



# Prince George's County Council

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October 8, 2020

TO: Todd M. Turner, Chair  
Prince George's County Council

FROM: Canjor Reed, Senior Auditor, Office of Audits and Investigations *CDR*  
J. Kenneth Battle, Jr., Committee Director, TIEE

THRU: Robert Williams, Council Administrator *RJW*  
Prince George's County Council R.J.W. (Oct 7, 2020 19:55 EDT)

RE: Work session Overview: FY 2022 WSSC Water Spending Control Limits

Purpose: To provide relevant data necessary for County Councilmembers to discuss and support recommendations on the FY 2022 spending control limits for WSSC Water.

Each year, the spending affordability process focuses debate, analysis, and evaluation on balancing affordability considerations against the provision of resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates, and maintain operating and capital budgets and debt service at prudent and sustainable levels.

**Table 1: WSSC Water Initial Base Case Spending Control Limits – FY 2022**

Spending Control Limits	Initial Base Case FY 2022 Proposal	FY 2021 Approved	Change From FY 2021 Approved	FY 2022 Staff Recommendation
Rate Increase	7.9%	6.0%	1.9%	6.6%
New Debt	\$427,880,000	\$409,922,000	\$17,958,000	\$427,880,000
Debt Service	\$318,387,000	\$313,865,000	\$ 4,522,000	\$310,683,000
Total W/S Operating Expense	\$853,970,000	\$836,022,000	\$17,948,000	\$846,266,000

**Table 2: Customer Bill Impact Initial Base Case**

Residential Customer Impact	Quarterly Bill Increase at Base Case	% Increase at Base Case	Quarterly Bill Increase at Council Rec.	% Bill Increase at Staff Recommendation
Proposed Rate Increase		7.9%		6.6%
Impact at 100 Gallons per day	\$9.34	6.4%	\$7.86	5.4%
Impact at 165 Gallons per day	\$15.99	6.9%	\$13.45	5.8%
Impact at 500 Gallons per day	\$64.62	7.6%	\$ 54.34	6.4%

Notable Assumptions:

- Full funding of WSSC Water’s FY 2022 – FY 2027 Capital Improvement Program;
- Salaries and wage increase of 4.5% in FY 2022 and the out years (As in the past, salary enhancements may be reduced or eliminated from the Proposed FY 2022 budget to reflect County plans);
- All Other Category increase of 2.0%;
- Sewer Use Charges in FY 2022 are reduced by \$12 million to rebase line projections;
- Debt service impact on new bond issuance assumes only one (1) interest payment (or ½ year) in FY 2022. The out years impacts would double the interest paid.
- Inflationary increases in current programs (2.0% in FY 2021 and the out years)
- Reconstruction Debt Service Offset (REDO) is assumed at \$6 million in FY 2022, a reduction from FY 2021 at \$9.5 million, with further reductions assumed through FY 2023 where the surplus funds are expected to be fully exhausted;
- Use of \$8.0 million in fund balance in FY 2021, with no further adjustment noted after FY 2021;
- In FY 2022 and the out years, no funds were identified in the Unspecified Reductions or Additional and Reinstated Programs.

Bi-County Meeting Participants Representing WSSC and Prince George’s County Included:

WSSC:

Joseph Beach, Deputy General Manager  
Patricia Colihan, CFO  
Letitia Carolina-Powell, Budget Division Manager  
Mark Brackett, Capital Budget Section Manager  
Julie Pohutsky, Operating Budget Section Manager

Prince George’s County:

Kenneth Battle, TIEE Committee Director  
Canjor Reed, Senior Auditor  
Floyd Holt, DCAO  
Lavinia Baxter, Special Assistant to DCAO  
Latasha Coates, OMB Budget Analyst III  
Judith Hall, Office of CEX

### **Background**

WSSC Water's spending control limits process was established in April 1994 via a resolution by both Prince George's and Montgomery County Councils, with the goal of both Councils agreeing on certain budgetary limits by November 1 of each year. Noted below are key objectives regarding the spending affordability guidelines (SAG) process.

1. Process is based on a multi-year planning model. A strategy to stabilize annual rate increases over time and hold customer fee supported debt service below 40% of the operating budget.
2. Process consists of four (4) spending limits:
  - Maximum Average Rate Increase (The maximum average rate increase limit covers volumetric water/sewage charges only. WSSC Water's fixed fees include the Infrastructure Renewal Fee and the Account Maintenance Fee).
  - Debt Service
  - New Debt
  - Total Water and Sewer Operating Expenses
3. The process provides direction to WSSC Water as to what to request, but does not create a ceiling (or floor) as to what the Councils may jointly approve at a later date. State law defines the annual WSSC Water Proposed Budget as the "default" budget, should the Montgomery and Prince George's County Councils not agree on changes. Therefore, the limits are an important first step to define proposed budget parameters that are acceptable to both Councils.
4. The Bi-County process allows for debates to focus on the impacts of the average rate increase for the coming year as well as implications for the out years. The other limits are then adjusted to take into account the impacts of the rate decision.

### **Schedule**

- Bi County Working Group Sessions (virtual): September 9<sup>th</sup> and September 23<sup>rd</sup>, 2020
- Committee of the Whole Review: October 8<sup>th</sup>, 2020
- Council Action: TBD

The goal of the spending control limits process is for the Montgomery and Prince George's County Councils to come to an agreement by November 1 of each year so that WSSC Water can build the approved limits into its Operating Budget Draft, which is released by January 15 each year. WSSC Water must transmit an Operating Budget to both counties by March 1 of each year.

### **Spending Control Limits History**

The following chart presents the rate increase limits recommended and agreed upon by both Councils (unless otherwise noted) since FY 1996 and the actual budget rate approved for each fiscal year.

As shown in Table 3 below, WSSC Water rate increases have varied from 0% to as high as 9% over the past two decades. Specifically, over the past ten years the average rate increase is 5.2%. The cumulative increase over this period is 51.75%. It was noted by the working committee that the cumulative residential customer bill increases since 2000 are lower than other utilities in the region.

**Table 3: Historical Rate Increases**

Fiscal Year	Rate Increase		Fiscal Year	Rate Increase	
	Approved Limit***	Actual Increase		Approved Limit ***	Actual Increase
1996	3.0%	3.0%	2009	9.7%	8.0%
1997	3.0%	3.0%	2010	9.5%	9.0%
1998	3.0%	2.9%	2011	8.0%	8.5%
1999	2.0%	0.0%	2012	8.0%	8.5%
2000	1.5%	0.0%	2013	8.5%	7.5%
2001	0.0%	0.0%	2014	7.5%	7.25%
2002	2.0%	0.0%	2015	6.0%	5.5%
2003	0.0%	0.0%	2016*	2.1%	1.0%
2004	0.0%	0.0%	2017*	3.5%	3.0%
2005	3.0%	3.0%	2018	3.5%	3.5%
2006	2.5%	2.5%	2019	4.0%	4.5%
2007	3.0%	3.0%	2020	5.0%	5.0%
2008	5.3%	6.5%	2021	7.0%	6.0%

\*The actual bill impact in FY 2016 and 2017 was 6.0% and 6.5% respectively, due to recalibration of the Account Maintenance Fee (AMF) and the implementation of the Infrastructure Investment Fee (IIF).

\*\*Note: No agreement was reached in fiscal years 2002, 2006, 2009, 2010, 2011, 2012, and 2014.

\*\*\* Note: The Approved Limits shown reflects Prince George’s County recommendations only.

- FY 1999 through FY 2004: Although rate increases were assumed in the approved spending control limits for FY 1999 and FY 2000, the WSSC Water budget was approved in those years without rate increases. In fact, there were six consecutive years without a rate increase (FY 1999 – FY 2004). During this period, WSSC Water was implementing its Competitive Action Plan (CAP), efforts which resulted in a reduction of approximately 33% of its workforce.
- FY 2005 through FY 2007: Modest rate increases ranging from 2.5% to 3.0% were approved.
- FY 2008 through FY 2015: The Councils debated and ultimately approved substantial rate increases. These increases were the result of a combination of factors, including:
  1. Flat revenues: WSSC water production has been largely flat in recent years, even as customer accounts have increased.
  2. Expenditures: Increases in excess of inflationary levels in several areas were noted such as debt service (funds to cover capital needs, including WSSC Water’s need to ramp up its water and sewer main reconstruction efforts and its large diameter water main inspections, repairs and monitoring program), as well as, many operating expenses such as chemicals, heat, light and power, regional sewage disposal, benefits and compensation.
- FY 2016 and FY 2017: The two Councils approved rate increases of 1.0% and 3.0%, respectively. The Councils supported a recalibration of the AMF in FY 2016 and the creation of a new IIF, which resulted in increased revenues equivalent to about a 6.0% rate increase in FY 2016 and 6.5% rate increase in FY 2017.

- FY 2018: A 3.5% rate limit was approved by both Councils and the FY 2018 budget was approved with this rate increase assumption.
- FY 2019: The two Councils did not agree on a rate increase limit. The Prince George’s Council approved a 4.0% rate increase while the Montgomery Council supported a 5.0% rate increase. The WSSC Water budget was transmitted with a 4.5% rate increase, which was ultimately supported by both Councils.
- FY 2020: The two Councils agreed on a rate increase limit of 5.0% and the FY 2020 budget was approved with this rate increase assumption.
- ***FY 2021: The two Councils agreed on a rate increase limit of 7.0%. This limit was reduced to 6.0% due to the impact of the COVID-19 crisis on the community. Additionally, WSSC Water eliminated all the salary and wage enhancements. The FY 2021 budget was approved with this rate increase assumption of 6%.***

**WSSC Water Cost Trends and Savings**

**Table 4: WSSC Water Approved Operating Budget Expenditures by Category (FY 2011 v. FY 2021)**

Expenditure Categories	FY 2011	FY 2021 .	\$ Change	% Change
Salaries and Wages	\$95,120,000	\$133,197,000	\$ 38,077,000	40.0%
Heat, Light and Power	27,819,000	20,423,000	-7,396,000	-26.6%
Regional Sewage Disposal	47,713,000	58,000,000	10,287,000	21.5%
All Other	201,862,000	286,022,000	84,160,000	41.7%
Debt Service and PAYGO	233,036,000	344,881,000	111,845,000	47.9%
<b>Total</b>	<b>\$605,550,000</b>	<b>\$842,523,000</b>	<b>\$236,973,000</b>	<b>39.1%</b>

As shown in Table 4 above, WSSC Water’s Operating Budget expenditures over a ten-year period have increased by about 39%. Nearly half, or 48%, of the increase has been in Debt Service/PAYGO as WSSC Water has ramped up its CIP program over the past decade to address the aging infrastructure, upgrade its water and sewage treatment plants, and to implement work under the sanitary sewer overflow (SSO) consent decrees.

Cumulative rate increases have been greater over this same period of time because WSSC water production has been flat or declining over the past 25 years. From FY 2011 to FY 2020, the population served has increased by 8.0%, but annual water production is down by 7.1% from FY 2011. Lower water production means less volumetric rate revenue which then needs to be addressed through rate increases.

**COVID 19 Impact on Water Revenues and Usage**

Per capita water usage in the WSSC Water service regions is down by nearly 7% since 2011 and overall water production is expected to remain flat over the financial forecast period. While water conservation is good from an environmental standpoint, it means that WSSC Water’s dominant revenue source (over 80% of its revenues) has been stagnant, putting more emphasis on rates to address increases in debt service in recent years for ongoing

infrastructure needs. Therefore, WSSC Water continues to face significant fiscal challenges with rates increases needs being potentially higher than inflation.

- WSSC Water anticipates a revenue shortfall of approximately \$31.7 million in FY 2021, primarily due to the effects of COVID-19. To address this shortfall, WSSC Water has the following options in place:
  - Proactive one-time cost cutting measures including changes in PAYGO as well as debt service totaling \$72.7 million in order to offset potential revenue losses
  - WSSC Water has secured a \$100 million line of credit for liquidity purposes (no draws are needed to date)

Additionally, WSSC Water has experienced:

- Increase in delinquent accounts from \$26.4 million in July 2019 to \$47.4 million as of June 2020
- Payments are down by approximately 10% since March 2020
- Total consumption (ALL Customer Classes) down since the pandemic (March 2020) by 7.7% or otherwise stated consumption is down FY 2020 – Year to Date by 7.1% as compared to FY 2019 – Year to Date.

### **Cost Savings Implemented - Capital Improvement Program (CIP)**

In FY 2021, for the FY 2021 – FY 2026 CIP, prior year reductions in excess of \$100 million in the CIP and Information Only projects were maintained. The Water Main Reconstruction Program continued at 31 miles, below the 55 miles per year asset management program target and the Potomac Submerged Channel Intake project was again deferred, to FY 2027.

In the Proposed FY 2022 – FY 2027 CIP, WSSC Water again maintained the reduced Water Main Reconstruction Program at 31 miles and deferred the Potomac Submerged Channel Intake project. Additional cost saving opportunities may be challenging given the prior years' reductions and considering that the majority of the deferrable capital projects are located in Prince George's County. In any case, reductions in capital projects have a relatively small impact on the operating budget. For instance, to save \$1.0 million in debt service in year one of the operating budget requires \$25 million in capital project reductions. The FY 2022 Proposed Capital Budget is \$733.2 million. This is comprised of the following:

- CIP Projects \$466.9 million
- Information Only \$266.3 million

CIP/Capital Savings:

- Water Main Reconstruction program at 31 miles remains below asset management target of 55 miles
- Increase PAYGO from \$31 million in FY 2021 to \$80 million in FY 2027 to better manage debt service ratios
- Implement level principal payments beginning in FY 2023
- Strategic Sourcing Teams and operating departments have identified \$54 million in capital cost savings/avoidance since 2013

**Cost Savings - Operational Savings in Progress**

- Group insurance plan revision savings of \$5.1 million since FY 2017
- Supply Management Project has identified \$25 million in operating cost savings/avoidance since 2013
- Reduced overtime expenses of \$4.7 million since FY 2017
- 66 frozen positions
- WSSC Water is piloting several technologies to improve environmental stewardship, productivity and cost controls:
  - Water system transient pressure monitoring systems to reduce breaks and extend pipe life;
  - New low impact, lower cost high pressure, pull through pipe liners for water main rehabilitation projects;
  - Technologies to reduce chemical use and improve nitrogen and phosphorous removal at Piscataway, Seneca and Parkway Water Resource Recovery Facilities; and
  - Satellite leak detection for 20% of water system this year to identify and reduce water loss and water main breaks.

**Multi-Year Context/Financial Forecast**

While the spending control limits review is an annual process, the Bi-County Working Group takes a multi-year look at trends. The out year estimates help the staff to identify issues that could arise in future years. For instance, rate increases in the first-year help to improve WSSC Water's fiscal position in future years by increasing WSSC Water's base revenues. Conversely, deferring rate increases to future years, or using one-time revenue to reduce the amount of the rate increase in the first year, results in increase challenges since the revenue base is lower in future years.

The FY 2022, **original base case forecast**, developed by WSSC Water staff, assumed a 7.9% rate increase with additional increases as follows: 8.0% in FY 2023 and FY 2024; 7.0% in FY 2025; 6.5% in FY 2026; and 6.0% increase in FY 2027.

WSSC Water developed a FY 2022 **revised base case** subsequent to the Bi-County Working Groups second meeting on September 23, 2020. The revised base case assumes 6.6% rate increase in FY 2022; 8.0% in FY 2023 and FY 2024; 7.0% in FY 2025; 6.5% in FY 2026; and 6.0% in FY 2027.

Assuming a 6.6% rate increase in order to maintain an adequate liquidity, fund balance reserves and AAA bond rating, the following metrics are forecast:

- Accommodate its existing debt and debt service projections for its FY 2022 – FY 2027 Proposed CIP
- Maintain debt service coverage at 1.06 (Target: 1.1 to 1.25)
- Maintain debt service as a % of Expenditures at 36.7% (Target: <40%)
- Attain Days Operating Reserves on Hand at 72.8 days (Target: 75 -105)
- Ending Fund Balance as a % of Operating Revenue at 20.3% (Target: 15%)

**FY 2022 Spending Control Limits Revised Base Case at 6.6% Rate Increase**

For the upcoming budget, WSSC Water staff prepared a revised base case spending control limit scenario for review and comment by County staff, as summarized in Table 5 below:

**Table 5: WSSC Water Revised Base Case Spending Control Limits at 6.6% – FY 2022**

Spending Control Limits	FY 2021 Approved Budget	Revised Base Case FY 2022 Proposed	Change From FY 2021 Approved
Rate Increase	6.0%	6.6%	0.6%
New Debt	\$409,922,000	\$427,880,000	\$ 17,958,000
Debt Service	\$313,865,000	\$310,683,000	<b>\$ 3,182,000</b>
Total W/S Operating Expense	\$836,022,000	\$846,266,000	\$10,244,000

The revised base case scenario at 6.6% assumes the following:

- Debt Service and PAYGO as required to fully fund the Capital Improvement Program
- The debt service at 7.9% is \$318.4 million; whereas, at 6.6% the debt service is \$310.7 million.
- Compensation increases of 4.5% in FY 2022 and in each of the out years; same as last year’s forecast.
- Inflationary increase of current programs of 2% in FY 2022 and in each of the out years; same as last year’s forecast.
- An increase of \$1.2 million in Regional Sewage Disposal costs in FY 2022.
- Reconstruction Debt Service Offset (REDO) is assumed at \$6.0 million in FY 2022 a decrease of \$3.5 million from FY 2021 Approved Budget, with additional declines planned for FY 2023 and FY 2024 (with zero assumed beyond FY 2024).
- No dollars assumed for Unspecified Reduction/ Additional and Reinstated Programs in FY 2022 – FY 2024.



The elements of the revised base case funding gap are shown in Table 6 below. The overall gap of \$44.8 million, equivalent to a 6.6% rate increase.

**Table 6: Contribution to the FY 2022 Revised Base Case Rate Increase**

Factors Contributing to the FY 2022 Base Case Rate Increases	Change from FY 2021 (\$, millions)	Impact on Rate (%)
Change in Funds Available		
Water & Sewer Charges (rebaseline sewer)	(12,000)	1.8
Miscellaneous Fees	(1,244)	0.2
Interest Income	(9,000)	1.3
Other Transfers & Credits	(13,001)	1.9
Debt Service	(3,182)	-0.5
Regional Sewage Disposal	1,000	0.2
Heat, Light and Power	817	0.1
Maintenance and Operating	6	0.8
Salaries and Wages Increases	5,748	0.8
<b>Total Base Case Rate Increase Assumption</b>		<b>6.6%</b>

Changes in Fund Balance

Overall changes in the Funds Available (including revenue estimates, revenue adjustments, and reduced use of fund balance) is assumed to be down by \$35.2 million (equivalent to 5.2% rate increase). This a result mostly of lower than projected volumetric rate revenue in FY 2021 and a resetting of expected revenue in FY 2022 and beyond (-\$12.0 million).

WSSC is eliminating the use of fund balance, with \$8.0 million assumed in FY 2021 for information technology related expenses, no funds are assumed in FY 2022 or any of the out years. Other adjustments (such as REDO and Premium Transfers) are also down (-\$5.0 million).

Debt Service and PAYGO

Debt service costs are down \$3.18 million (equivalent to a 0.5% rate decrease).

The revised base case assumes no increase in PAYGO.

### Regional Sewage Disposal

Regional Sewage Disposal expenses (based on actual WSSC Water sewage flows to the Blue Plains Wastewater Treatment Plant) are up \$1.0 million (0.2% rate increase).

### Heat, Light and Power

Heat, Light and Power costs are expected to increase by \$817,000 (0.1% rate increase), primarily based on the impacts of the increase in the Renewable Portfolio Standards (RPS) in Maryland.

### Other Expenditures

The Maintenance and Operating category is inflated by 2.0% in the base case (equivalent to 0.8% rate impact).

Salaries and Wages are inflated by 4.5% (\$5.8 million) to cover COLA and merit increases (equivalent to a 0.9% rate increase). Historically, the Councils have supported WSSC compensation levels comparable to County Government compensation adjustments.

In summary, at a minimum, in order to cover the decrease in available funding, Regional Sewage Disposal; and Heat, Light and Power will require about 5.5% rate increase. Maintenance and operating at 0.8% inflationary increase bumps the rate increase requirement to 6.3%. Assuming salary adjustments are approved, the rate rises to 6.6% including reduces debt service costs.

### Fund Balance and “Days Operating Reserve on Hand”

WSSC Water has fund balance in excess of its target (beyond its 10% policy reserve level). Its fund balance projection at the end of FY 2021 is \$147.6 million, while its 10% working reserve is about \$77.2 million, leaving \$70.4 million in excess reserves. WSSC Water continues to use some fund balance to address high priority non-recurring items, such as IT upgrades.

In FY 2020, WSSC Water staff advised the working group that it was shifting from a simple 10% minimum operating fund balance reserve policy to a Days Operating Reserve on Hand (DOROH) policy which would reduce the availability of excess fund balance for one-time uses going forward. WSSC staff continues to support a 75 to 105-day DOROH as an appropriate target to allow WSSC Water to handle a major event causing a temporary loss in revenue generation. The revised base case assumes to keep WSSC Water within the low end of the 75 to 105-day range (79.5 days in FY 2021, increasing consistently to 86.5 days in FY 2027).

### Residential Bill Impact under the Revised Base Case Scenario

The monthly impact of the revised base case scenario rate increase on the average residential account using 165-gallons per day is \$4.48 per month (a 5.8% increase from the current average bill). The quarterly bill for a customer using 165 gallons per day would go from \$231.09 today, to \$244.54, a \$13.45 increase at 6.6% rate increase.

The graph on page 16 of the *FY 2022 Spending Affordability Meeting 1* (dated Sept. 9, 2020) shows residential bill increases the past 20 years for various water utilities in the region, as well as the US City average. WSSC Water’s residential customer bill increases since 2000 have increased 137%; the lowest of the regional utilities, as well as, lower than the US City average. The WSSC Water 137% bill increase since 2000 equates to about a 4% annual increase over that 20-year period.

As shown on Table 3 (page 4), WSSC Water had several straight years of no increases (FY 1999 – FY 2004). Over the past decade, most of WSSC Water’s residential annual bill increases have been higher than WSSC Water’s 20-year average of 4.0%, to cover WSSC Water substantial ramp-up of its capital program.

**Table 7: Customer Bill Impact Revised Base Case v. Alternate Case**

Residential Customer Impact	Quarterly Bill Base Case	% Base Case	Quarterly Bill Alternate Rec.	% Bill Alternate Rec.
Proposed Rate Increase		6.6%		5.9%
Impact at 100 Gallons per day	\$154.55	5.4%	\$153.69	4.8%
Impact at 165 Gallons per day	\$244.54	5.8%	\$243.07	5.2%
Impact at 500 Gallons per day	\$902.92	6.4%	\$896.99	5.7%

**Staff Recommendation**

As has been the case for years, much of the fiscal challenge facing WSSC Water is from debt service increases resulting from WSSC Water infrastructure recapitalization efforts over the past decade, even as volumetric rates have been flat or declining. This year, additional fiscal pressures results from need to address issues at Piscataway and Broadcreek basins, issues resulting from excess rainfall, and the unforeseen impacts from COVID-19. The spending control limits process requires balancing WSSC Water revenue estimates and expenditures with what are reasonable rate increases to assume in the coming year. It should be kept in mind that the spending control limits approved by both Councils create a ceiling for the WSSC Proposed Budget, not a final budget.

Council Staff recommends the following:

- Not to Exceed 6.6% rate increase in FY 2022.
- The same level of new debt and debt service as provided in the Revised Base Case.
- Assume \$846,266,000 in Total Water and Sewer Operating Expenses.
- WSSC should review all fixed fess and consider options for adjusting fees in FY 2022.

Spending Control Limits	Staff Recommendation FY 2022
Rate Increase	6.6%
New Debt	\$427,880,000
Debt Service	\$310,683,000
Total Water and Sewer Operating Expenses	\$846,266,000

Attachments: FY 2022 Spending Affordability Meeting I (Revised) – September 9, 2020  
FY 2022 Spending Affordability Meeting II (Revised) – September 23, 2020

cc: Floyd Holt, DCAO  
Lavinia Baxter, Special Assistant to DCAO  
Rushane Jones, OMB Budget Analyst





# WSSC WATER

DELIVERING THE ESSENTIAL

FY 2022 Spending Affordability - Meeting I

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September 9, 2020

# Agenda

- Financial Forecast
- COVID-19 Response and Impacts
- Fiscal Planning Actions Implemented and Underway
- FY 2022 Rate Change and Budget Impacts
- Other Utilities: Approved and Planned Revenue Rate Increases
- Other Utilities: Bill Increase Comparisons
- Message to Stakeholders



# Assumption Summary

PLANNING DATA	PROJECTED					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<b>REVENUE RATE INCREASE</b>						
	7.9%	8.0%	8.0%	7.0%	6.5%	6.0%
<b>REVENUE</b>						
<b>Water Consumption and Sewer Treatment</b>						
3	Water consumption (Average MGD)	126.0	126.0	126.0	126.0	126.0
<b>Credits and Transfers (\$000's)</b>						
5	Use of Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
6	SDC Debt Service Offset	\$ 4,984	\$ 4,983	\$ 4,982	\$ 4,984	\$ 4,984
<b>EXPENDITURE</b>						
<b>Operating (\$000's)</b>						
9	Workyears	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0
10	Salary and Wages Increase	4.5%	4.5%	4.5%	4.5%	4.5%
11	All Other	2.0%	2.0%	2.0%	2.0%	2.0%
12	Debt Service	\$ 318,387	\$ 341,472	\$ 366,885	\$ 392,860	\$ 413,814
13	Yearly Growth %	5.7%	7.3%	7.4%	7.1%	5.3%
14	PAYGO	\$31,016	\$31,016	\$44,000	\$65,000	\$ 80,000
<b>Capital Expenditure Parameters</b>						
16	Water and Sewer Completion Factor	80.0%	80.0%	80.0%	84.7%	84.7%
17	Information Only Completion Factor	90.0%	90.0%	90.0%	95.0%	95.0%
<b>BOND ISSUANCE</b>						
19	Interest Rate	5.0%	5.0%	5.0%	5.0%	5.0%



# Revenues and Expenditures

## Impact on Approved Charges

	(In Thousands \$000s)	FY 2021 Approved	FY 2022 Proposed	Dollar Change	W&S Rev Impact*
1	<b>OPERATING REVENUES (BASE)</b>				
2	Water and Sewer Charges	\$ 689,212	\$ 677,814		
3	<b>ADJUSTMENTS TO REVENUES</b>				
4	Other Sources and Fees	(110,040)	(108,796)	1,244	0.2%
5	Interest Income	(10,000)	(1,000)	9,000	1.3%
6	Revenue Impairment	-	-	-	0.0%
7	<b>OTHER TRANSFERS AND CREDITS</b>	(26,772)	(12,984)	13,788	2.0%
8		\$ (146,812)	\$ (122,780)	\$ 24,032	3.5%
9	<b>OPERATING EXPENSES</b>				
10	Salaries and Wages	\$ 127,726	\$ 133,474	\$ 5,748	0.8%
11	Heat, Light, and Power	20,423	21,240	817	0.1%
12	Regional Sewage Disposal	58,000	59,160	1,160	0.2%
13	All Other	284,993	290,692	5,699	0.8%
14	Reduction Taken	-	-	-	0.0%
15	<b>DEBT SERVICE</b>	313,865	318,387	4,522	0.7%
16	<b>PAYGO (Contribution to bond fund)</b>	31,016	31,016	0	0.0%
17		\$ 836,024	\$ 853,970	\$ 17,946	2.6%
18	<b>YEAR-END ADJUSTMENTS</b>				
19	Water User Growth Adjustment	602	-	(602)	-0.1%
20	Sewer User Rebaseline Adjustment	(12,000)	-	12,000	1.8%
21	<b>Total - Base Case Revenue Need</b>	\$ 677,814	\$ 731,190	\$ 53,376	7.9%
22	(Line 16 + Line 7)		\$ -	\$ 53,376	

\*Approximately \$6.8 million in additional operating expenses = 1 percent increase in revenue

	FY 2022 Estimated	W&S Rev Impact
26	Potential Offsets to Revenue Increase:	
27	\$50 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (2,002) -0.3%
28	\$100 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (4,005) -0.6%
29	\$125 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (5,006) -0.7%

Notable Assumptions:

4.5% annual increase in Salaries & Wages FY 2022 through FY 2027

2.0% annual increase in All Other

\$12.0 million reduction included for Sewer Use Charges in FY 2022 to rebaseline projections

80% completion factor for CIP; 90% for Information Only (including Reconstruction)

Debt service impact on new bond issuance assumes only one interest payment (or half year) in FY 2022. Outer year impact would double interest paid.



# FY 2022 Forecast

## 7.9% Needs Based CIP

	(In Thousands \$000s)	FY 2021 Approved	FY 2021 Estimated	FY 2022 Proposed	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
1	New Water and Sewer Debt Issues	\$ 409,922	\$ 350,000	\$ 427,880	\$ 443,100	\$ 383,600	\$ 350,000	\$ 350,000	\$ 350,000
2	Total Water and Sewer Debt Service	313,865	301,346	318,387	341,472	366,885	392,860	413,814	433,882
3	Total Water and Sewer Expenditures	836,022	776,755	853,970	890,907	943,602	1,010,334	1,061,523	1,112,322
4	<b>Water and Sewer Combined Rate Increase (Avg)</b>	6.0%	6.0%	7.9%	8.0%	8.0%	7.0%	6.5%	6.0%
5	Water and Sewer User Charges	\$ 689,212	\$ 689,212	\$ 731,190	\$ 779,704	\$ 843,131	\$ 903,289	\$ 963,238	\$ 1,022,357
	Water Consumption Charges	301,067	301,067	301,669	328,961	358,574	390,479	420,769	450,968
	Sewer Use Charges	388,145	388,145	376,145	392,833	422,181	453,791	483,755	513,595
	Revenue Increase Adjustments	0	0	53,376	57,910	62,376	59,019	58,714	57,794
6	Other Sources/Fees	110,040	108,054	108,796	109,552	110,323	111,109	111,910	112,727
	Account Maintenance Fees	32,360	32,360	32,425	32,489	32,554	32,619	32,685	32,750
	Rockville Sewer Use	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	Plumbing and Inspection Fees	14,470	13,286	13,685	14,095	14,518	14,954	15,402	15,864
	Infrastructure Investment Fee	39,410	39,410	39,488	39,567	39,647	39,726	39,805	39,885
	Miscellaneous	20,800	19,998	20,198	20,400	20,604	20,810	21,018	21,228
	Interest Income	10,000	500	1,000	1,000	1,000	1,000	1,000	1,000
	Revenue Impairment	-	(31,658)	-	-	-	-	-	-
7	<b>Operating Revenues</b>	<b>809,252</b>	<b>766,108</b>	<b>840,986</b>	<b>890,256</b>	<b>954,454</b>	<b>1,015,398</b>	<b>1,076,148</b>	<b>1,136,085</b>
8	OTHER TRANSFERS AND CREDITS	26,772	22,923	12,984	10,983	8,982	6,984	6,984	6,984
	Use of Fund Balance	8,000	-	-	-	-	-	-	-
	Reconstruction Debt Service Offset (REDO)	9,500	8,000	6,000	4,000	2,000	-	-	-
	SDC Debt Service Offset	5,772	5,772	4,984	4,983	4,982	4,984	4,984	4,984
	Premium Transfer	1,500	7,151	-	-	-	-	-	-
	Underwriter's Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	Miscellaneous Offset	-	-	-	-	-	-	-	-
9	<b>Total Funds Available</b>	<b>836,024</b>	<b>789,031</b>	<b>853,970</b>	<b>901,239</b>	<b>963,436</b>	<b>1,022,382</b>	<b>1,083,132</b>	<b>1,143,069</b>
10	Salaries and Wages	\$ 127,726	\$ 127,726	\$ 133,474	\$ 139,480	\$ 145,756	\$ 152,316	\$ 159,170	\$ 166,332
11	Heat, Light, and Power	20,423	20,423	21,240	22,090	22,974	23,892	24,848	25,842
12	Regional Sewage Disposal	58,000	58,000	59,160	60,343	61,550	62,781	64,037	65,317
13	All Other	284,993	284,993	290,692	296,506	302,436	308,485	314,655	320,948
14	<b>Operating Expenses</b>	<b>\$ 491,143</b>	<b>\$ 491,142</b>	<b>\$ 504,566</b>	<b>\$ 518,419</b>	<b>\$ 532,716</b>	<b>\$ 547,474</b>	<b>\$ 562,709</b>	<b>\$ 578,440</b>
16	Bonds and Notes Principal and Interest	313,865	301,346	318,387	341,472	366,885	392,860	413,814	433,882
17		313,865	301,346	318,387	341,472	366,885	392,860	413,814	433,882
	<b>Operating Expenses with Debt Service</b>	<b>805,008</b>	<b>792,489</b>	<b>822,954</b>	<b>859,891</b>	<b>899,602</b>	<b>940,334</b>	<b>976,523</b>	<b>1,012,322</b>
	Growth (% change)			3.8%	4.5%	4.6%	4.5%	3.8%	3.7%
18	OTHER TRANSFERS AND ADJUSTMENTS								
19	Additional and Reinstated	-	(25,733)	-	-	-	5,000	5,000	20,000
20	PAYGO (Contribution to bond fund)	31,016	10,000	31,016	31,016	44,000	65,000	80,000	80,000
21	<b>Total Expenditures</b>	<b>836,024</b>	<b>776,755</b>	<b>853,970</b>	<b>890,907</b>	<b>943,602</b>	<b>1,010,334</b>	<b>1,061,523</b>	<b>1,112,322</b>
22	<b>Net Revenue (Loss)</b>	<b>0</b>	<b>12,275</b>	<b>0</b>	<b>10,332</b>	<b>19,834</b>	<b>12,049</b>	<b>21,609</b>	<b>30,747</b>
23	BEGINNING FUND BALANCE - JULY 1	\$ 129,388	\$ 148,849	\$ 161,124	\$ 161,124	\$ 171,456	\$ 191,290	\$ 203,339	\$ 224,948
24	Net Increase (Decrease) in Fund Balance	0	12,275	-	10,332	19,834	12,049	21,609	30,747
25	Use of Fund Balance/Other Adjustments	(8,000)	-	-	-	-	-	-	-
26	ENDING FUND BALANCE - JUNE 30	\$ 121,388	\$ 161,124	\$ 161,124	\$ 171,456	\$ 191,290	\$ 203,339	\$ 224,948	\$ 255,695

# FY 2022 Forecast – 7.9%

## Needs Based CIP

- Capital Policy Guidelines
- Maintain adequate liquidity and fund balance reserves

B Metrics	CFO Guideline	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		Estimated	Projected	Projected	Projected	Projected	Projected	Projected
<b>I Debt Service Coverage:</b>								
a Debt Service Coverage	<b>1.1 - 1.25</b>	1.00	1.06	1.09	1.15	1.18	1.23	1.24
b Debt Service (P+I) as a Percentage Total Expenditures	<b>&lt;40.0%</b>	38.7%	37.3%	38.3%	38.9%	38.9%	39.0%	39.0%
<b>II Liquidity and Reserves:</b>								
a Days Operating Reserves-on-Hand	<b>75 - 105</b>	68.3	62.1	63.7	67.8	67.7	71.9	78.7
b Ending Fund Balance as a Percentage of Operating Revenue	<b>15.0%</b>	19.0%	17.3%	17.5%	18.4%	18.5%	19.4%	21.1%
<b>III Workforce</b>	n/a	1,776	1,776	1,776	1,776	1,776	1,776	1,776

# Annual and Quarterly Customer Bills

## Proposed Revenue Rate Increase

7.9%

Meter Size	Average Daily Consumption (Gallons Per Year)	Approved FY 2021	Quarterly Approved FY 2021	Proposed FY 2022	Quarterly Proposed FY 2022	Quarterly Perc Chg	Quarterly \$ Chg
3/4" Residential Meter	100 (36,500 gal/yr)	\$586.76	\$146.69	\$624.14	\$156.03	6.4%	\$9.34
3/4" Residential Meter	165 (60,225 gal/yr)	924.36	231.09	988.33	247.08	6.9%	\$15.99
3/4" Residential Meter	500 (182,500 gal/yr)	3,394.32	848.58	3,652.78	913.20	7.6%	\$64.62
2" Meter	1,000 (365,000 gal/yr)	8,088.72	2,022.18	8,658.92	2,164.73	7.0%	\$142.55
3" Meter	5,000 (1,825,000 gal/yr)	41,512.12	10,378.03	44,576.03	11,144.01	7.4%	\$765.98
6" Meter	10,000 (3,650,000 gal/yr)	84,168.40	21,042.10	90,349.42	22,587.35	7.3%	\$1,545.25



# COVID-19 Response

## Customer related:

- Late fees are waived and all water shut offs are suspended
- All in-home non-emergency work is cancelled or postponed
- Facilities are closed to the public until further notice

## Operations:

- Field and Fleet depot crews are working alternative shifts to promote social distancing and resiliency
- In-person public meetings are postponed indefinitely
- Social distancing measures implemented
- Non-essential employees are required to telework for foreseeable future
- No ride sharing in WSSC Water vehicles by work crews

# COVID-19 Financial Impacts

Proactive Savings Plan implemented to offset COVID-19 impacts:

- FY 2020: \$61.1 million
- FY 2021: \$72.7 million

Revenue:

- Delinquent accounts from about \$26.4 million as of 7/1/19 to \$47.4 million as of June 30th
- Payments were down approximately 10% from expectations since March 2020
- Total Consumption (All Customer Classes) – Down since start of pandemic (March-June) by 7.7%. Down FY20 YTD compared to FY19 YTD by 7.1%.
- FY20 savings plan more than offset revenue losses
- Secured \$100 million line of credit for liquidity purposes; no draws needed to date

# Past Due Accounts/Amounts (as of 8/27/20)

## High-Level

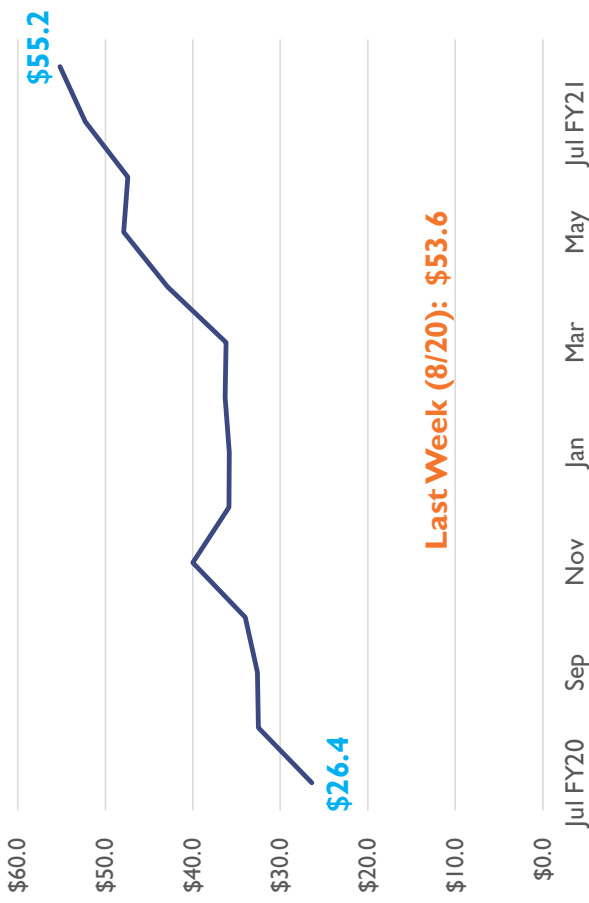
### Past Due Accounts\*

# of accounts 30 days past the bill date



### Past Due Amount\*

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



- End of June FY20: 87,984 accounts past due
- End of July FY21: 89,123 accounts past due

- End of June FY20: \$47.4 Million past due
- End of July FY21: \$52.3 Million past due



# Bond Rating Agency Reports

- Recently rated AAA by the three rating agencies
- S&P rated Green Bonds E1 – the highest rating
- Factors that could lead to downgrade
  - “Failure to raise rates to support operations and debt needs, leading to declines in reserves and liquidity” (Moody’s)
  - “If management is unable to effectuate necessary rate increases or contain costs which results in a reduction in reserves or a failure to meet sum sufficient coverage, we will lower the rating one of more notches” (S&P)
  - “COFO that consistently falls below 1.0x concurrent with liquidity equating to less than 120 days’ cash on hand” (Fitch)

# Fiscal Planning Actions Implemented

- Operating Supply management project identified savings since FY 2013
  - Cost reductions in excess of \$8.1 million
  - Cost avoidance savings of nearly \$17.2 million
- Group insurance plan revision savings of \$5.1 million since FY 2017
- 66 frozen positions
- Reduced overtime expenses of \$4.7 million since FY 2017
- Cost savings to offset COVID-19 impacts
  - FY 2020: \$61.1 million
  - FY 2021: \$72.7 million



# Fiscal Planning Actions Implemented

- **Capital Savings**
  - Water Main Reconstruction program at 31 miles for FY 2022 remains below target level of 55 miles
  - Potomac Submerged Channel Intake will remain deferred beyond FY 2027
- **Maintain AAA Bond Rating**
  - Increase PAYGO from \$31 million in FY 2021 to \$80 million in FY 2027 to manage debt service ratios
  - Implement level principal payments beginning FY 2023
- **Strategic Sourcing Teams and operating departments identified \$54 million in capital cost savings/avoidance since FY 2013**

# Fiscal Planning Actions Underway

WSSC Water is piloting several technologies to improve our environmental stewardship, productivity, and cost control:

- Water system transient pressure monitoring systems to reduce breaks and extend pipe life
- New low impact, lower cost high pressure, pull through liners for water main rehabilitation
- Technologies to reduce chemical use and improve Nitrogen and Phosphorus removal at Piscataway, Seneca and Parkway Water Resource Recovery Facilities
- Satellite leak detection for 20% of water system this year to identify and reduce water loss and water main breaks

# FY 2022 Rate Change and Budget Impacts

- 1.0% Water and Sewer Average Rate Increase/Decrease
  - Operating Budget impact = \$6.8 million
- Capital Budget impact:
  - \$50 million in Capital = \$2.0 million Operating Budget\*
  - \$100 million in Capital = \$4.0 million Operating Budget\*
  - \$125 million in Capital = \$5.0 million Operating Budget\*
  - \$169 million in Capital = \$6.8 million Operating Budget\*

\*Debt service changes with one principal and one interest payment in FY 2022

# FY 2022 Rate Change and Budget Impacts

- 1.0% Average Rate Decrease: \$6.8 million in reductions
  - \$125 million in capital reductions plus
  - \$1.8 million in operating reductions
- 2.0% Average Rate Decrease: \$13.6 million in reductions
  - \$125 million capital reductions plus
  - \$8.6 million operating reductions
- Take additional \$6.8 million in operating reductions for every 1.0% reduction in the water & sewer rates

# Other Utilities: Approved and Planned Revenue Rate Increases

Agency	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Cumulative
WSSC Water (volumetric rates)	5.00%	6.00%	7.90%	8.00%	8.00%	7.00%	6.50%	6.00%	5.00%	5.00%	86.5%
DC Water (retail rate for water and sewer)	11.50%	9.90%	7.80%	8.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	121.2%
City of Baltimore (fixed and volumetric rates)											
Water	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	6.00%	3.25%	3.25%	3.25%	105.6%
Wastewater	9.00%	9.00%	9.00%	6.00%	6.00%	5.00%	3.25%	3.25%	3.25%	3.25%	73.6%

Sources:

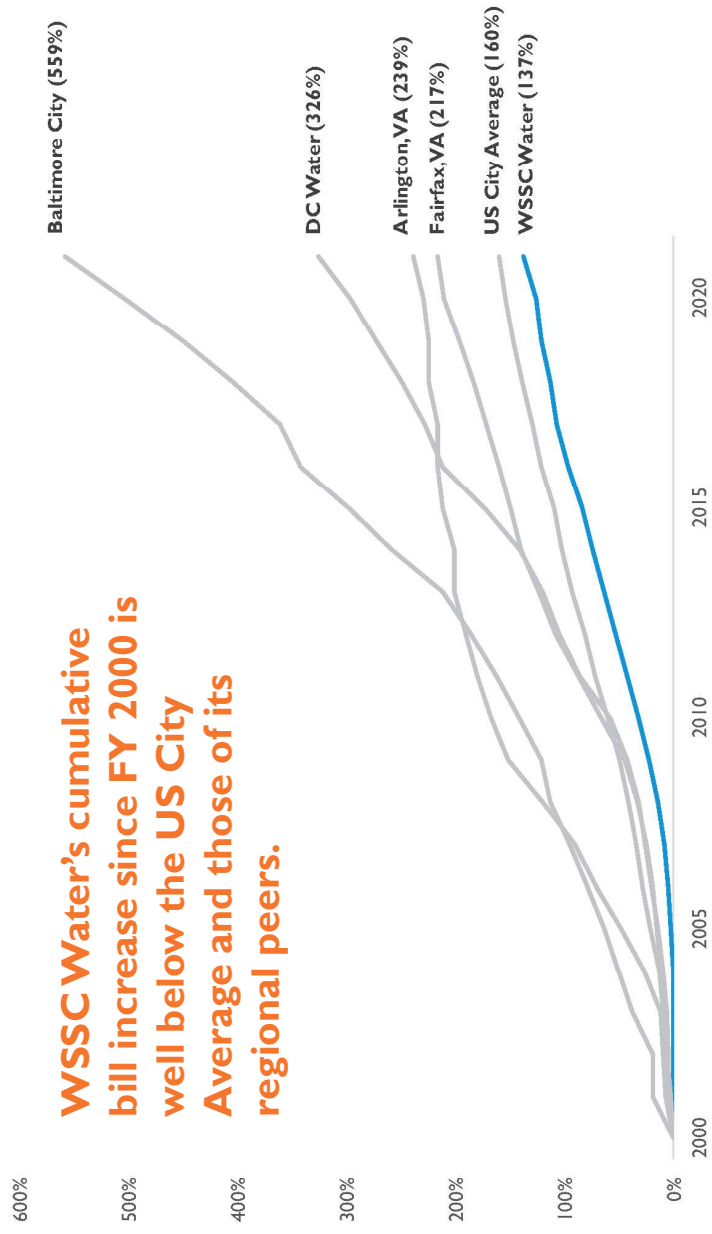
DC Water: <https://www.dwater.com/sites/default/files/finance/budgets/2021/section-iii-financial-plan.pdf>

City of Baltimore: [https://comptroller.baltimorecity.gov/sites/default/files/0001-0153\\_2019-01-09.pdf](https://comptroller.baltimorecity.gov/sites/default/files/0001-0153_2019-01-09.pdf)



# Other Utilities: FY00 to FY21 Bill Increases

FY 2000 to 2021 Bill Increase Comparison @ 165 Gallons per Day



# Message to Stakeholders

- CIP addresses mandatory, regulatory, and system improvements
- Long-term rate stability needed for multi-year CIP implementation
- Investments in customer service and operational improvements
- Significant cost savings achieved and on-going
- Innovation programs underway to improve service and identify non-rate revenue sources
- Maintain service levels despite COVID-19 challenges
- Improving affordability programs
- \$55 million in past due accounts equates to an 8.1% rate increase







# WSSC WATER

DELIVERING THE ESSENTIAL

Spending Affordability – Meeting II

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September 23, 2020 – Rev. 9/30/20

# Agenda

- Financial Forecasts
- FY 2022 Rate Change and Budget Impacts
- Other Utilities: Approved and Planned Revenue Rate Increases
- Other Utilities: Bill Increase Comparisons
- Message to Stakeholders
- Appendix



# Financial Forecast Scenarios

Rate Increase Scenario*	Quarterly Bill Impact (165 gallons per day)	Bill Increase Percentage	Unspecified Operating Reductions	Debt Service Coverage Target: 1.1 - 1.25	Days Operating Reserve On-hand Target: 75 - 105	Debt Service as Percentage of Expenses Target: <40%
6.6%	\$13.45	5.8%	\$0	1.06	72.3	36.7%
5.9%	\$11.98	5.2%	\$3.9 million	1.06	72.7	36.8%

\*Scenarios assume a "needs based" CIP



# Assumption Summary

PLANNING DATA		PROJECTED					
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
REVENUE RATE INCREASE		6.6%	8.0%	8.0%	7.0%	6.5%	6.0%
1	REVENUE						
2	<b>Water Consumption and Sewer Treatment</b>						
3	Water consumption (Average MGD)	126.0	126.0	126.0	126.0	126.0	126.0
4	<b>Credits and Transfers (\$000's)</b>						
5	Use of Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	SDC Debt Service Offset	\$ 5,771	\$ 5,771	\$ 5,773	\$ 5,772	\$ 5,771	\$ 5,748
7	EXPENDITURE						
8	<b>Operating (\$000's)</b>						
9	Workyears	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0
10	Salary and Wages Increase	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
11	All Other	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
12	Debt Service	\$ 310,683	\$ 333,763	\$ 359,177	\$ 385,154	\$ 406,109	\$ 426,179
13	Yearly Growth %	5.8%	7.4%	7.6%	7.2%	5.4%	4.9%
14	PAYGO	\$31,016	\$31,016	\$44,000	\$65,000	\$ 80,000	\$ 80,000
15	<b>Capital Expenditure Parameters</b>						
16	Water and Sewer Completion Factor	80.0%	80.0%	80.0%	84.7%	84.7%	84.7%
17	Information Only Completion Factor	90.0%	90.0%	90.0%	95.0%	95.0%	95.0%
18	BOND ISSUANCE						
19	Interest Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%



# Revenues and Expenditures Impact on Approved Charges

		(In Thousands \$000s)	FY 2021 Approved	FY 2022 Proposed	Dollar Change	W&S Rev Impact*
1	OPERATING REVENUES (BASE)					
2	Water and Sewer Charges	\$	689,212	\$	677,814	
3	ADJUSTMENTS TO REVENUES					
4	Other Sources and Fees		110,040	108,796	(1,244)	0.2%
5	Interest Income		10,000	1,000	(9,000)	1.3%
6	Revenue Impairment		-	-	-	0.0%
7	OTHER TRANSFERS AND CREDITS		26,772	13,771	(13,001)	1.9%
8		\$	146,812	\$	123,567	\$ (23,245) 3.4%
9	OPERATING EXPENSES					
10	Salaries and Wages	\$	127,726	\$	133,474	\$ 5,748 0.8%
11	Heat, Light, and Power		20,423	21,240	817	0.1%
12	Regional Sewage Disposal		58,000	59,160	1,160	0.2%
13	All Other		284,993	290,692	5,699	0.8%
14	Unspecified Reductions/Additional & Reinstated		-	-	-	0.0%
15	DEBT SERVICE		313,865	310,683	(3,182)	-0.5%
16	PAYGO (Contribution to bond fund)		31,016	31,016	0	0.0%
17		\$	836,024	\$	846,266	\$ 10,242 1.5%
18	YEAR-END ADJUSTMENTS					
19	Water User Growth Adjustment		602	-	(602)	-0.1%
20	Sewer User Rebaseline Adjustment		12,000	-	(12,000)	1.8%
21	<b>Total - Base Case Revenue Need</b>	\$	<b>677,814</b>	\$	<b>722,699</b>	\$ <b>44,885</b> <b>6.6%</b>
22				\$	-	\$ 44,885

\*Approximately \$6.8 million in additional operating expenses = 1 percent increase in revenue

	FY 2022 Estimated	W&S Rev Impact
25	Potential Offsets to Revenue Increase:	
27	\$50 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (2,002) -0.3%
28	\$100 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (4,005) -0.6%
29	\$125 million CIP Reduction = Debt Service Impact @ 5.0% Interest	\$ (5,006) -0.7%

31 Notable Assumptions:

32 4.5% annual increase in Salaries & Wages FY 2022 through FY 2027

33 2.0% annual increase in All Other

34 \$12.0 million reduction included for Sewer Use Charges in FY 2022 to rebaseline projections

35 80% completion factor for CIP; 90% for Information Only (including Reconstruction)

36 Debt service impact on new bond issuance assumes only one interest payment (or half year) in FY 2022. Outer year  
37 impact would double interest paid.

# FY 2022 Forecast

## 6.6% Needs Based CIP

(In Thousands \$000s)		FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		Approved	Estimated	Proposed	Projected	Projected	Projected	Projected	Projected
1	New Water and Sewer Debt Issues	\$ 409,922	\$ 350,000	\$ 427,880	\$ 443,100	\$ 383,600	\$ 350,000	\$ 350,000	\$ 350,000
2	Total Water and Sewer Debt Service	313,865	293,652	310,683	333,763	359,177	385,154	406,109	426,179
3	Total Water and Sewer Expenditures	836,022	769,061	846,266	883,198	935,893	1,000,778	1,050,118	1,100,919
4	Water and Sewer Combined Rate Increase (Avg)	6.0%	6.0%	6.6%	8.0%	8.0%	7.0%	6.5%	6.0%
5	Water and Sewer User Charges	\$ 689,211	\$ 689,212	\$ 722,699	\$ 770,540	\$ 833,221	\$ 892,672	\$ 951,916	\$ 1,010,340
	Water Consumption Charges	295,511	301,067	301,669	324,715	353,983	385,513	415,447	445,289
	Sewer Use Charges	393,699	388,145	376,145	388,587	417,595	448,834	478,446	507,936
	Revenue Increase Adjustments	0	0	44,885	57,238	61,643	58,325	58,024	57,115
6	Other Sources/Fees	110,040	108,054	108,796	109,552	110,323	111,109	111,910	112,727
	Account Maintenance Fees	32,360	32,360	32,425	32,489	32,554	32,619	32,685	32,750
	Rockville Sewer Use	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	Plumbing and Inspection Fees	14,470	13,286	13,685	14,095	14,518	14,954	15,402	15,864
	Infrastructure Investment Fee	39,410	39,410	39,488	39,567	39,647	39,726	39,805	39,885
	Miscellaneous	20,800	19,998	20,198	20,400	20,604	20,810	21,018	21,228
	Interest Income	10,000	500	1,000	1,000	1,000	1,000	1,000	1,000
	Revenue Impairment	-	(31,658)	-	-	-	-	-	-
7	<b>Operating Revenues</b>	<b>809,250</b>	<b>766,108</b>	<b>832,494</b>	<b>881,092</b>	<b>944,544</b>	<b>1,004,781</b>	<b>1,064,826</b>	<b>1,124,068</b>
8	OTHER TRANSFERS AND CREDITS	26,772	22,923	13,771	11,771	9,773	7,772	7,771	7,748
	Use of Fund Balance	8,000	-	-	-	-	-	-	-
	Reconstruction Debt Service Offset (REDO)	9,500	8,000	6,000	4,000	2,000	-	-	-
	SDC Debt Service Offset	5,772	5,772	5,771	5,771	5,773	5,772	5,771	5,748
	Premium Transfer	1,500	7,151	-	-	-	-	-	-
	Underwriter's Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	Miscellaneous Offset	-	-	-	-	-	-	-	-
9	<b>Total Funds Available</b>	<b>836,022</b>	<b>789,031</b>	<b>846,266</b>	<b>892,863</b>	<b>954,317</b>	<b>1,012,553</b>	<b>1,072,597</b>	<b>1,131,815</b>
10	Salaries and Wages	\$ 127,726	\$ 127,726	\$ 133,474	\$ 139,480	\$ 145,756	\$ 152,316	\$ 159,170	\$ 166,332
11	Heat, Light, and Power	20,423	20,423	21,240	22,090	22,974	22,042	21,148	22,142
12	Regional Sewage Disposal	58,000	58,000	59,160	60,343	61,550	62,781	64,037	65,317
13	All Other	284,993	284,993	290,692	296,506	302,436	308,485	314,655	320,948
14	<b>Operating Expenses</b>	<b>\$ 491,143</b>	<b>\$ 491,142</b>	<b>\$ 504,566</b>	<b>\$ 518,419</b>	<b>\$ 532,716</b>	<b>\$ 545,624</b>	<b>\$ 559,009</b>	<b>\$ 574,740</b>
16	Bonds and Notes Principal and Interest	313,865	293,652	310,683	333,763	359,177	385,154	406,109	426,179
17	<b>Operating Expenses with Debt Service</b>	<b>805,008</b>	<b>784,794</b>	<b>815,250</b>	<b>852,182</b>	<b>891,893</b>	<b>930,778</b>	<b>965,118</b>	<b>1,000,919</b>
	Growth (% change)			3.9%	4.5%	4.7%	4.4%	3.7%	3.7%
18	OTHER TRANSFERS AND ADJUSTMENTS								
19	Unspecified Reductions/Additional & Reinstated	-	(25,733)	-	-	-	5,000	5,000	20,000
20	PAYGO (Contribution to bond fund)	31,016	10,000	31,016	31,016	44,000	65,000	80,000	80,000
21	<b>Total Expenditures</b>	<b>836,023</b>	<b>769,061</b>	<b>846,266</b>	<b>883,198</b>	<b>935,893</b>	<b>1,000,778</b>	<b>1,050,118</b>	<b>1,100,919</b>
22	<b>Net Revenue (Loss)</b>	<b>(1)</b>	<b>19,970</b>	<b>0</b>	<b>9,664</b>	<b>18,424</b>	<b>11,775</b>	<b>22,479</b>	<b>30,896</b>
23	BEGINNING FUND BALANCE - JULY 1	\$ 129,388	\$ 147,605	\$ 167,575	\$ 167,575	\$ 177,239	\$ 195,663	\$ 207,439	\$ 229,918
24	Net Increase (Decrease) in Fund Balance	(1)	19,970	-	9,664	18,424	11,775	22,479	30,896
25	Use of Fund Balance/Other Adjustments	(8,000)	-	-	-	-	-	-	-
26	ENDING FUND BALANCE - JUNE 30	\$ 121,387	\$ 167,575	\$ 167,575	\$ 177,239	\$ 195,663	\$ 207,439	\$ 229,918	\$ 260,814

# FY 2022 Forecast – 6.6%

## Needs Based CIP

- Capital Policy Guidelines
- Maintain adequate liquidity and fund balance reserves

Metrics	CFO Guideline	FY 2021 Estimated	FY 2022 Proposed	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
<b>I Debt Service Coverage:</b>								
a Debt Service Coverage	<b>1.1 - 1.25</b>	1.02	1.06	1.09	1.15	1.18	1.23	1.24
b Debt Service (P+I) as a Percentage Total Expenditures	<b>&lt;40.0%</b>	38.2%	36.7%	37.8%	38.4%	38.5%	38.7%	38.7%
<b>II Liquidity and Reserves:</b>								
a Days Operating Reserves-on-Hand	<b>75 - 105</b>	79.5	72.3	73.2	76.3	75.7	79.9	86.5
b Ending Fund Balance as a Percentage of Operating Revenue	<b>15.0%</b>	21.9%	20.1%	20.1%	20.7%	20.6%	21.6%	23.2%
<b>III Workforce</b>	<b>n/a</b>	1,776	1,776	1,776	1,776	1,776	1,776	1,776

# Annual and Quarterly Customer Bills

## Proposed Revenue Rate Increase

6.6%

Meter Size	Average Daily Consumption (Gallons Per Year)	Approved FY 2021	Quarterly Approved FY 2021	Proposed FY 2022	Quarterly Proposed FY 2022	Quarterly Perc Chg	Quarterly \$ Chg
3/4" Residential Meter	100 (36,500 gal/yr)	\$586.76	\$146.69	\$618.19	\$154.55	5.4%	\$7.86
3/4" Residential Meter	165 (60,225 gal/yr)	924.36	231.09	978.15	244.54	5.8%	\$13.45
3/4" Residential Meter	500 (182,500 gal/yr)	3,394.32	848.58	3,611.66	902.92	6.4%	\$54.34
2" Meter	1,000 (365,000 gal/yr)	8,088.72	2,022.18	8,568.21	2,142.05	5.9%	\$119.87
3" Meter	5,000 (1,825,000 gal/yr)	41,512.12	10,378.03	44,088.61	11,022.15	6.2%	\$644.12
6" Meter	10,000 (3,650,000 gal/yr)	84,168.40	21,042.10	89,366.12	22,341.53	6.2%	\$1,299.43





# Assumption Summary

PLANNING DATA		PROJECTED						
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	
<b>REVENUE RATE INCREASE</b>			5.9%	8.0%	8.0%	7.0%	6.5%	6.0%
1	<b>REVENUE</b>							
2	<b>Water Consumption and Sewer Treatment</b>							
3	Water consumption (Average MGD)	126.0	126.0	126.0	126.0	126.0	126.0	126.0
4	<b>Credits and Transfers (\$000's)</b>							
5	Use of Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	SDC Debt Service Offset	\$ 5,771	\$ 5,771	\$ 5,773	\$ 5,772	\$ 5,771	\$ 5,771	\$ 5,748
7	<b>EXPENDITURE</b>							
8	<b>Operating (\$000's)</b>							
9	Workyears	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0	1,776.0
10	Salary and Wages Increase	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
11	All Other	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
12	Debt Service	\$ 309,733	\$ 330,673	\$ 356,087	\$ 382,064	\$ 403,019	\$ 423,090	
13	Yearly Growth %	5.5%	6.8%	7.7%	7.3%	5.5%	5.0%	
14	PAYGO	\$31,016	\$31,016	\$44,000	\$65,000	\$ 80,000	\$ 80,000	
15	<b>Capital Expenditure Parameters</b>							
16	Water and Sewer Completion Factor	80.0%	80.0%	80.0%	84.7%	84.7%	84.7%	84.7%
17	Information Only Completion Factor	90.0%	90.0%	90.0%	95.0%	95.0%	95.0%	95.0%
18	<b>BOND ISSUANCE</b>							
19	Interest Rate	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%



# Revenues and Expenditures Impact on Approved Charges

	(In Thousands \$000s)	FY 2021 Approved	FY 2022 Proposed	Dollar Change	W&S Rev Impact*
1	<b>OPERATING REVENUES (BASE)</b>				
2	Water and Sewer Charges	\$ 689,212	\$ 677,814		
3	<b>ADJUSTMENTS TO REVENUES</b>				
4	Other Sources and Fees	110,040	108,796	(1,244)	0.2%
5	Interest Income	10,000	1,000	(9,000)	1.3%
6	Revenue Impairment	-	-	-	0.0%
7	<b>OTHER TRANSFERS AND CREDITS</b>				
8		\$ 146,812	\$ 123,567	\$ (23,245)	3.4%
9	<b>OPERATING EXPENSES</b>				
10	Salaries and Wages	\$ 127,726	\$ 133,474	\$ 5,748	0.8%
11	Heat, Light, and Power	20,423	21,240	817	0.1%
12	Regional Sewage Disposal	58,000	59,160	1,160	0.2%
13	All Other	284,993	290,692	5,699	0.8%
14	Unspecified Reductions/Additional & Reinstated	-	(3,943)	(3,943)	-0.6%
15	<b>DEBT SERVICE</b>				
16	PAYGO (Contribution to bond fund)	31,016	31,016	0	0.0%
17		\$ 836,024	\$ 841,372	\$ 5,348	0.8%
18	<b>YEAR-END ADJUSTMENTS</b>				
19	Water User Growth Adjustment	602	-	(602)	-0.1%
20	Sewer User Rebaseline Adjustment	12,000	-	(12,000)	1.8%
21	<b>Total - Base Case Revenue Need</b>	<b>\$ 677,814</b>	<b>\$ 717,805</b>	<b>\$ 39,991</b>	<b>5.9%</b>

24 \*Approximately \$6.8 million in additional operating expenses = 1 percent increase in revenue

	FY 2022 Estimated	W&S Rev Impact
25		
26	Potential Offsets to Revenue Increase:	
27	\$ (1,892)	-0.3%
28	\$ (3,783)	-0.6%
29	\$ (4,729)	-0.7%

31 Notable Assumptions:

32 4.5% annual increase in Salaries & Wages FY 2022 through FY 2027

33 2.0% annual increase in All Other

34 \$12.0 million reduction included for Sewer Use Charges in FY 2022 to rebaseline projections

35 80% completion factor for CIP; 90% for Information Only (including Reconstruction)

36 Debt service impact on new bond issuance assumes only one interest payment (or half year) in FY 2022. Outer year  
37 impact would double interest paid.



# FY 2022 Forecast - 5.9% Scenario

	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
(In Thousands \$000s)	Approved	Estimated	Proposed	Projected	Projected	Projected	Projected	Projected
1 New Water and Sewer Debt Issues	\$ 409,922	\$ 350,000	\$ 427,880	\$ 443,100	\$ 383,600	\$ 350,000	\$ 350,000	\$ 350,000
2 Total Water and Sewer Debt Service	313,865	293,652	309,733	330,673	356,087	382,064	403,019	423,090
3 Total Water and Sewer Expenditures	836,022	769,061	841,372	880,108	932,803	997,688	1,047,028	1,097,829
4 Water and Sewer Combined Rate Increase (Avg)	6.0%	6.0%	5.9%	8.0%	8.0%	7.0%	6.5%	6.0%
5 Water and Sewer User Charges	\$ 689,211	\$ 689,212	\$ 717,805	\$ 765,259	\$ 827,510	\$ 886,554	\$ 945,391	\$ 1,003,415
Water Consumption Charges	295,511	301,067	301,669	322,268	351,338	382,651	412,379	442,017
Sewer Use Charges	393,699	388,145	376,145	386,141	414,952	445,977	475,386	504,674
Revenue Increase Adjustments	0	0	39,991	56,850	61,221	57,926	57,626	56,723
6 Other Sources/Fees	110,040	108,054	108,796	109,552	110,323	111,109	111,910	112,727
Account Maintenance Fees	32,360	32,360	32,425	32,489	32,554	32,619	32,685	32,750
Rockville Sewer Use	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Plumbing and Inspection Fees	14,470	13,286	13,685	14,095	14,518	14,954	15,402	15,864
Infrastructure Investment Fee	39,410	39,410	39,488	39,567	39,647	39,726	39,805	39,885
Miscellaneous	20,800	19,998	20,198	20,400	20,604	20,810	21,018	21,228
Interest Income	10,000	500	1,000	1,000	1,000	1,000	1,000	1,000
Revenue Impairment	-	(31,658)	-	-	-	-	-	-
7 Operating Revenues	809,250	766,108	827,601	875,811	938,833	998,663	1,058,301	1,117,142
8 OTHER TRANSFERS AND CREDITS	26,772	22,923	13,771	11,771	9,773	7,772	7,771	7,748
Use of Fund Balance	8,000	-	-	-	-	-	-	-
Reconstruction Debt Service Offset (REDO)	9,500	8,000	6,000	4,000	2,000	-	-	-
SDC Debt Service Offset	5,772	5,772	5,771	5,771	5,773	5,772	5,771	5,748
Premium Transfer	1,500	7,151	-	-	-	-	-	-
Underwriter's Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Miscellaneous Offset	-	-	-	-	-	-	-	-
9 Total Funds Available	836,022	789,031	841,372	887,581	948,606	1,006,434	1,066,072	1,124,890
10 Salaries and Wages	\$ 127,726	\$ 127,726	\$ 133,474	\$ 139,480	\$ 145,756	\$ 152,316	\$ 159,170	\$ 166,332
11 Heat, Light, and Power	20,423	20,423	21,240	22,090	22,974	22,042	21,148	22,142
12 Regional Sewage Disposal	58,000	58,000	59,160	60,343	61,550	62,781	64,037	65,317
13 All Other	284,993	284,993	290,692	296,506	302,436	308,485	314,655	320,948
14 Operating Expenses	\$ 491,143	\$ 491,142	\$ 504,566	\$ 518,419	\$ 532,716	\$ 545,624	\$ 559,009	\$ 574,740
16 Bonds and Notes Principal and Interest	313,865	293,652	309,733	330,673	356,087	382,064	403,019	423,090
17 Operating Expenses with Debt Service	805,008	784,794	814,299	849,092	888,803	927,688	962,028	997,829
Growth (% change)			3.8%	4.3%	4.7%	4.4%	3.7%	3.7%
18 OTHER TRANSFERS AND ADJUSTMENTS								
19 Unspecified Reductions/Additional & Reinstated	-	(25,733)	(3,943)	-	-	5,000	5,000	20,000
20 PAYGO (Contribution to bond fund)	31,016	10,000	31,016	31,016	44,000	65,000	80,000	80,000
21 Total Expenditures	836,023	769,061	841,372	880,108	932,803	997,688	1,047,028	1,097,829
22 Net Revenue (Loss)	(1)	19,970	0	7,473	15,803	8,747	19,044	27,061
23 BEGINNING FUND BALANCE - JULY 1	\$ 129,388	\$ 147,605	\$ 167,575	\$ 167,575	\$ 175,048	\$ 190,851	\$ 199,598	\$ 218,642
24 Net Increase (Decrease) in Fund Balance	(1)	19,970	-	7,473	15,803	8,747	19,044	27,061
25 Use of Fund Balance/Other Adjustments	(8,000)	-	-	-	-	-	-	-
26 ENDING FUND BALANCE - JUNE 30	\$ 121,387	\$ 167,575	\$ 167,575	\$ 175,048	\$ 190,851	\$ 199,598	\$ 218,642	\$ 245,702

# FY 2022 Forecast – 5.9%

- Capital Policy Guidelines
- Maintain adequate liquidity and fund balance reserves

Metrics	CFO Guideline	FY 2021 Estimated	FY 2022 Proposed	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
<b>I Debt Service Coverage:</b>								
a Debt Service Coverage	<b>1.1 - 1.25</b>	<b>1.02</b>	<b>1.06</b>	<b>1.08</b>	<b>1.14</b>	<b>1.17</b>	<b>1.23</b>	<b>1.23</b>
b Debt Service (P+I) as a Percentage Total Expenditures	<b>&lt;40.0%</b>	<b>38.2%</b>	<b>36.8%</b>	<b>37.6%</b>	<b>38.2%</b>	<b>38.3%</b>	<b>38.5%</b>	<b>38.5%</b>
<b>II Liquidity and Reserves:</b>								
a Days Operating Reserves-on-Hand	<b>75 - 105</b>	<b>79.5</b>	<b>72.7</b>	<b>72.6</b>	<b>74.7</b>	<b>73.0</b>	<b>76.2</b>	<b>81.7</b>
b Ending Fund Balance as a Percentage of Operating Revenue	<b>15.0%</b>	<b>21.9%</b>	<b>20.2%</b>	<b>20.0%</b>	<b>20.3%</b>	<b>20.0%</b>	<b>20.7%</b>	<b>22.0%</b>
<b>III Workforce</b>	<b>n/a</b>	<b>1,776</b>	<b>1,776</b>	<b>1,776</b>	<b>1,776</b>	<b>1,776</b>	<b>1,776</b>	<b>1,776</b>



# Annual and Quarterly Customer Bills

## Proposed Revenue Rate Increase

5.9%

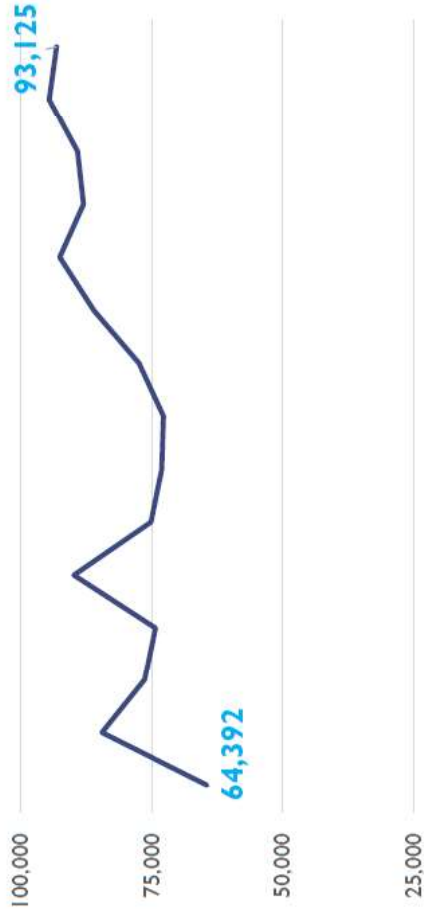
Meter Size	Average Daily Consumption (Gallons Per Year)	Approved FY 2021	Quarterly Approved FY 2021	Proposed FY 2022	Quarterly Proposed FY 2022	Quarterly Perc Chg	Quarterly \$ Chg
3/4" Residential Meter	100 (36,500 gal/yr)	\$586.76	\$146.69	\$614.76	\$153.69	4.8%	\$7.00
3/4" Residential Meter	165 (60,225 gal/yr)	924.36	231.09	972.29	243.07	5.2%	\$11.98
3/4" Residential Meter	500 (182,500 gal/yr)	3,394.32	848.58	3,587.97	896.99	5.7%	\$48.41
2" Meter	1,000 (365,000 gal/yr)	8,088.72	2,022.18	8,515.94	2,128.98	5.3%	\$106.80
3" Meter	5,000 (1,825,000 gal/yr)	41,512.12	10,378.03	43,807.72	10,951.93	5.5%	\$573.90
6" Meter	10,000 (3,650,000 gal/yr)	84,168.40	21,042.10	88,799.44	22,199.86	5.5%	\$1,157.76



# Past Due Accounts/Amounts (as of 9/17/20)

## High-Level

**Past Due Accounts\***  
# of accounts 30 days past the bill date



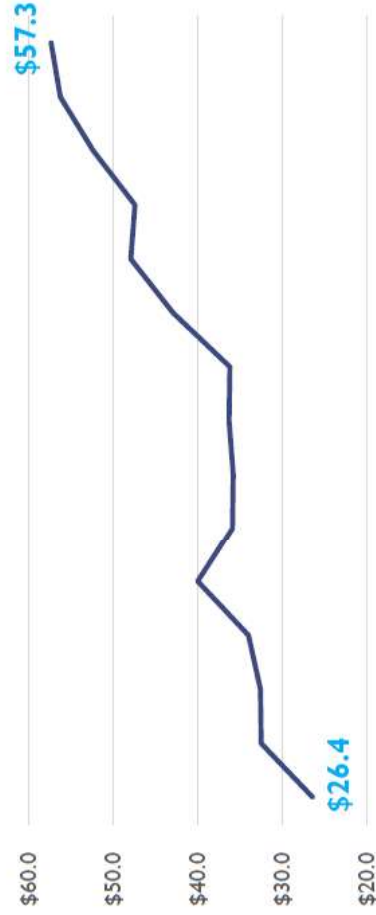
**Last Meeting (9/10): 94,146**

0  
Jul FY20 Sep

- End of June FY20: 87,984 accounts past due
- End of July FY21: 89,123 accounts past due
- End of August FY21: 94,547 accounts past due

**Past Due Amount\***

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



**Last Meeting (9/10): \$56.9**

\$10.0  
\$0.0

- End of June FY20: \$47.4 Million past due
- End of July FY21: \$52.3 Million past due
- End of August FY21: \$56.2 Million past due



# Past Due Accounts on Pay Plans (as of 9/17/20)

- About 97.5% of past due accounts/amount **not** on pay plans
- Total Past Due: \$57.3M; 93.1K accounts
  - 90.5K accounts *not* on pay plans
  - \$55.9 million *not* on pay plans
- Of the ~2,613 past due accounts that *are* on pay plans:
  - 99% or 2,587 are residential customers
  - 79% or 2,068 are past due by 6 months or less

<u>Past Due Accounts on Pay Plans</u> (by Customer Class)	
Residential	99%
Commercial	0.6%
Government	0.4%

# FY 2022 Rate Change and Budget Impacts

- 1.0% Water and Sewer Average Rate Increase/Decrease
  - Operating Budget impact = \$6.8 million
- Capital Budget impact:
  - \$50 million in Capital = \$2.0 million Operating Budget\*
  - \$100 million in Capital = \$4.0 million Operating Budget\*
  - \$125 million in Capital = \$5.0 million Operating Budget\*
  - \$169 million in Capital = \$6.8 million Operating Budget\*

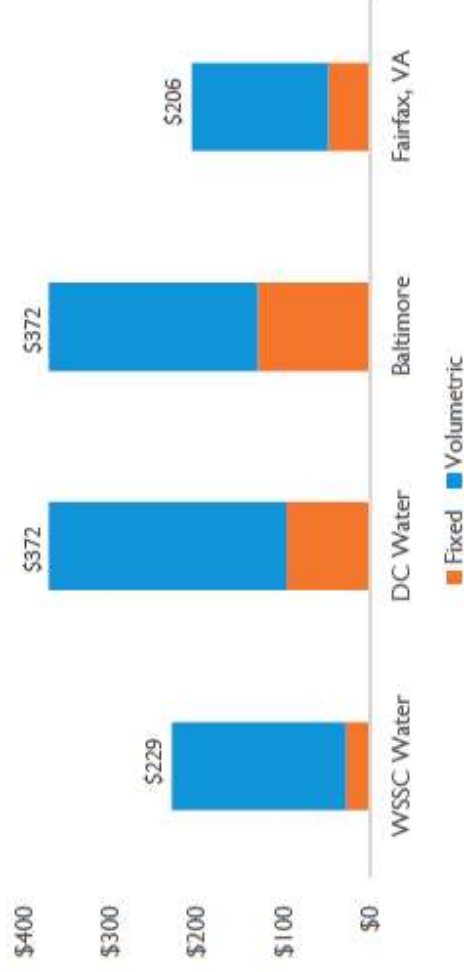
\*Debt service changes with one principal and one interest payment in FY 2022



# FY 2022 Rate Change and Budget Impacts

- 1.0% Average Rate Decrease: \$6.8 million in reductions
  - \$125 million in capital reductions plus
  - \$1.8 million in operating reductions
- 2.0% Average Rate Decrease: \$13.6 million in reductions
  - \$125 million capital reductions plus
  - \$8.6 million operating reductions
- Take additional \$6.8 million in operating reductions for every 1.0% reduction in the water & sewer rates

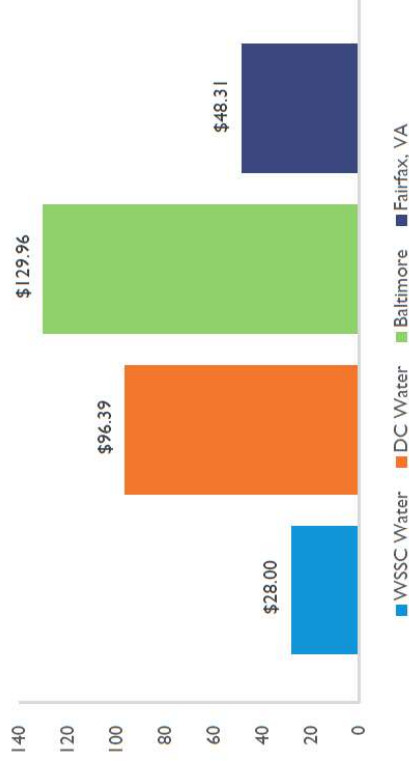
# FY 2021 Quarterly Bill Comparison (165 Gallons per Day; 3/4" Meter)



	WSSC Water	DC Water	Baltimore	Fairfax, VA
Fixed	\$ 28	\$ 97	\$ 130	\$ 48
Volumetric	\$ 201	\$ 275	\$ 242	\$ 158
<b>Total</b>	<b>\$ 229</b>	<b>\$ 372</b>	<b>\$ 372</b>	<b>\$ 206</b>



# FY 2021 Quarterly Fixed Fee Comparison for 3/4" Meter



	WSSC Water		DC Water		Baltimore		Fairfax, VA	
Fee	Quarterly Charge	Fee	Quarterly Charge	Fee	Quarterly Charge	Fee	Quarterly Charge	
Account Maintenance Fee	\$ 16.00	Customer Metering Fee	\$ 15.66	Account Management Fee	\$ 11.82	Quarterly Billing Service Charge (Fairfax Water)	\$ 15.40	
Infrastructure Investment Fee	\$ 12.00	Water System Replacement Fee	\$ 22.17	Water Infrastructure Charge	\$ 64.23	Base Charge (Fairfax County Sewer)	\$ 32.91	
		Clean Rivers Impervious Area Charge	\$ 58.56	Sewer Infrastructure Charge	\$ 53.91			
<b>Total \$</b>	<b>28.00</b>	<b>Total \$</b>	<b>96.39</b>	<b>Total \$</b>	<b>129.96</b>	<b>Total \$</b>	<b>48.31</b>	



# Percentage of Average Residential Bill from Fixed Charges (165 Gallons per Day)



# Other Utilities: Approved and Planned Revenue Rate Increases

Agency	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Cumulative
<b>WSSC Water</b>											
Water + Wastewater (volumetric)	5.00%	6.00%	6.60%	8.00%	8.00%	7.00%	6.50%	6.00%	6.00%	6.00%	87.8%
Water + Wastewater (fixed fee for 5/8" meter)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
<b>DC Water</b>											
Residential Water + Sewer (volumetric)	11.50%	9.90%	7.80%	8.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	121.2%
Customer Metering Fee (5/8" meter)	0.00%	28.50%	56.25%								
Clean Rivers Impervious Area Charge (per Equivalent Residential Unit)	-8.96%	-6.78%	-5.74%								
Water System Replacement Fee (5/8" meter)	0.00%	0.00%	0.00%								
<b>City of Baltimore</b>											
Water (volumetric and fixed charges)	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	6.00%	3.25%	3.25%	3.25%	105.6%
Wastewater (volumetric and fixed charges)	9.00%	9.00%	9.00%	6.00%	6.00%	5.00%	3.25%	3.25%	3.25%	3.25%	73.6%
<b>Fairfax, VA</b>											
Fairfax Water + Sewer (volumetric)	4.12%	1.26%	7.54%								
Fairfax Water + Sewer (fixed fee for 5/8" meter)	5.94%	4.88%	13.93%								

**Sources:**

WSSC Water: FY 2022 Long-term Financial Plan, dated September 9th, 2020.

DC Water: Section III Financial Plan and Section IV Rates and Revenue <https://www.dcwater.com/budget-and-financial-planning>

City of Baltimore: [https://comptroller.baltimorecity.gov/sites/default/files/0001-0153\\_2019-01-09.pdf](https://comptroller.baltimorecity.gov/sites/default/files/0001-0153_2019-01-09.pdf)

Fairfax, VA based on a combination of rates and fees for Fairfax Water and Fairfax County Sewer.

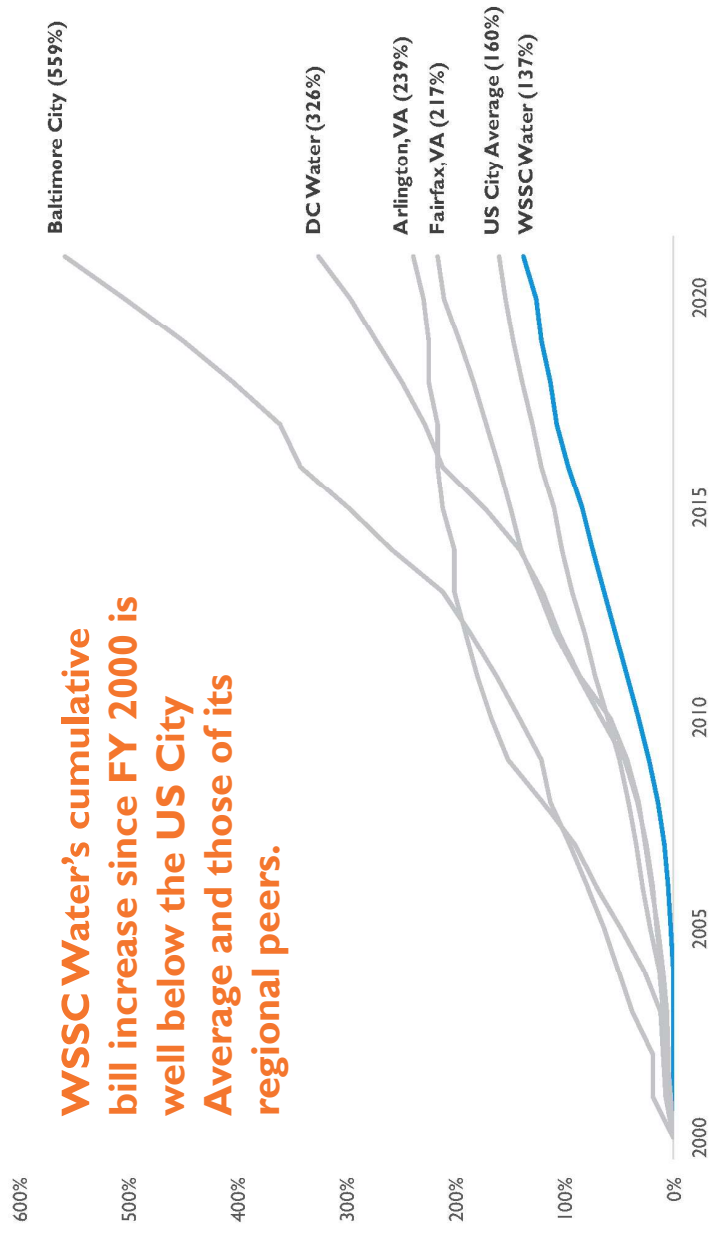
Fairfax Water: Based on adopted and proposed rate schedules effective April 1st of 2018, 2019, 2020, and 2021.

Fairfax County: FY 2021 Adopted Budget Plan <https://www.fairfaxcounty.gov/budget/current-year-adopted-budget-plan-0>



# Other Utilities: FY00 to FY21 Bill Increases

FY 2000 to 2021 Bill Increase Comparison @ 165 Gallons per Day



# Message to Stakeholders

- CIP addresses mandatory, regulatory, and system improvements
- Long-term rate stability needed for multi-year CIP implementation
- Investments in customer service and operational improvements
- Significant cost savings achieved and on-going
- Innovation programs underway to improve service and identify non-rate revenue sources
- Maintain service levels despite COVID-19 challenges
- Improving affordability programs
- \$57 million in past due accounts equates an 8.4% rate increase

# Appendix



## WSSC Water

WSSC Water's ratemaking process sets rates for a one-year period. Changes to rates for volumetric charges and fixed fees are not wholistic, meaning that the advertised rate increase applies only to volumetric rates and fixed fees have different rates of change. WSSC Water's rates and fees are approved by the Montgomery and Prince George's County Councils and the Commission that oversees the agency. The organization has implemented a four-tier rate structure for volumetric water and sewer charges for all customers based on average daily consumption (ADC) in gallons per day. Two fixed fees, the Account Maintenance Fee (AMF) and the Infrastructure Investment Fee (IIF), are also charged on a quarterly basis based on meter size for all customers. WSSC Water bills most of its customers quarterly.

<b>Tiers (ADC in Gallons)</b>	<b>Water (per 1,000 Gallons)</b>	<b>Sewer (per 1,000 Gallons)</b>	<b>Total (per 1,000 Gallons)</b>
0 - 80.9999	\$ 5.35	\$ 7.25	\$ 12.60
81 - 165.9999	\$ 6.04	\$ 8.06	\$ 14.10
166 - 275.9999	\$ 6.96	\$ 10.10	\$ 17.06
276 & Greater	\$ 8.15	\$ 13.33	\$ 21.48

<b>Meter Size</b>	<b>AMF (Quarterly Charge)</b>	<b>IIF (Quarterly Charge)</b>	<b>Total (Quarterly Charges)</b>
5/8"	\$ 16.00	\$ 11.00	\$ 27.00
3/4"	\$ 16.00	\$ 12.00	\$ 28.00
1"	\$ 16.00	\$ 14.00	\$ 30.00

## DC Water

DC Water utilizes a multi-year ratemaking process to set rates and fees for a two-year period. The organization does not utilize a wholistic rate change approach, approving different changes for volumetric rates and fixed fees. DC Water's Board of Directors is responsible for approving the rates and fees. DC Water has implemented a two-tier rate structure for volumetric water charges for residential customers based on total usage measured in hundreds of cubic feet, with flat rates for multi-family and non-residential customers, and a flat rate structure for volumetric sewer for all customers.<sup>1</sup> The organization charges six fixed fees, but three of the fees are pass-through charges from the District of Columbia. The three charges that are not pass-throughs are the Clean Rivers Impervious Area Charge (CRIAC), the Customer Metering Fee (CMF), and the Water System Replacement Fee (WSRF). The CRIAC varies by the number of equivalent residential units (ERUs), the CMF varies by meter size, and the WSRF varies by meter size and customer class. These fixed fees are charged on a monthly basis, as DC Water has implemented monthly billing.

<b>Customer Class/ Tiers</b>	<b>Water (per 1,000 Gallons)</b>	<b>Sewer (per 1,000 Gallons)</b>	<b>Total (per 1,000 Gallons)</b>
Residential, 0-4 CCF	\$ 4.67	\$ 13.06	\$ 17.73
Residential, > 4 CCF	\$ 6.02	\$ 13.06	\$ 19.08
Multi-family	\$ 5.30	\$ 13.06	\$ 18.36
Non-residential	\$ 6.20	\$ 13.06	\$ 19.26

<b>Residential Customers</b>	<b>CRIAC (Monthly Charge)</b>	<b>CMF (Monthly Charge)</b>	<b>WSRF (Monthly Charge)</b>
5/8"		\$ 4.96	\$ 6.30
3/4"		\$ 5.22	\$ 7.39
1"		\$ 5.86	\$ 9.67
Per ERU	\$ 19.52		

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<sup>1</sup> One hundred cubic feet (CCF) equals 748 gallons.

## City of Baltimore

The City of Baltimore has adopted a multi-year ratemaking process that approves rates and fees for a three-year period. The City has also adopted a wholistic approach to rate changes, where one rate of change applies to both the volumetric rates and the fixed fees. The City's Board of Estimates is the entity responsible for approving the rates and fees. The City of Baltimore has a flat rate structure for both water and sewer for all customers based on usage measured in hundreds of cubic feet.<sup>2</sup> Three fixed fees, the Account Management Fee (AMF), the Water Infrastructure Charge (WIC), and the Sewer Infrastructure Charge (SIC), are charged by the City on a monthly basis. The AMF is a flat fee per bill for each customer, while the infrastructure charges vary based on the customer's meter size. The City of Baltimore has implemented monthly billing.

<b>Customer Class/ Tiers</b>	<b>Water (per 1,000 Gallons)</b>	<b>Sewer (per 1,000 Gallons)</b>	<b>Total (per 1,000 Gallons)</b>
All Customers	\$ 4.41	\$ 11.63	\$ 16.04

<b>Meter Size</b>	<b>AMF (Monthly Charge)</b>	<b>WIC (Monthly Charge)</b>	<b>SIC (Monthly Charge)</b>
5/8"		\$ 11.90	\$ 9.99
3/4"		\$ 21.41	\$ 17.97
1"		\$ 47.57	\$ 39.93
Per Bill	\$ 3.94		

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<sup>2</sup> One hundred cubic feet (CCF) equals 748 gallons.

### Fairfax Water (Water Only)

Fairfax Water utilizes a one-year ratemaking process for its water rates and fees. The volumetric and fixed fee increases for Fairfax Water are not wholistic, as volumetric and fixed fees have different rates of change. The water rates and fees are approved by the Board of Directors. Fairfax Water has a flat rate structure with peak pricing for all customers. For the peak pricing, consumption in the two quarters that contain the summer months is compared to the winter quarter and if certain criteria are met, then the additional peak usage charges are applied. The organization also has one fixed fee, the Quarterly Billing Service Charge (QBSC), which is based on the size of the customer's meter and the class of customer. Fairfax Water utilizes quarterly billing for most of its customers.

<b>Customer Class/ Tiers</b>	<b>Water (per 1,000 Gallons)</b>
All Customers	\$ 3.20
Additional Peak Use Charge	\$ 3.85

<b>Single Family/ Townhouse</b>	<b>QBSC (Quarterly Charge)</b>
5/8"	\$ 14.40
3/4"	\$ 15.40
1"	\$ 16.25

### Fairfax County (Sewer Only)

The ratemaking process at Fairfax County appears to be a mix of one-year and multi-year processes. The Board of Supervisors approves the rates and fees each year, but the County Code contains a six-year schedule of rates and fees. The schedule in the County Code appears to be updated each year based on the rates approved by the Board of Supervisors, but it is not clear if the rates and fees for subsequent years are automatically implemented if no subsequent action is taken by the Board of Supervisors to adopt or amend them. The sewer rates are based on a flat rate structure for all customers. Fairfax County also charges one fixed fee, the Base Charge (BC), on a quarterly basis. This fixed fee has one rate for residential customers and various rates based on meter size for commercial customers. The Fairfax County sewer charges are billed quarterly and are included on the bill received from Fairfax Water.

<b>Customer Class/ Tiers</b>	<b>Sewer (per 1,000 Gallons)</b>
All Customers	\$ 7.28

<b>Residential Customers</b>	<b>BC (Quarterly Charge)</b>
All Residential	\$ 32.91

## Additional Follow-up Questions

1. Is the \$31.7 million revenue impairment shown on Slide 5 for Estimate FY21 solely from Sewer Use Revenue shortfalls? Slide 4 shows a \$12 million revised baseline for sewer revenue in FY21. [The \\$31.7 million impairment includes both COVID and sewer revenue shortfalls. We did not carry the COVID related revenue impairment into FY22.](#)
2. Why is interest income down so much in FY21 (Approved = \$10 million Estimate = \$500k)? [This is based on historical comparisons. We looked at prior actuals when we were in a low interest rate environment.](#)
3. Is the reduction in “additional and reinstated” for Estimate FY21 solely from that category or is that a catchall for all one-time operating savings expected in FY21? [This is a catchall. There are no additional & reinstated in FY21. We can change the name of the row.](#)
4. What would the Water and Sewer rate revenue be in FY22 before any rate increase? [\\$677,814,000 \(This is the approved \\$689,212,000 less the \\$12,000,000 sewer revenue adjustment and plus \\$602,000 water revenue growth\)](#)
5. What is the non-rounded number for revenue generated from each 1% rate increase? For a \$53.4 million gap, I get a 7.7% rate increase requirement, not a 7.9% requirement, probably because I don't have the correct water/sewer revenue number. [\\$53,376/677,814 = 7.9%](#)
6. How much is assumed in FY22 for the Customer Assistance Program? [\\$2.0 million. We had increased the budget for enhancements to affordability programs. However, these additional funds had to repurposed to offset increased CAP participation.](#) What is the status of WSSC's efforts to expand the program to indirect customers?

Key Updates:

- [The Customer Service Department hired a new Division Manager, Customer Engagement and Advocacy who will help co-lead this project.](#)
- [The project will also be co-led by a Government Affairs Manager from the Intergovernmental Relations Office.](#)
- [We recognize that renters continue to be a target group that could benefit from water affordability/customer assistance, especially due to the impact of COVID-19.](#)
- [It is important to note that for the past three fiscal years, we have exceeded the allocated \\$888,000.00 budget for our customer assistance program \(CAP\).](#)
- [The current COVID-19 environment is impacting our revenue collections and could further impact our ability to fund the expansion of CAP.](#)
- [Customer Service is working closely with Finance and IRO to monitor the financial impact of the crises on our customers.](#)

Task	Who	Estimated Completion
1. Form cross-functional planning committee a. Identify external participants and key partners b. Plan meeting logistics	Customer Service	FY Sep 2021
2. Conduct planning sessions a. Identify target group for assistance b. Determine budget and amount of assistance c. Determine method for assisting renters and indirect customers d. Develop communication plan	Planning Committee	FY Apr 2021
3. Approve recommendations	GM/CEO and Commissioners	FY Jun 2021
4. Implement plan	Customer Service	FY Sep 2022

7. Canjor asked for a scenario with a 5.9% rate increase. It would be helpful to some multiple options for how you would get to 5.9% (not just increasing unspecified reductions in year one and revising rates in year 2 and beyond to catch up to the Base Case assumptions). For instance, considering a reduction in the debt service costs, recovery of some delinquent charges during COVID, etc.

Potential savings options are as follows:

- Reduce interest rates on debt service
- Reduce street repairs
- Reduce customer service – increases here have been very costly
- Stop CIP projects that are currently in design (primarily PGC projects) – does not include mandated or regulatory
- Reduce Large Diameter Water Pipe & Large Valve Rehabilitation Program by 25%
- Suspend high bill adjustments
- Reduction in the operating fund investment in the Piscataway for inflow and infiltration in improvements

8. What has been your bond interest experience the past few years? I think it has been less than the 5% assumed in the Base Case. What would be the impact on the model if you assumed a 4% bond interest?

The True Interest Cost (TIC) for the last 3 deals on Consolidated Public Improvement bonds has been as follows:

- 2018 3.59 (average coupon 4.15%)
- 2019 2.64 (average coupon 3.247%)
- 2020 1.94 (average coupon 2.44%)

Note that the TIC (true interest cost) is lower due to the receipt of bond premiums which enable us to reduce the size of the bond sale, but the serial maturities do have higher coupons. The debt service was lower as we did reduce the size of the sales for 2019 and 2020, but for 2018, we did not lower the size of the sale. We received the premium and used the premium to help lower debt service costs and the balance was used for projects to also lower future debt. We plan on using future premiums to lower bond size. We will prepare a model that assumes 4% and include it in this Wednesday's package.

9. WSSC has had substantial IT implementation costs over the past few years. Are these costs expected to go down (or up) in FY21 and FY22? The Fiscal Plan does not take into account one-time fluctuations up or down in the budget. C2M implementation costs were significant. Excess costs associated with stabilizing the system were covered by PAYGO not transferred to the bond funds. We will have more information regarding required IT costs after budgets are submitted.
10. Are there other one-time costs in FY21 that can be removed from the base going into FY22? There were no one-time costs included in the FY21 budget that can be removed.
11. Given that the current AMI implementation schedule assumes a phase-in of the program over the next several years, and these program costs are built into the Six-Year Fiscal Plan, the assumed payback from the program should also be reflected in the Fiscal Plan. The 2011 study assumed substantial annual savings (a 6 to 8 year payback). These savings could result in significant rate impacts downward; especially in the later years of the CIP. We can insert estimated impacts from the AMI project in a separate scenario when the Cost Benefit Analysis is finalized. We expect it to be completed within the next three weeks.
12. The Piscataway BioEnergy project is programmed to be completed in FY24. Annual cost savings/additional revenue should also be reflected in the Six-Year Fiscal Plan. We have added projected energy savings from this project to the forecast.

