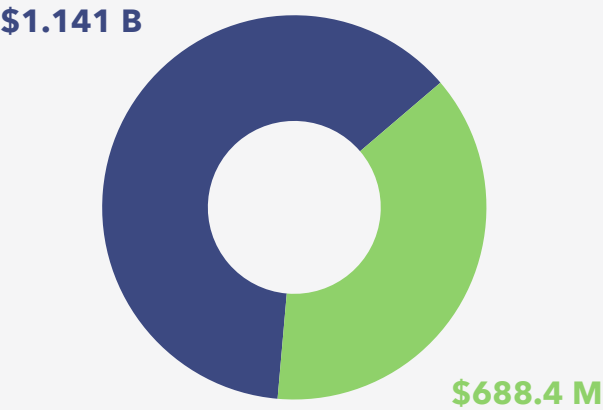
Total Budget - FY 2025 Approved and FY 2026 Preliminary Request

FY 2025 Approved Budget - \$1.811 B



■ Operating Budget ■ Capital Budget

FY 2026 Preliminary Budget Request - \$1.830 B

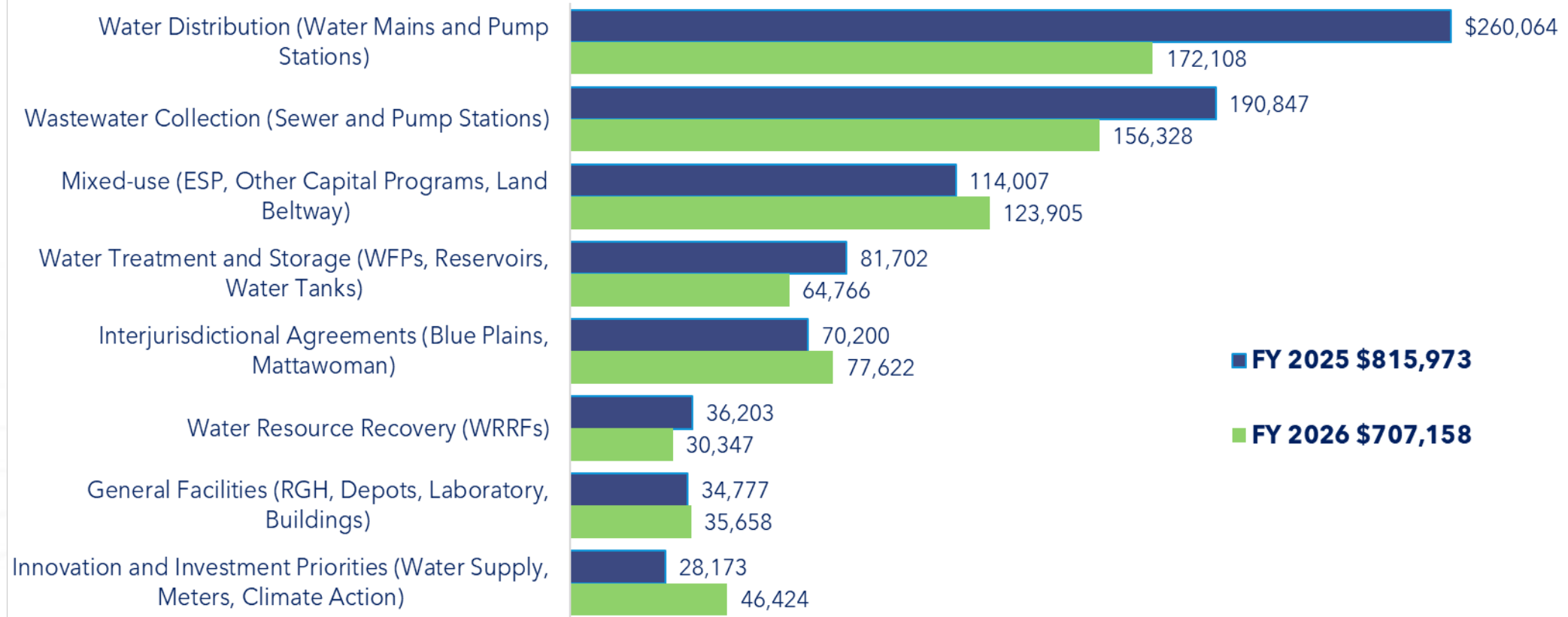


■ Operating Budget ■ Capital Budget

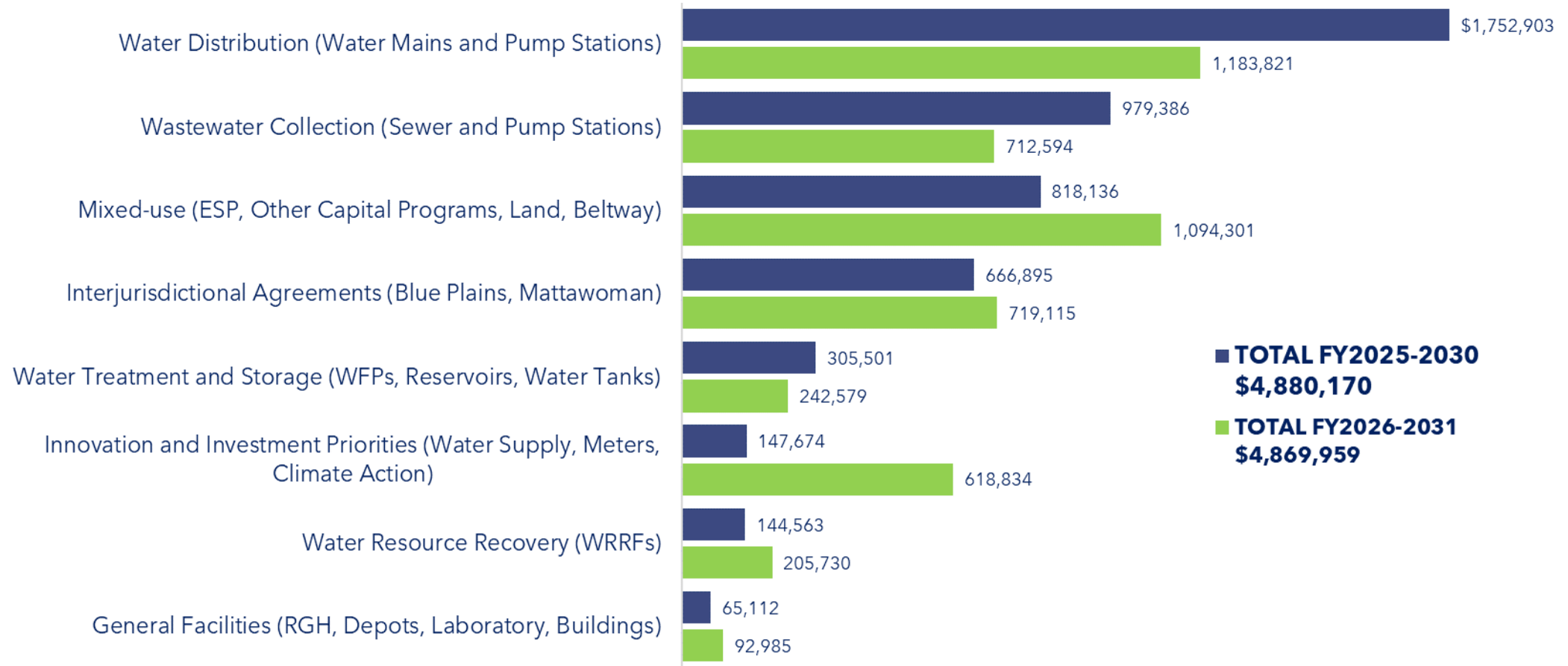
Capital budget above excludes developers' projects



FY2025 Approved CIP vs FY2026 Proposed CIP



FY2025-2023 Approved CIP vs FY2026-2031 Proposed CIP



Hyattsville Water Main Break



Source: wjla.com

A water main break in Prince George's County has shut down several lanes along U.S. 1 on July 18, 2024

Investing in Technology



A 16-foot section of the 36" water main on Dower House Road in Prince George's County was recently replaced. The Acoustic Fiber Optic cable installed alerted the team on-time and the pipe was replaced proactively.

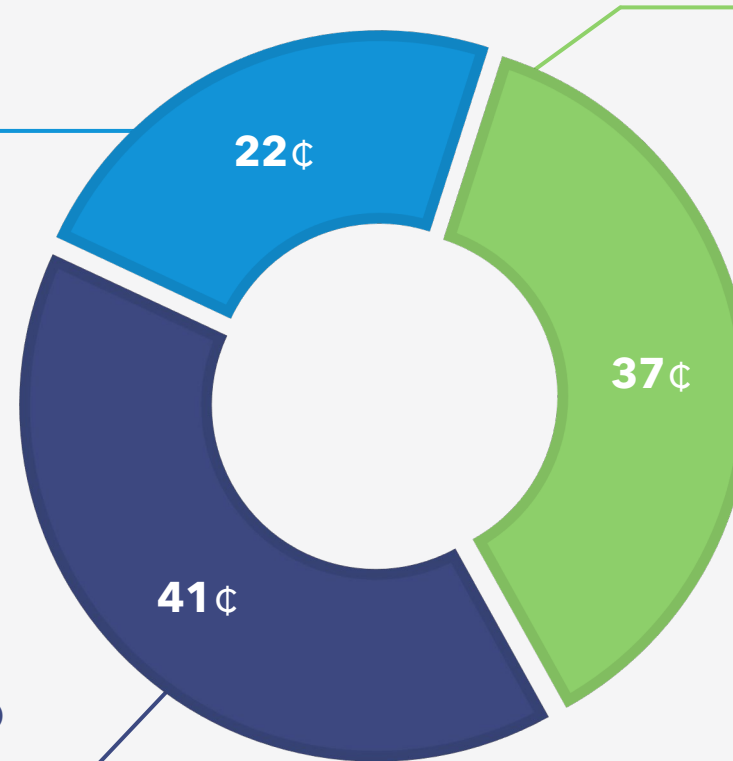
FY 2025 - Where The Money Goes

People

- Salaries and wages
- Employee benefits
- Employee trainings

Debt Service & PAYGO

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



Operations & Maintenance

- Operations and maintenance for facilities (Including share of Blue Plains)
- Fixing broken or leaking pipes and repairing roads
- Heat, light and power for facilities
- Maintaining vehicles and equipment
- Customer service
- Corporate finance
- IT services

Cost Drivers

- 41 cents or 41% of costs are due to capital project financing
 - Non-discretionary

Preliminary FY26 Long-Term Fiscal Plan

FY 2025 Preliminary Long Term Plan						
SAG Limits (\$000s)	FY 2025 Preliminary	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
Volumetric & Fixed Fee Revenue Enhancement	11.6%	12.5%	6.0%	5.5%	4.2%	4.2%
New Water & Sewer Debt Issues	\$ 420,387	\$ 414,741	\$ 342,039	\$ 365,842	\$ 369,105	\$ 363,313
Total Water & Sewer Debt Service	363,140	381,332	401,396	420,166	437,188	453,180
Total Water & Sewer Expenditures	1,040,465	1,166,226	1,231,917	1,290,274	1,341,955	1,396,377

FY 2026 Preliminary Long Term Plan - Base Case							
SAG Limits (\$000s)	FY 2025 Approved	FY 2026 Preliminary	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected
Volumetric & Fixed Fee Revenue Enhancement	8.5%	12.2%	9.7%	7.6%	6.3%	6.1%	5.8%
New Water & Sewer Debt Issues	\$ 390,262	\$ 493,876	\$ 604,289	\$ 525,000	\$ 580,092	\$ 547,306	\$ 545,227
Total Water & Sewer Debt Service	362,066	373,778	399,997	437,178	464,791	495,344	522,981
Total Water & Sewer Expenditures	1,014,156	1,141,015	1,247,464	1,334,877	1,410,677	1,493,093	1,576,045

FY 2026 Preliminary Long Term Plan - 10.2% Scenario							
SAG Limits (\$000s)	FY 2025 Approved	FY 2026 Preliminary	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected
Volumetric & Fixed Fee Revenue Enhancement	8.5%	10.2%	9.7%	8.2%	7.5%	6.3%	5.8%
New Water & Sewer Debt Issues	\$ 390,262	\$ 493,870	\$ 604,289	\$ 525,000	\$ 580,092	\$ 547,306	\$ 545,227
Total Water & Sewer Debt Service	362,066	373,778	399,997	437,178	464,791	495,343	522,981
Total Water & Sewer Expenditures	1,014,156	1,122,318	1,226,953	1,319,638	1,409,260	1,494,239	1,577,257

FY 2026 Preliminary Long Term Plan - 9.5% Scenario							
SAG Limits (\$000s)	FY 2025 Approved	FY 2026 Preliminary	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected
Volumetric & Fixed Fee Revenue Enhancement	8.5%	9.5%	9.5%	9.0%	8.2%	6.0%	5.5%
New Water & Sewer Debt Issues	\$ 390,262	\$ 493,870	\$ 604,300	\$ 525,000	\$ 580,092	\$ 547,306	\$ 545,227
Total Water & Sewer Debt Service	362,066	373,778	399,997	437,178	464,791	495,344	522,982
Total Water & Sewer Expenditures	1,014,156	1,115,726	1,217,659	1,318,615	1,416,776	1,498,234	1,577,249



Drivers of the FY 2026 Revenue Increase

	\$ in millions	12.2%	\$ in millions	10.2%	\$ in millions	9.5%
Capital Budget Support Debt Service Payable New debt and funding annualization of prior year debt service	11.8	1.2	11.6	1.2	9.3	1.0
Improving to Meet AAA Metrics PAYGO Increase to reduce dept issuances	65.9	6.9	47.4	5.0	46.2	4.9
Inflationary Pressures Supplies, equipment, professional services, retiree and employee benefits	19.1	2.0	19.1	2.0	19.1	2.0
Intermunicipal Pressures Regional Sewage Disposal DC Water under IMA with WSSC Water	6.8	0.7	6.8	0.7	6.8	0.7
Team H₂O A Workforce to deliver on our mission, lapse reduced from 10% to 3%, full year impact of FY25 6-month positions	23.4	2.5	23.4	2.5	23.4	2.5
Additional Operating Budget Requests Making water service affordable to all customers and putting customers first	24.0	2.5	19.8	2.1	18.3	1.9
Utilize Non-Rate Revenue to Offset Increase Increase service fees and utilize cost sharing to reduce burden on customers, unspecified reductions, DOE project reimbursements	-35.0	-3.6	-31.2	-3.3	-32.9	-3.5
Totals	\$116.0		\$96.9		\$90.2	

Utility Bill Comparison

		(9.5%)*	(10.2%)*	(12.2%)*
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2026</u>	<u>FY 2026</u>
Average Gallons Per Day**	145	145	145	145
Average Quarterly Bill	\$269.45	\$295.05	\$296.93	\$302.32
	Quarterly bill impact	\$ 25.60	\$ 27.48	\$ 32.87
	Monthly bill impact	\$ 8.53	\$ 9.16	\$ 10.96



* Revenue Enhancement Assumption

** Based on 3/4 inch meter. Average assumes 3-person household.

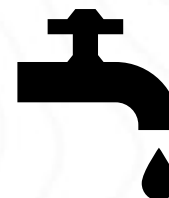
The average household spends quarterly ...



\$472.74
on electricity
from PEPCO



\$423.00 for
cellular phone
services



\$269.45 for
water and sewer
services from
WSSC Water

Energy Costs Increases

BGE Actual and Proposed
Gas Distribution Rates

	Year	Rate (\$/therm)	
ACTUAL	2010	\$0.30	
	2020	\$0.60	% Increase from 2023
	2023	\$0.67	
PROPOSED	2024*	\$0.96	43%
	2025	\$1.01	51%
	2026	\$1.08	61%

BGE Actual and Proposed
Electric Distribution Rates

	Year	Rate (\$/kWh)	
ACTUAL	2010	\$0.025	
	2020	\$0.037	% Increase from 2023
	2023	\$0.042	
PROPOSED	2024*	\$0.051	21%
	2025	\$0.049	17%
	2026	\$0.055	31%

*Rates in 2024 include a "reconciliation adjustment," an aspect of the MRP that allows BGE to charge ratepayers for spending in 2021 and 2022 that exceeded the originally approved rates. 2025 and 2026 do not include reconciliation adjustments that may be imposed in the future.

Source – Office of People’s Counsel, State of Maryland:

[BGE Multi-Year Rate Plan-6-20-final-3 Dated.pdf \(maryland.gov\)](#)

Pepco Actual and Proposed Electric Distribution Rates

Summer (June - October)

	Year	Rate (\$/kWh)	
ACTUAL	2010	\$0.035	
	2020	\$0.066	% Increase from 2023
	2023	\$0.080	
PROPOSED	2024	\$0.094	18%
	2025	\$0.101	26%
	2026	\$0.107	34%
	2027	\$0.110	38%

Winter (November - May)

	Year	Rate (\$/kWh)	
ACTUAL	2010	\$0.020	
	2020	\$0.033	% Increase from 2023
	2023	\$0.039	
PROPOSED	2024	\$0.055	41%
	2025	\$0.061	56%
	2026	\$0.066	69%
	2027	\$0.069	77%

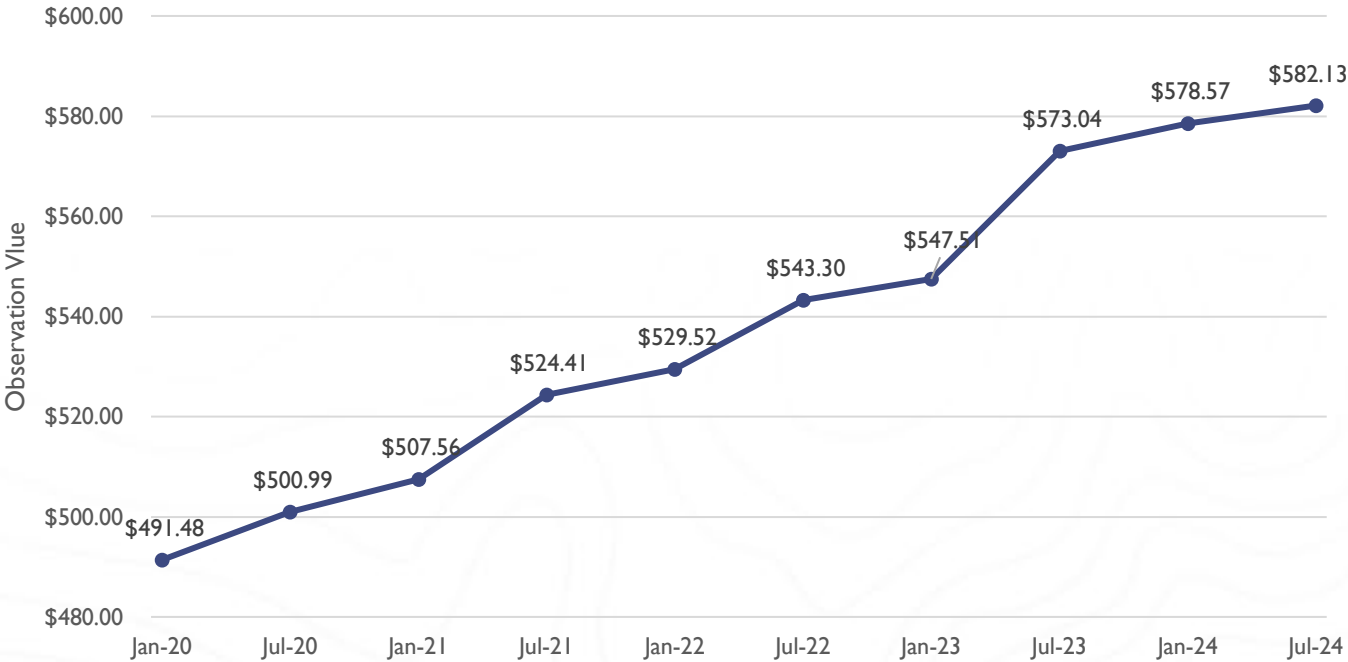
Source – Office of People’s Counsel, State of Maryland:

[PEPCO MRP Consumer Guide - September 2023.pdf \(maryland.gov\)](#)

Cable Costs Increases



Cable, satellite, and live streaming television service in U.S. city average, all urban consumers, not seasonally adjusted



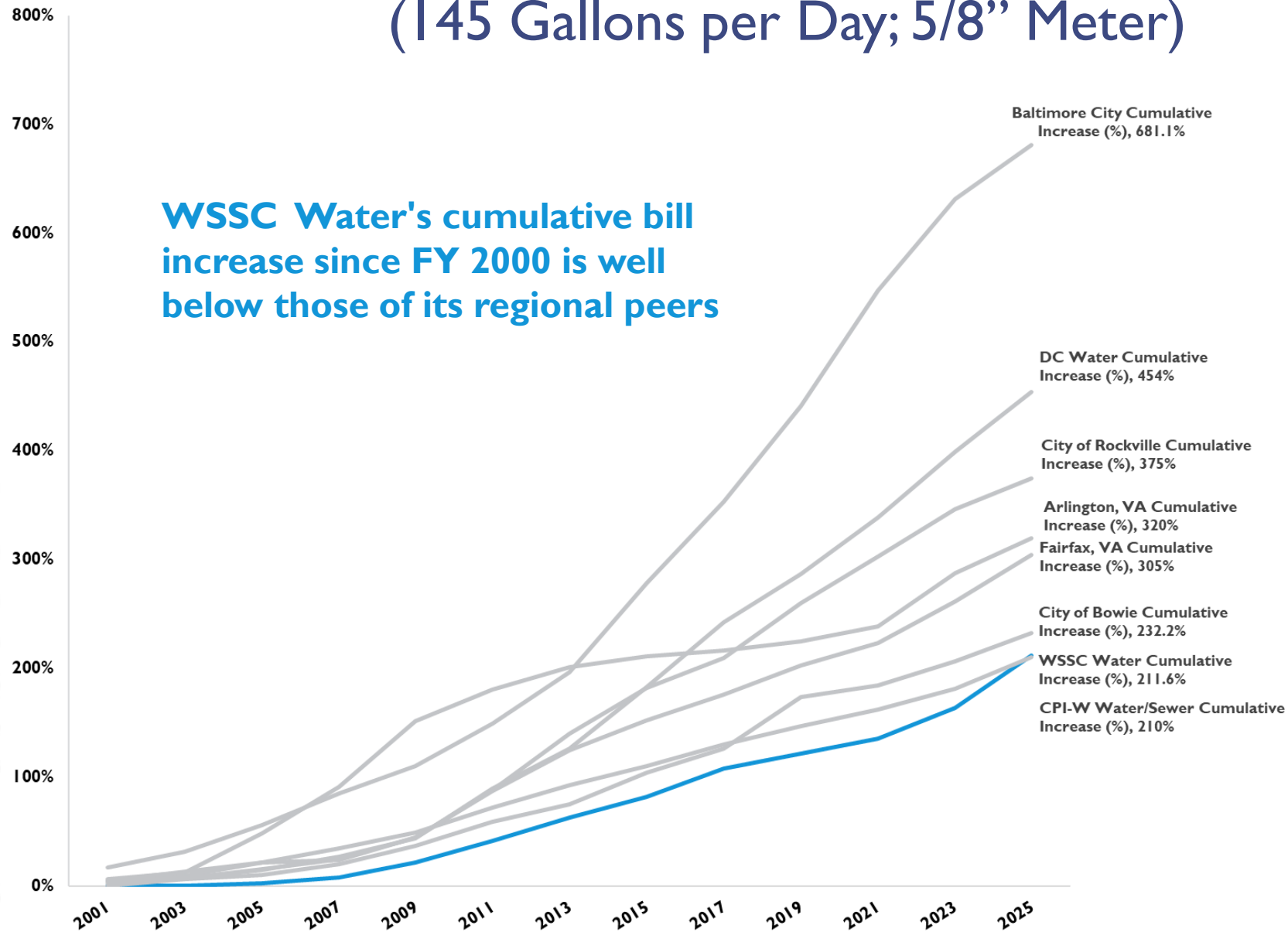
Data extracted on: Aug 13, 2024 (6:19:15 PM)

Consumer Price Index for All Urban Consumers (CPI-U)

Series Title	Cable, satellite, and live streaming television service in U.S. city average, all urban consumers, not seasonally adjusted
Series ID	: CUUR0000SERA02
Seasonality	: Not Seasonally Adjusted
Survey Name	: Consumer Price Index for All Urban Consumers (CPI-U)
Measure Data Type	: Cable, satellite, and live streaming television service
Area	: U.S. city average

FYs 2000-2025 Bill Increase Comparison

(145 Gallons per Day; 5/8" Meter)



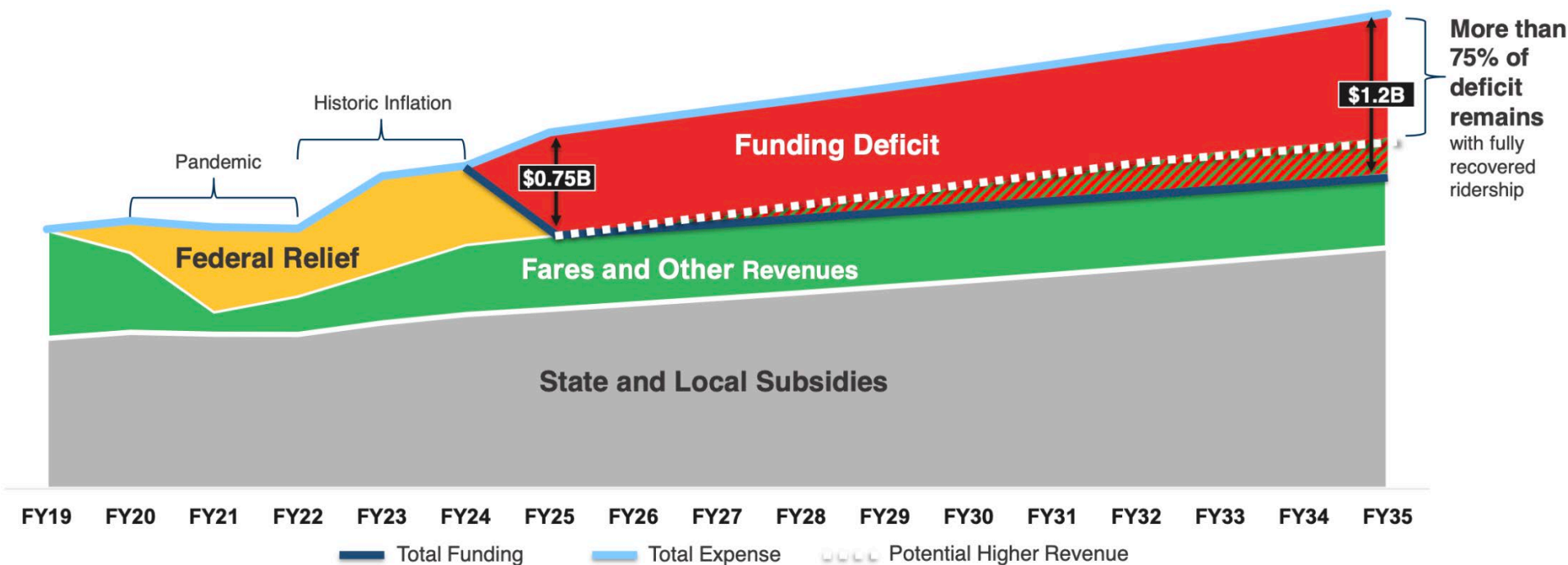
Rate Increases Comparable Regional Peers

	Actual	Actual	Actual	Actual	Actual	Actual	PROJECTED							
Agency/Region	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Avg 6 Year	
WSSC Water							12.2%	9.7%	7.6%	6.3%	6.1%	5.8%	8.0%	
Water and Sewer Rate Increase	5.0%	6.0%	5.9%	6.5%	7.0%	8.5%								
DC Water							6.0%	8.0%	9.0%	9.0%	8.5%	9.0%	8.3%	
Water and Sewer Rate Increase	11.5%	9.9%	7.8%	9.5%	3.3%	8.0%								
Baltimore City							n/a	n/a	n/a	n/a	n/a	n/a		
Water Rate Increase	9.9%	9.9%	9.9%	3.0%	3.0%	3.0%								
Sewer Rate Increase	9.0%	9.0%	9.0%	3.5%	3.5%	3.5%								
Fairfax, VA							n/a	n/a	n/a	n/a	n/a	n/a		
Fairfax Water	8.5%	0.0%	3.9%	4.5%	5.2%	n/a								
Fairfax County Sewer	4.0%	0.0%	6.0%	4.8%	4.6%	4.1%								

Bold represents approved rates

WMATA Funding Profile

Metro's Operating Structural Deficit

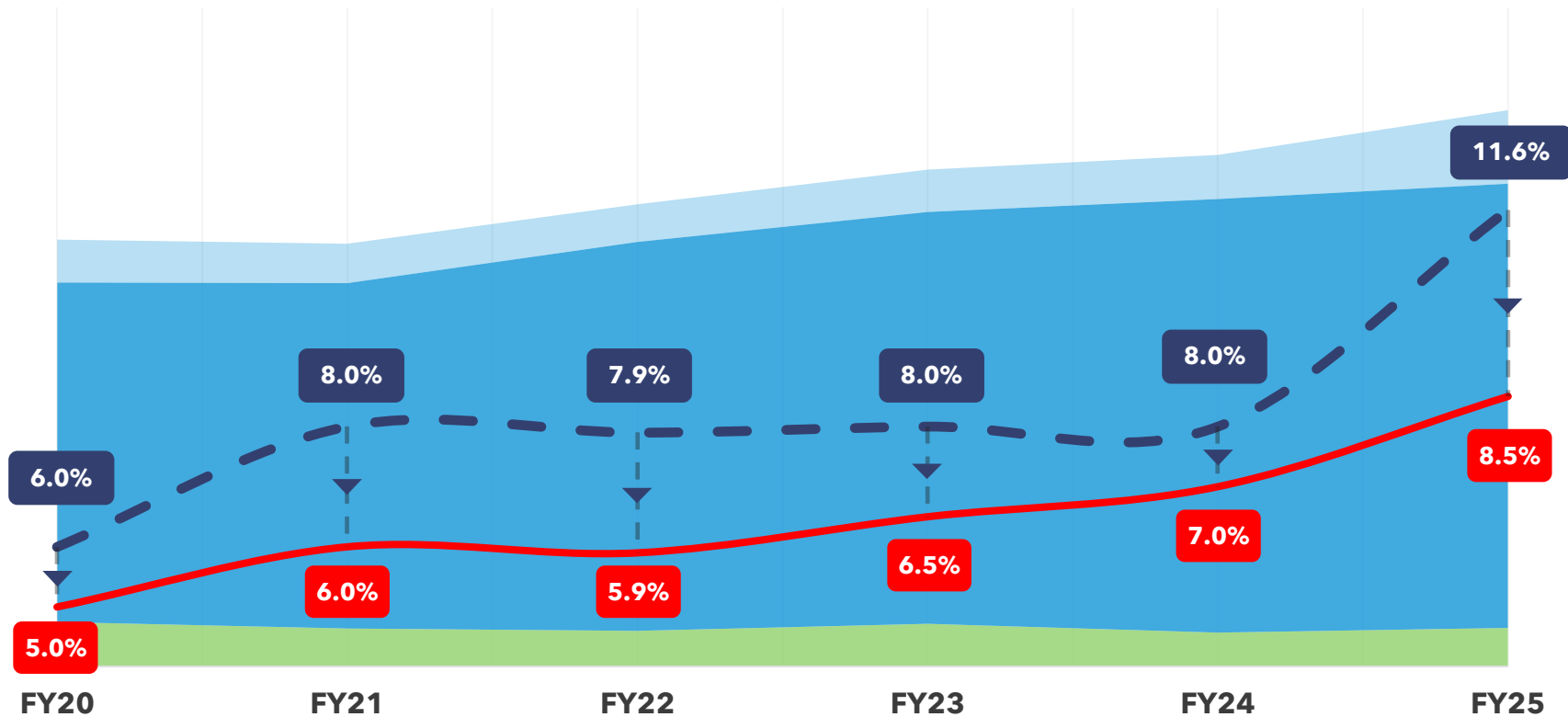


*Projection as of June 2023

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY



Loss of Rate Revenue



Rate Payer: Fixed Fees
Rate Payer: Volumetric Revenue
Non-Rate Payer Revenue

-- Requested Rate
— Approved Rate

Over the past
6 years, approved
rate increases were

11.3%
lower than
requested

Resulting in
\$253.2M
loss of rate
revenue

Preliminary FY26 Long-Term Fiscal Plan

Financial Metric Base Case

Metrics	CFO Guideline	FY 2025 Estimated	FY 2026 Preliminary	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected
I Debt Service Coverage:								
a Debt Service Coverage "Stress Case" [Ⓢ]	1.50	1.37	1.48	1.53	1.51	1.48	1.46	1.39
b Debt Service (P+I) as a Percentage Total Expenditures	<40.0%	34.9%	32.8%	32.1%	32.8%	32.9%	33.2%	33.2%
c Leverage Ratio "Stress Case"	<10.0	8.5	8.4	8.2	8.1	8.2	8.3	8.4
II Liquidity and Reserves:								
a Days Cash-on-Hand "Stress Case" [Ⓢ]	≥250	240	237	232	229	220	210	189
b Ending Fund Balance as a Percentage of Operating Revenue	20.0%	37.9%	34.3%	31.4%	29.3%	27.7%	26.2%	24.8%

Strategic Plan for Our Smart One Water Future

Vision

In every home, in every business, we make everything possible by ensuring access to dependable and safe water for everyday life.

Smart One Water Mission

WSSC Water ensures all communities thrive by ethically delivering safe, reliable and sustainable water and wastewater services.

Promise

Continue the legacy of treasuring our water, customers and employees through dedicated service for current and future generations.

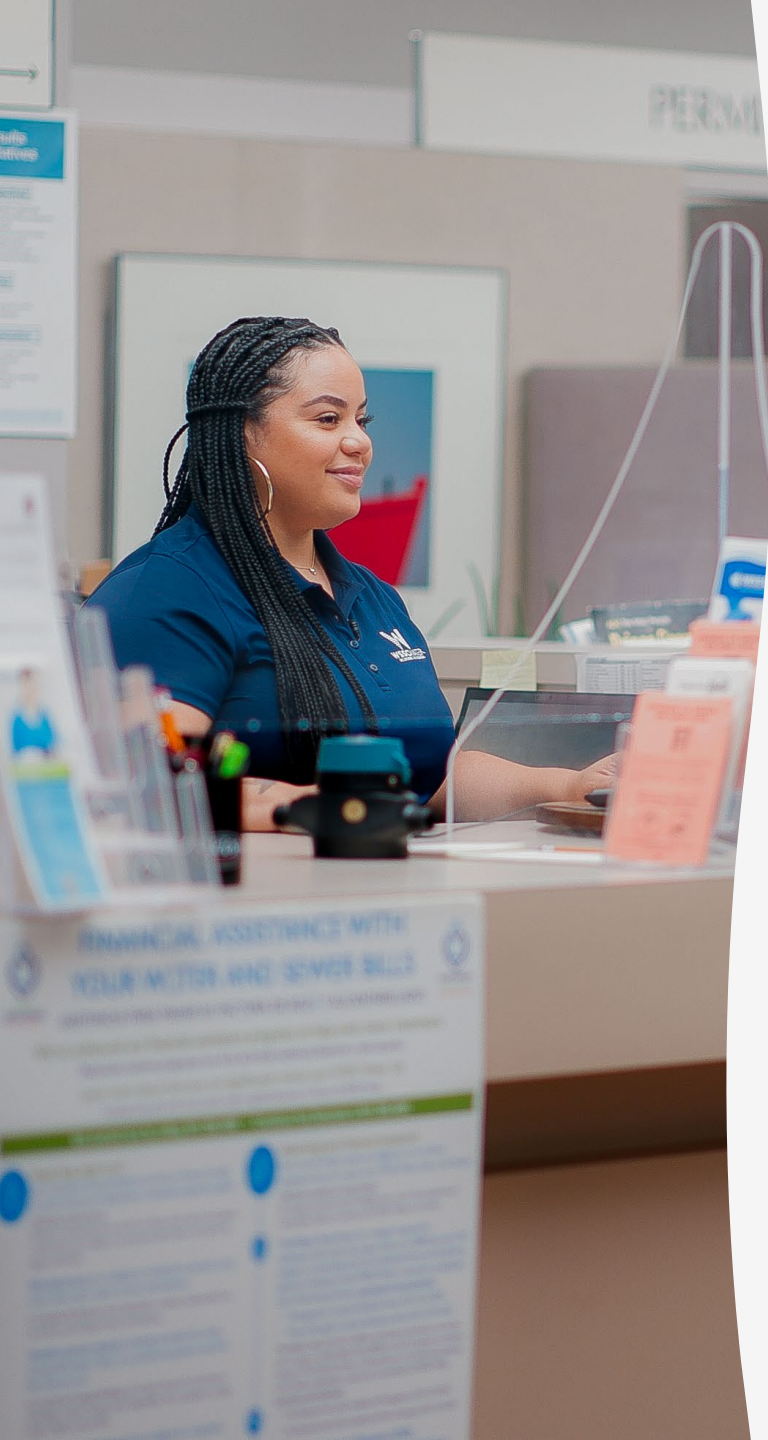
Values

Just. Accountable. Caring.

Community-Focused. Excellent. Trustworthy.



34 Objectives to Navigate Team H₂O to Our Smart One Water Future



10% Affordability Initiatives Budget

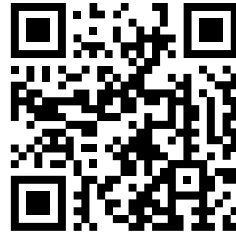
- **Established an Internal Affordability Working Group**
- **Advocacy for Permanent State Water Bill Assistance Funding**
 - Governor Moore has indicated support
- **Plumbing Repair Assistance Program** - Will help CAP-eligible customers repair water leaks that are contributing to high bills
 - **Status:** Developing program approach; engagement with Procurement for the Plumbing assistance; will pursue external funding to fund the program.
- **CAP Subsidy Enhancement** - Will provide additional usage discounts to CAP customers
 - **Status:** Developing subsidy options and timing related to cost-of-service implementation impact to CAP customers
- **Updating the WSSC Water Bill Adjustment Policy to account for chronic leaks**
- **Develop strategy to transition residential customers with high bills and affordability concerns to monthly billing**

Helping Our Neighbors: Water Bill Assistance



Promise.

Sign up for an affordable, flexible and interest-free payment plan. **Customers with a past-due balance of \$50 or more are eligible.**



CUSTOMER ASSISTANCE PROGRAM (CAP)

CAP assists approved residential customers by **waiving fixed fees**, providing **free annual plumbing inspections** for water leaks and **much more.**



Eligible customers can access the Water Fund multiple times, **up to \$500 per year.**



PipeER+

Provides a loan **up to \$10,000** to finance the repair, replacement or diagnostics of sewer or water on-property service line. The WSSC Federal Credit Union administers PipeER.



wsscwater.com/assistance

CAP Plumbing Leak Repair Program

Habitat for Humanity of Metro Maryland

- Vast experience in providing affordable and safe housing
- Serving Prince George's and Montgomery county residents since 1982
- Will serve as the 3rd party administrator

MOU fully executed on Sept. 18, 2024

Expect to launch program late fall/early winter 2024





Questions?

