



PRINCE GEORGE'S COUNTY GOVERNMENT

Office of the County Executive

Angela D. Alsobrooks
County Executive

April 7, 2020

The Honorable Todd M. Turner
And Members of the County Council
County Administration Building
Upper Marlboro, Maryland 20772

Dear Chair Turner and Members of the County Council:

In accordance with Section 17-202 of the Public Utilities Article of the Annotated Code of Maryland (the former Article 29), I am hereby transmitting my recommendations on the Washington Suburban Sanitary Commission (WSSC) Proposed Budget for FY 2021, along with my comments on the Commission's FY 2021 – FY 2026 Proposed Capital Improvement Program.

Rate and Fee Overview

The FY 2021 Proposed Budget is based on revenues supported by a blended 7.0% rate increase for both water and sewer. This rate increase is aligned with the Spending Affordability Guidelines of 7.0% adopted for the WSSC via resolutions by the Prince George's as well as the 7.0% maximum rate increase recommended by Montgomery County Councils in October 2019.

The Commission also maintains an extensive portfolio of miscellaneous fees and charges for a variety of other services. In FY 2020, many of the fees and charges did experience a significant increase. After a review of the charges, many will increase by varying amounts. Charges associated with individual dwellings (water, sewer, septic installation and inspection) increase at a lower amount than those associated with larger developers, vendors, and building construction (sewer maintenance, industrial discharge and sediment control, septic haulers, sewer connectors, etc.).

We recognize the efforts of the Commission to properly vet various rate options while actively receiving input from rate payers and other stakeholders. As we move closer to the July 1st implementation of the new four tier rate structure, we are hopeful that the preparations that Commission is undertaking will allow for a smooth transition. These are significant changes to business operations and the Commission's groundwork is appreciated. Efforts to ease the burden of economically challenged ratepayers by providing an expanded customer assistance program and varied bill pay option is recognized. We also support the Automated Meter Infrastructure (AMI) project, but do believe there should be an opt-out provision for those who do not wish to participate in the program.

Budget Overview

The FY 2021 Proposed Budget is \$1.463 billion, an increase of \$7.0 million or 0.5% over the FY 2020 Approved Budget. The total budget is comprised of a \$856.2 million operating budget and \$606.7 million capital budget.

Operating Budget Overview

The FY 2021 Proposed Operating Budget for the WSSC is \$856.2 million, an increase of \$38.8 million (4.7%) over the FY 2020 Approved Budget. The cost drivers in the FY 2021 operating budget are the water operating fund and the sewer operating fund. The Commission's operating budget can be divided into three broad, programmatic divisions: water operating, sewer operating and general bond debt service. The water and sewer operating programs are separate, self-supporting programs dedicated to those enterprises. General bonds are issued to support the capital needs of the WSSC administration and smaller projects. The water operating program is \$368.4 million for FY 2021, an increase of \$16.0 million, or 4.5%. The sewer operating program is \$474.1 million, an increase of \$23.9 million or 5.3%. Debt service on the general bonds is \$13.7 million, a decrease of \$1.1 million or 7.5%.

The major expenditure components of the Commission's FY 2021 Proposed Operating Budget are:

- \$133.9 million for salaries and wages, an increase of \$3.7 million (2.9%)
- \$325.6 million for debt service, an increase of \$5.7 million (1.8%)
- \$396.7 million for other operating costs and program support, an increase of \$29.3 million (8.0%)

The Proposed Budget includes \$856.2 million in operating expenditures comprising 58.5% of the budget. Operating and support programs include expenses such as:

- Producing 164.0 million gallons per day of safe and reliable water to over 475,000 accounts in a manner that meets the requirements of the Safe Drinking Water Act.
- Treating 201.4 million gallons per day of wastewater in a manner that meets or exceeds federal and State requirements.
- Operating and maintaining a system of
 - Three reservoirs with 14 billion gallons of water
 - Two water filtration plants
 - Six wastewater treatment plants
 - 5,900 miles of water main and 5,700 miles of sewer main
- Offset \$12.4 million of debt service with REDO

- Increasing the Customer Affordability Program. The program is funded by revenue offsets for economically disadvantaged customers to provide financial assistance with water and sewer bills.

Addressing infrastructure aging issues through rehab of 25 miles of small diameter and 6 miles of large diameter water mains; inspecting and repairing 18 miles of Prestressed Concrete Cylinder Pipe (PCCP) and installing acoustic fiber optics to monitor 6 miles of PCCP.

- The Commission is also implementing operational and fiscal efficiency measures that generate savings or provide for more productivity. This measure includes:
 - Revising procurement practices through the Supply Chain Management Transformation project.

The FY 2021 Proposed Operating Budget includes \$325.6 million in debt service payments comprising 38.0% of the budget. The debt service payment schedule is based on interest and principal payments on current and outstanding debt, and the issuance of \$409.9 million in new debt in FY 2021. The new debt is comprised of \$313.9 million in water and sewer bond. The Commission continues to maintain the practice of issuing 30-year bonds on some of its debt, to lower debt servicing costs and use the savings to fund PAYGO capital projects.

Capital Budget Overview

The Commission's Proposed Six-Year Capital Improvement Program (CIP) is \$3.7 billion, an increase of \$498 million over the FY 2020 Approved CIP. Of this amount, approximately 91.3% is for system improvements; 2.8% for system growth; and 5.6% for mandate compliance. This increase is driven by new Other Capital project in the Information Only section and the programmed increase in pipe replacements in the Large Diameter Water Pipe Reconstruction Program.

The FY 2021 Proposed Capital Budget is \$606.7 million, a decrease of \$31.8 million (5.0%) under the FY 2020 Approved Capital Budget. Similar to the operating budget, the capital budget is divided into four parts: water (20.1%), sewer (40.8%), information (29.0%) and other capital projects (10.2%). The FY 2021 request includes water and sewer projects for Prince George's and Montgomery Counties, along with Bi-county projects and general construction for minor lines. The Commission proposes \$375.1 million in construction for water and sewer projects, a decrease of \$8.2 million below FY 2020.

The allocations for water and sewage capital expenditures in Prince George's County for FY 2021 are broken down accordingly:

- Water: \$36.5 million (compared to \$1.8 million for Montgomery County and \$85.3 million for Bi-county projects)

- Sewer: \$38.8 million (compared to \$9.6 million for Montgomery County and \$203.1 million for Bi-county projects)

Bi-county projects impacting Prince George's County include system wide rehabilitation of large pipes and valves, trunk sewer reconstruction, and the Piscataway Waste Water Treatment Plant Bio-Energy Project. Water and sewer projects affecting the County scheduled for funding in FY 2021 include:

- Piscataway WRRF Facility Upgrades (\$28.3 million)
- Old Branch Avenue Water Main (\$7.8 million)
- Branch Avenue Water Transmission Improvements (\$3.5 million)
- Ritchie Marlboro Road Transmission Main (\$69,000)
- Westphalia Town Center Water Main (\$0.3 million)
- Konterra Town Center East Water Main (\$0.8 million)

The WSSC noted that in any given fiscal year, approximately 85% of capital funds appropriated are expended. This is due to factors such as supply of qualified contractors, supply of WSSC supervisors for projects and the timeliness of receiving funding commitments pledged from outside entities.

Conclusion

Over the last 100 years, the Commission has served the citizens, visitors and businesses of Prince George's County and the Bi-county region with distinction. Externally, the Commission continues to make important strides in upgrading and maintaining our water supply and water treatment facilities, water lines, dams, and reservoirs. Internally, the Commission continues to improve customer service care, explore innovative and cost saving technologies and ensure that all operations and costs are sustainable and in the best interest of the customers. They continue to be a partner in improving our environment, health, and business climate.

I support the Commission's Proposed Operating and Capital Budget requests and the 7.0% proposed rate increase that supports it. I am pleased that the Commission remains focused on creative solutions to fund water production, so that the burden is not solely on the rate-payer as water consumption continues to decline.

I acknowledge the proposed funding for salary enhancements in a manner coordinated with both Prince George's and Montgomery Counties, if funding is maintained for Prince George's County employees per the FY 2021 Proposed Budget that was submitted to the County Council on March 1, 2020. In the event that funding for County employees is not available, I will endorse the same funding level for WSSC employees that is allowed for in the budget approved by the County Council.

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Finally, I am pleased with the WSSC's continued use of longer-term debt and improved procurement practices to keep costs and obligations down which is ultimately realized by our County rate-payers. With several major infrastructure projects on the horizon, I am certain the Commission will rise to the challenge of serving the County and the region. Our citizens – residents and businesses alike – appreciate any opportunity to save money and grow responsibly. I look forward to hearing more on how strategic planning and use of fund balance will impact the County.

Sincerely,



Angela D. Alsobrooks
County Executive

cc: Chris Lawson, Chair
T. Eloise Foster, Vice Chair
Sandra L. Thompson, Commissioner
Fausto R. Bayonet, Commissioner
Keith E. Bell, Commissioner
Howard A. Denis, Commissioner
Carla A. Reid, General Manager/CEO