

**PRINCE GEORGE'S COUNTY COUNCIL
AGENDA ITEM SUMMARY**

Meeting Date: 1/20/98

Reference No.: CR-5-1998

Proposer: Russell

Draft No.: 1

Sponsors: Russell, Del Giudice, Wilson

Item Title: To establish spending control limits for the FY1999
Water & Sewerage Operating and Capital Budget of
the Washington Suburban Sanitary Commission

Drafter: Craig S. Price
Deputy Council Administrator

Resource Personnel: Thomas Street
Budget Director, WSSC

LEGISLATIVE HISTORY:

Date Presented: __/__/__

Executive Action: __/__/__ __

Committee Referral:(1) __/__/__

Effective Date: __/__/__

Committee Action:(1) __/__/__

Date Introduced: 1/20/98

Pub. Hearing Date: (1) __/__/__ __:__ __

Council Action: 1/20/98 ADOPTED

Council Votes: RVR:A, DB:A, SD:A, JE:A, IG:-, TH:A, WM:A, AS:A, MW:A

Pass/Fail: P

Remarks:

1/20/98: Rules suspended prior to adoption

BACKGROUND INFORMATION/FISCAL IMPACT

(Includes reason for proposal, as well as any unique statutory requirements)

In May of 1993, the Prince George's and Montgomery County Councils agreed to establish a Working Group on WSSC Spending Controls. Council Member Stephen Del Giudice was appointed to serve on the Working Group for Prince George's County and Council Member Derick Berlage for Montgomery County. In January of 1994 the Working Group issued their report calling for a spending affordability process and a better coordination of the land use and development processes with the Counties ten year water and sewerage plans. The Working Group's recommendation was

approved by both Councils and was utilized for the first time in the formulation of WSSC's FY 1996 Operating and Capital Budgets.

This resolution proposes to set spending control limits on the Fiscal Year 1999 Water and Sewer Operating and Capital Budgets of the WSSC for the following items, based on the January 14, 1998 agreement between the Prince George's and Montgomery County Councils.

Water and Sewer Rates including the service charge - 2.0%
New Bond Debt - \$78,800,000
Water and Sewer Operating Debt Services - \$145,750,000
Water and Sewer Operating Expenditures - \$368,400,000

For the first time since the spending affordability process began the Prince George's and Montgomery County Councils did not reach agreement on the spending limits by the November 1, 1997 date established in the spending affordability process. As a result there was no consensus and hence no spending affordability report agreed upon by both Counties in 1997. Each county produced separate reports which were then presented to the Councils. The Prince George's County report was reviewed by the Prince George's County Council on October 14, 1997. After reviewing this report the Council recommended a zero percent rate increase be established as the spending affordability limit for WSSC for FY1999. Following a similar process the Montgomery County Council recommended a 3% rate ceiling again for spending affordability guidelines only.

From these two divergent position the two councils continued to discuss and seek an acceptable compromise. After two months of discussion the consensus position, as stated in this resolution, was achieved. In conjunction with these spending limits, the two councils also agreed to defer the growth projects attached to this summary as appendix 1. These projects in conjunction with cuts made by the WSSC staff to two Blue Plains Projects reduced the System Development Charge revenue gap from \$15 million to \$6.4 million for the FY1999 budget. This gap was reduced by each council deferring a total of \$3.25 million in growth projects from the WSSC CIP. The remaining \$2.1 million dollars in growth project reductions was achieved by WSSC staff determining that an equivalent amount of the Blue Plains growth costs could be deferred. This was done with the understanding that if the Blue Plains Water and Sewer Authority (WASA) is able to accelerate capital expenditures there may be a need to revisit these Blue Plains projects (\$22.00 and \$22.06).

The remaining SDC revenue growth gap of \$6.4 million will be the subject of further budget review and discussion. In the interim the following language will be added to all growth projects proposed for funding in the FY 1999 Capital budget:

"There is approximately a \$6.4 million gap between proposed growth expenditures and available SDC funding. Should the Maryland General Assembly not approve legislation which fully funds growth costs during its 1998 legislative session, some of the individual projects included in this project may be deferred from its current schedule or deleted from the Capital Improvements Program."

Further budget discussions about eliminating the remaining \$6.4 million SDC revenue gap will be dependent upon the approval of SDC legislation pending in the 1998 session of the Maryland General Assembly. If a bill is passed the SDC fee will be set at a rate that will ensure that existing customers do not have to pay for growth projects as a part of their water and sewer bills. If a bill is not adopted a decision will need to be made whether to defer the remaining growth projects or allow the rate payers to pay for the cost of these projects.

Also as a part of these CIP deferrals the Councils reached a compromise on W127.01. This bi-county project carries vital future water supplies to southern Prince George's County. The WSSC General Manager had recommended a total deferral of this project in the August staff draft of the CIP. Following a briefing on this project on September 16, 1997, the Prince George's County Council disagreed with the WSSC staff position and recommended the project remain fully funded in the six year CIP. As a result, the WSSC Commissioners were not able to reach agreement on a CIP and the October 1, 1997 transmittal of the CIP was delayed accordingly. It should also be noted that an additional bi-county water growth project located in Montgomery County was also deferred as a result of this process. This project was W-150.06 the Wheaton Water Main Modifications.

In addition to the Councils discussions on spending limits and SDC, it was also agreed upon by the Councils that the WSSC FY1999 budget as transmitted to the Counties will not specify a percentage cost of living or merit increase. Instead, the FY 1999 WSSC operating budget will contain a \$3.5 million line item entitled compensation adjustment. This item will be the subject of further discussions as the budget process continues and will require consensus by the Councils or the Commissioners during the budget adoption process.

A summary of the spending limits set by the counties is shown below:

(ALL FIGURES IN MILLIONS DOLLARS)

	<u>ADOPTED</u> <u>CR-112-94</u>	<u>ADOPTED</u> <u>CR-66-97</u>	<u>ADOPTED</u> <u>CR-53-96</u>	<u>PROPOSED</u> <u>CR-5-98</u>
Rate Increase	3%	3%	3%	2%
New Debt	\$26.5	\$80.4	\$64.5	\$78.8
Debt Service	\$136.7	\$141.2	\$141.7	\$145.7
Operating Expenses	\$358.2	\$357.4	\$366.3	\$368.4

NOTE: Appendix 1 is available in hard copy only.