




MEMORANDUM

October 12, 2023

TO: Eric C. Olson, Chair
Transportation, Infrastructure, Energy and Environment (TIEE) Committee

THRU: Jennifer A. Jenkins 
Council Administrator
Jennifer A. Jenkins (Oct 11, 2023 19:31 EDT)

FROM: Lavinia A. Baxter, Senior Budget and Policy Analyst
Budget and Policy Division



J. Kenneth Battle, Committee Director
Transportation, Infrastructure, Energy and Environment (TIEE) Committee

SUBJECT: Washington Suburban Sanitary Commission (WSSC Water)
FY 2025 Spending Control Limits

I. Spending Affordability Process

Each year, the spending affordability process focuses on 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.

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. The process is based on a multi-year planning model. A strategy to stabilize annual rate increases over time and holding customer fee-supported debt service below 40% of the operating budget.

2. The 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 Ready to Serve (fixed fees) include the Infrastructure Investment 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 in defining 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 future years. The other limits are then adjusted to consider the impact of the rate decision.

Bi-County Meeting participants representing WSSC Water and Prince George’s County included:

WSSC Water:

Kishia Powell, General Manager
Joseph Beach, Deputy General Manager Mission Support
Aklile Tesfaye, Deputy General Manager Operations
Letitia Carolina-Powell, Acting CFO
Fariha Babar, Operating Budget Section Manger

Prince George’s County:

Kenneth Battle, TIEE Committee Director
Lavinia Baxter, Senior Legislative Budget and Policy Analyst
Stanley Earley, Director, OMB
Jared McCarthy, DCAO
Linda Turner, Senior Advisor to DCAO
Brian Halloran, Capital Budget Officer
Shanai Jordan, OMB

Schedule:

- Bi-County Working Group Sessions (virtual): September 7 and September 21, 2023
- Committee of the Whole Review: October 24, 2023
- Council Action: October 24, 2023

II. Spending Control Limits

A. Spending Control Limit Base Case

WSSC WATER Proposed Base Case

The FY 2025 Spending Affordability Guidelines (SAG) work group met on September 7 and September 21, 2023. WSSC Water presented an initial base case spending control limit scenario to staff of both counties. The initial base case rate increase of 11.6 percent, as proposed by WSSC Water, was reviewed and discussed. For comparison, in FY 2024, both counties approved WSSC Water’s rate increase at 7 percent. Below in Table 1 is a summary of FY 2024 SAG parameters compared to the preliminary proposed.

Table 1: FY 2025 Proposed Base Case (11.6%) vs. Approved FY 2024 (7.0%) (in millions)WSSC FY 2025 Revised Base Case Scenario Comparison (Proposed 11.6% v. Approved 7.0%)			
Spending Control Limits	FY 2025 WSSC Proposed (\$,000)	FY 2024 Approved Budget (\$,000)	Percent Change (%)
Rate Increase*	11.6%	7.0%	4.6 %
New Debt	\$420,387	\$379,960	10.6 %
Debt Service	\$363,140	\$328,467	10.6%
Total Water and Sewer Operating Expenses	\$1,040,465	\$924,532	12.5 %

** The overall volumetric and fixed fees revenue increase is 11.6%. The final fixed and volumetric rates for FY25 may vary from this based on the final Cost of Service Study and the Commission’s consideration of the various rate scenarios in accordance with rate-making principles.*

WSSC Water Objectives for 11.6 % Base Case

- Meeting financial metrics to maintain AAA bond rating.
- Addressing deferred capital improvements that were deferred as a result of the pandemic-related revenue downturn.
- Paying competitive wages to retain and recruit talent and add headcount where too lean.
- Enhancing financial metrics to protect AAA bond rating.
- Overcoming declining consumption.
- Overcoming lag in rate increase requests in prior years.
- Overcoming inflationary pressures.

Proposed FY 2025 Assumptions for Base Scenario Impacts:

- In the revised base case, WSSC Water fixed fees (i.e., the Infrastructure Renewal Fee and the Account Maintenance Fee) are increased at the same percentage as volumetric rates. The final fixed and volumetric rates for FY25 may vary from this based on the final Cost of Service Study and the Commission’s consideration of the various rate scenarios in accordance with rate-making principles.
- Full Funding of WSSC Water’s Proposed FY25-29 Capital Improvement Program
- Salary and Wages COLAs effective July 2024.
- Inflationary increases in current programs (5.0% in FY 25)
- Total work years grows from 1,836 to 1,984 (148 new positions added)
- Projection for Other Sources and Fees growth by 15.3%

Rating Agency Remarks

In February 2023, WSSC Water was rated AAA by three rating agencies. However, one rating agency (Fitch) has continued to maintain a AAA with a negative outlook rating. The negative outlook was maintained, reflecting leverage that may exceed or remain near 10.0x for the next one to two years. Please see the full analytical conclusion in Attachment C. WSSC Water has the authority to levy ad valorem taxes (which is subject to review) to prevent default. Despite the continuous rate increases, the continued stress of the pandemic on revenues, inflationary pressures on the purchase of chemicals and construction, and declining consumption keep the growth of the utility flat. In the last few fiscal years, WSSC Water has gained slight ground, making fixed fees subject to the annual rate increase for steadier source revenues. Yet the issue still remains that with an aging infrastructure, and rising chemical and construction costs, more revenue is needed.

In the revised base case scenario forecast found in Attachment B, in FY 2026, there is a projected 12.5 percent rate increase, with a decline to 6.0 percent in FY 2027, 5.5 percent in FY 2028, then to 4.2 percent in FY 2029 and FY 2030. We have not had a rate increase that low since FY 2019.

Some of the cost drivers impacting the rate include the following:

Revised Base Case Rate Changes to Major Budget Components from Approved FY 2024 to Preliminary FY 2025:

Operating Expenses

- | | |
|-----------------------------|---|
| ▪ PAYGO | 39% annual increase |
| ▪ Regional Sewage Disposal | 20% annual increase |
| ▪ Salaries and Wages | 17% annual increase |
| ▪ Debt Service | 11% increase, 34.9% of total expenditures |
| ▪ Maintenance and Operating | 9% increase |

Revenues

- Cost Sharing and Reimbursement 64% increase
- Water and Sewer Charges 11.6% increase
- Other Sources and Fees 15% increase

B. Spending Affordability Guideline Limitations

At the request of County staff, the Commission presented three alternate rate scenarios with the following rate at 8.0%, 8.5% and 9.0%. Below is the summary comparing the base case at 11.6% to the requested scenarios.

Table 2: Base Case vs. Alternate Scenarios (in millions)

Forecast Scenario	Rate	New Debt Issues	Debt Service	PAYGO	Ending Fund Balance	Unspecified Reductions	Customer Bill Impact @150gpd
Scenario 1 - Base Case @11.6%	11.6%	\$ 420,387	\$ 363,140	\$ 61,144	\$ 315,101	\$ -	\$29.16
Scenario 2- Base Case @ 9% + Reductions	9	420,387	363,140	61,144	315,101	22,093	\$22.63
Scenario 3 -Base Case @ 8.5% + Additional Unspecified Reductions	8.5	420,387	363,140	61,144	315,101	26,406	\$21.37
Scenario 4- Base Case @ 8.0% + Reductions	8	420,387	363,140	61,144	315,101	30,719	\$20.11

Table 3: Compares Quarterly Bill Impact with all Scenarios

	Approved	Preliminary FY 2025			
	7.0%	11.6%	9.0%	8.5%	8.0%
Quarterly Bill	251.39	280.55	274.02	272.76	271.50
Quarterly Bill Impact		29.16	22.63	21.37	20.11

* Meter size 3/4" Residential @ 150 gpd

**These bill impact figures reflect an “across the board” percentage increase. The final fixed and volumetric rates for FY25 may vary from this based on the final Cost of Service Study and the Commission’s consideration of the various rate scenarios in accordance with rate-making principles.*

As in the past, in order to balance the budget in FY 2025, WSSC Water would need to make unspecified reductions to specified programs and defer the implementation of some programs if the base case is not chosen. At this time, those projects and programs have not been selected, but Attachment C “Additional Operating Requests,” represents some items that may be considered along with unspecified cuts in other operating categories. Please note that a 1% rate decrease to the proposed rate increase would require approximately \$8.7 million in operating reductions or \$155.8 million in deferrals to the Capital Budget.

The Commission can make changes to PAYGO, along with other operating reductions, including finding continued savings in procurement to limit the operational impacts driving the 11.6% rate increase request that would have minimal impacts on people and operations. We discourage changes to the budget that would necessitate CIP deferrals that disproportionately impact Prince George’s County projects. Additionally, we support ongoing maintenance that may come at the expense of starting new projects.

We applaud the Commission’s continued response to customer needs through the Customer Affordability Program and other innovative measures the Commission is using to reach ratepayers and engage them in dialogue about the mission and operations of WSSC Water. Furthermore, we are excited about the new Piscataway Bio-Energy project that will result in a biosolids program that can bring additional revenue to the Commission while enabling reduced costs for biosolids management and energy efficiency for operations.

Nationally the costs for utility bills, including water and electricity, have been trending upward. Electricity is increasing annually at 4.3%. Water and wastewater bills have increased more than 30% in less than a decade, with Americans paying an average of \$104 per month this year. Water and sewer bills are rising faster than inflation and have increased for an eighth consecutive year in a study of the country’s 50 largest metropolitan regions. Between 1996 and 2018, charges increased 5.09 percent annually for water and 5.64 percent annually for wastewater.¹ In 2018, the average quarterly bill was \$118.² In short, continued rate increases are needed to protect the viability of WSSC Water.

History of Rate Increases

WSSC Water rate increases have varied from as low as zero percent in the early 2000s to as high as nine percent in FY 2010. Over the past six years, the average approved rate increase has been around 5.8%. Table 3 below represents requested rate increases versus what has been approved.

Table 4: Rate Increase Over Five Years


SPENDING AFFORDABILITY IMPACTS ON RATE INCREASES						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Requested Rate	5.2%	6.0%	8.0%	7.9%	8.0%	8.0%
Approved Rate	4.5%	5.0%	6.0%	5.9%	6.5%	7.0%
Change	-0.7%	-1.0%	-2.0%	-2.0%	-1.5%	-1.0%
Cumulative	-0.7%	-1.7%	-5.7%	-5.7%	-7.2%	-8.2%

¹ [Water costs are rising across the U.S. — here's why - CBS News](#)

² [Rising Water Utility Bills Expected to Go Higher \(aarp.org\)](#)

Generally, WSSC Water’s rate increases have aligned with other peer utilities, but most years, they are lower than DC Water, Baltimore City and Fairfax Water. Please see the below chart.

Table 5: Regional Increase Comparisons



Regional Rate Increase Comparison

Agency/Region	Actual	Actual	Actual	Actual	Actual							
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Avg 6 Year
WSSC Water												
Water and Sewer Rate Increase	5.0%	6.0%	5.9%	6.5%	7.0%	11.6%	12.5%	6.0%	5.5%	4.2%	4.2%	7.3%
DC Water												
Water and Sewer Rate Increase	11.5%	9.9%	7.8%	9.5%	3.3%	10.0%	7.5%	8.5%	8.0%	8.0%	7.5%	8.3%
Baltimore City												
Water Rate Increase	9.9%	9.9%	9.9%	3.0%	3.0%	3.0%	n/a	n/a	n/a	n/a	n/a	
Sewer Rate Increase	9.0%	9.0%	9.0%	3.5%	3.5%	3.5%	n/a	n/a	n/a	n/a	n/a	
Fairfax, VA												
Fairfax Water	8.5%	0.0%	3.9%	4.5%	5.2%	n/a	n/a	n/a	n/a	n/a	n/a	
Fairfax County Sewer	4.0%	0.0%	6.0%	4.8%	4.6%	4.1%	5.9%	5.4%	5.3%	n/a	n/a	

Bold Represents Approved Rates

As General Manager Powell mentioned on Tuesday, October 10, inflationary pressures, and the impacts of the COVID-19 pandemic continue to impact costs and revenues. Unfortunately, declining consumption is a trend that will also continue to impact revenues going forward. We continue to support the Commission as it seeks innovative revenue sources while adequately capturing customer revenues. Funding the Commission's priorities for a healthy utility with an adequate workforce is also the County’s priority.

Staff Recommended Rate Case Increase

The SAG process provides a framework within which both counties may review and decide on WSSC spending control limits. These limits do not cap what the Councils may approve within the regular budget process, which concludes in May. Below is a summary of what the Prince George’s County staff recommends for FY 2025.

Table 6: Council Staff Recommended – Spending Limit

FY 2025 – Staff Recommended Rate Case Scenario @ 9.0%			
Spending Control Limits	FY 2025 Staff Recommendation	FY 2024 WSSC Approved	Change from FY 2023 Budget (%)
Rate Increase	9.0%	7.0%	2.0%
New Debt	\$420,387	\$379,960	10.6%
Debt Service	\$363,140	\$328,467	10.6%
Total Water and Sewer Operating Expenses	\$1,018,372	\$924,532	10.2%
Customer Quarterly Impact at 150 gpd			
		Rate	Percent
		11.6%	\$29.02

Attachments

- Attachment A: Fitch Rating Agency Comments
- Attachment B: Base Case Long-term Financials at 11.6%
- Attachment C: Recommendation at 9.0%
- Attachment D: WSSC Water Additional Budget Requests

Attachment A: Fitch Rating Agency Comments

ANALYTICAL CONCLUSION

The 'AAA' IDR and bond rating reflect WSSD's very strong utility fundamentals that reflect its revenue defensibility and operating risk profiles, both assessed at 'aa'. The financial profile, also assessed at 'aa', reflects Fitch's expectations for the district's leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), to decline to less than 9.0x over the next five years.

Leverage rose to 11.1x in fiscal 2020 from 7.0x in fiscal 2017 and declined over the past two fiscal years to 8.9x in fiscal 2022 (FYE June 30). Fiscal 2022 results reflect an approximately 12% increase in user revenues following several years of flat results, despite regular rate increases. Operating expenditures also declined from fiscal 2021, resulting in improved FADS.

However, the Negative Outlook reflects leverage that may again exceed or remain near 10.0x for the next one to two years. A sustained trend in declining leverage longer-term is dependent upon continued robust rate adjustments over the five-year horizon and beyond to generate FADS in support of ongoing capital spending and increasing operating costs.

Fitch also considers the district's financial profile in the context of the service area's (Prince George's and Montgomery Counties) resource base. From this vantage, its long-term obligations approximate 2.4% of total personal income (2021 data). When combined with the district's authority to levy taxes to pay debt service and operations, this expanded view of leverage supports the 'AAA' IDR and bond ratings.

However, Fitch notes that ad valorem taxes are not currently levied, and the authority to do so is subject to a review process that, while serving to prevent default, limits the benefit of this additional resource at the current rating

level. This, along with the current leverage profile, which remains elevated for the financial profile assessment, is also considered in the Negative Outlook. Fitch's view regarding the incremental benefit of the district's authority to levy taxes is unlikely to continue to support the current rating if the trend of declining leverage is interrupted or reversed.

Attachment B: Revised Base Case - Long-term Financial Forecast at 11.6% Rate Increase

FINANCIAL FORECAST - WATER AND SEWER OPERATING FUNDS AT 11.6% & 12.5% / READY TO SERVE INCREASE/ FY 2027 LEVEL PRINCIPAL / PAYGO REDUCTION / NO AMI PROJEC

	(In Thousands \$000s)	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Preliminary	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
SAG LIMITS										
1	New Water and Sewer Debt Issues	\$ 358,840	\$ 379,960	\$ 375,296	\$ 420,387	\$ 414,741	\$ 342,039	\$ 365,842	\$ 369,105	\$ 363,313
2	Total Water and Sewer Debt Service	321,844	328,467	329,985	363,140	381,332	401,396	420,166	437,188	453,180
3	Total Water and Sewer Expenditures	855,946	924,352	937,069	1,040,465	1,166,226	1,231,917	1,290,274	1,341,955	1,396,377
4	Water and Sewer Combined Rate Increase (Avg.)	6.5%	7.0%	7.0%	11.6%	12.5%	6.0%	5.5%	4.2%	4.2%
FINANCIAL PLAN										
5	Water and Sewer User Charges	\$ 749,437	\$ 790,142	\$ 790,142	\$ 881,490	\$ 991,257	\$ 1,050,573	\$ 1,108,355	\$ 1,154,915	\$ 1,203,824
6	Other Sources/Fees	130,361	132,641	134,666	144,144	156,250	163,241	170,097	175,837	181,840
	Account Maintenance Fees	34,888	36,259	36,259	40,451	45,488	48,210	50,862	52,998	55,243
	Rockville Sewer Use	3,879	3,100	3,200	3,300	3,300	3,300	3,300	3,300	3,300
	Plumbing and Inspection Fees	20,513	20,380	20,380	21,356	21,997	22,657	23,336	24,036	24,757
	Infrastructure Investment Fee	43,269	44,180	44,180	49,288	55,425	58,742	61,973	64,576	67,310
	Intergovernmental/ Grants	2,743	1,761	3,686	2,500	2,500	2,500	2,500	2,500	2,500
	Miscellaneous	25,069	26,961	26,961	27,250	27,540	27,833	28,127	28,426	28,730
	Interest Income	14,924	8,000	12,000	8,860	8,000	8,000	8,000	8,000	8,000
	Cost Sharing Reimbursement/ Natural Gas Sales	-	743	743	7,013	12,860	12,860	7,158	7,004	7,004
	Uncollectible @ 1% of User Charges	-	(7,901)	(7,901)	(8,815)	(9,913)	(10,506)	(11,084)	(11,549)	(12,038)
7	Operating Revenues	894,722	923,625	929,649	1,032,693	1,158,454	1,224,169	1,282,526	1,334,207	1,388,629
	<i>Growth (% change)</i>				11.1%	12.2%	18.5%	4.8%	4.0%	4.1%
8	OTHER TRANSFERS AND CREDITS	10,275	8,972	7,772	7,772	7,772	7,748	7,748	7,748	7,748
	Use of Fund Balance	-	-	-	-	-	-	-	-	-
	Reconstruction Debt Service Offset (REDO)	-	-	-	-	-	-	-	-	-
	SDC Debt Service Offset	5,772	5,772	5,772	5,772	5,772	5,748	5,748	5,748	5,748
	Premium Transfer	2,503	-	-	-	-	-	-	-	-
	Underwriter's Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	Miscellaneous Offset	-	1,200	-	-	-	-	-	-	-
9	Total Funds Available	\$ 904,997	\$ 932,597	\$ 937,421	\$ 1,040,465	\$ 1,166,226	\$ 1,231,917	\$ 1,290,274	\$ 1,341,955	\$ 1,396,377

	(In Thousands \$000s)	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Preliminary	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
10	Salaries and Wages	\$ 127,044	\$ 141,179	\$ 141,179	\$ 164,585	\$ 174,523	\$ 182,376	\$ 190,583	\$ 199,160	\$ 208,122
11	Heat, Light, and Power	24,595	27,373	27,373	27,271	26,463	27,260	28,078	28,921	31,373
12	Regional Sewage Disposal	71,025	64,201	75,400	76,908	78,446	80,015	81,615	83,248	84,913
13	All Other	268,821	319,132	319,132	347,417	358,938	389,706	401,398	413,302	425,701
14	Operating Expenses	\$ 491,485	\$ 551,885	\$ 563,084	\$ 616,181	\$ 638,370	\$ 679,358	\$ 701,674	\$ 724,630	\$ 750,109
16	Bonds and Notes Principal and Interest	300,093	328,467	329,985	363,140	381,332	401,396	420,166	437,188	453,180
	Operating Expenses with Debt Service	791,578	880,352	893,069	979,321	1,019,702	1,080,754	1,121,840	1,161,818	1,203,289
	<i>Growth (% change)</i>				9.7%	4.1%	6.0%	3.8%	3.6%	3.6%
18	OTHER TRANSFERS AND ADJUSTMENTS									
19	Unspecified Reductions/Additional & Reinstated	-	-	-	-	20,000	-	-	-	-
20	PAYGO (Contribution to bond fund)	29,211	44,000	44,000	61,144	126,524	151,163	168,434	180,136	193,088
21	Total Expenditures	\$ 820,789	\$ 924,352	\$ 937,069	\$ 1,040,465	\$ 1,166,226	\$ 1,231,917	\$ 1,290,274	\$ 1,341,955	\$ 1,396,377
22	Net Revenue (Loss)	84,208	8,245	353	-	0	0	0	0	0
23	BEGINNING FUND BALANCE - JULY 1	\$ 242,554	\$ 266,601	\$ 314,748	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101
24	Net Increase (Decrease) in Fund Balance	84,208	8,245	353	-	0	-	-	-	-
25	Use of Fund Balance/Other Adjustments	(12,014)	-	-	-	-	-	-	-	-
26	ENDING FUND BALANCE - JUNE 30	\$ 314,748	\$ 274,846	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101

TIEE Committee
WSSC Water SAG Report
October 12, 2023
Attachment C: Long-term Financial Plan 9.0% Rate Increase

FINANCIAL FORECAST - WATER AND SEWER OPERATING FUNDS AT 9.0% & 12.5% / READY TO SERVE INCREASE/ FY 2027 LEVEL PRINCIPAL / PAYGO REDUCTION / NO AMI PROJ

	(In Thousands \$000s)	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Preliminary	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
SAG LIMITS										
1	New Water and Sewer Debt Issues	\$ 358,840	\$ 379,960	\$ 375,296	\$ 420,387	\$ 414,741	\$ 342,039	\$ 365,842	\$ 369,105	\$ 363,313
2	Total Water and Sewer Debt Service	321,844	328,467	329,985	363,140	381,332	401,396	420,166	437,188	453,180
3	Total Water and Sewer Expenditures	855,946	924,352	937,069	1,018,372	1,141,383	1,205,587	1,262,495	1,313,009	1,366,205
4	Water and Sewer Combined Rate Increase (Avg.)	6.5%	7.0%	7.0%	9.0%	12.5%	6.0%	5.5%	4.2%	4.2%
FINANCIAL PLAN										
5	Water and Sewer User Charges	\$ 749,437	\$ 790,142	\$ 790,142	\$ 861,255	\$ 968,502	\$ 1,026,457	\$ 1,082,912	\$ 1,128,404	\$ 1,176,189
6	Other Sources/Fees	130,361	132,641	134,666	142,085	153,933	160,786	167,507	173,138	179,026
	Account Maintenance Fees	34,888	36,259	36,259	39,522	44,444	47,103	49,694	51,782	53,974
	Rockville Sewer Use	3,879	3,100	3,200	3,300	3,300	3,300	3,300	3,300	3,300
	Plumbing and Inspection Fees	20,513	20,380	20,380	21,356	21,997	22,657	23,336	24,036	24,757
	Infrastructure Investment Fee	43,269	44,180	44,180	48,156	54,153	57,393	60,550	63,094	65,764
	Intergovernmental/ Grants	2,743	1,761	3,686	2,500	2,500	2,500	2,500	2,500	2,500
	Miscellaneous	25,069	26,961	26,961	27,250	27,540	27,833	28,127	28,426	28,730
	Interest Income	14,924	8,000	12,000	8,860	8,000	8,000	8,000	8,000	8,000
	Cost Sharing Reimbursement/ Natural Gas Sales		743	743	7,013	12,860	12,860	7,158	7,004	7,004
	Uncollectible @ 1% of User Charges		(7,901)	(7,901)	(8,613)	(9,685)	(10,265)	(10,829)	(11,284)	(11,762)
7	Operating Revenues	894,722	923,625	929,649	1,010,600	1,133,611	1,197,839	1,254,748	1,305,261	1,358,458
	Growth (% change)				8.7%	12.2%	18.5%	4.8%	4.0%	4.1%
8	OTHER TRANSFERS AND CREDITS	10,275	8,972	7,772	7,772	7,772	7,748	7,748	7,748	7,748
	Use of Fund Balance	-	-	-	-	-	-	-	-	-
	Reconstruction Debt Service Offset (REDO)	-	-	-	-	-	-	-	-	-
	SDC Debt Service Offset	5,772	5,772	5,772	5,772	5,772	5,748	5,748	5,748	5,748
	Premium Transfer	2,503	-	-	-	-	-	-	-	-
	Underwriter's Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	Miscellaneous Offset	-	1,200	-	-	-	-	-	-	-
9	Total Funds Available	\$ 904,997	\$ 932,597	\$ 937,421	\$ 1,018,372	\$ 1,141,383	\$ 1,205,587	\$ 1,262,495	\$ 1,313,009	\$ 1,366,205

	(In Thousands \$000s)	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Preliminary	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	
10	Salaries and Wages	\$ 127,044	\$ 141,179	\$ 141,179	\$ 164,585	\$ 174,523	\$ 182,376	\$ 190,583	\$ 199,160	\$ 208,122	
11	Heat, Light, and Power	24,595	27,373	27,373	27,271	26,463	27,260	28,078	28,921	31,373	
12	Regional Sewage Disposal	71,025	64,201	75,400	76,908	78,446	80,015	81,615	83,248	84,913	
13	All Other	268,821	319,132	319,132	347,417	357,839	368,574	379,632	390,891	402,617	
14	Operating Expenses	\$ 491,485	\$ 551,885	\$ 563,084	\$ 616,181	\$ 637,271	\$ 658,226	\$ 679,908	\$ 702,218	\$ 727,025	
16	Bonds and Notes Principal and Interest	300,093	328,467	329,985	363,140	381,332	401,396	420,166	437,188	453,180	
	Operating Expenses with Debt Service	791,578	880,352	893,069	979,321	1,018,603	1,059,622	1,100,074	1,139,407	1,180,205	
	Growth (% change)				9.7%	4.0%	4.0%	3.8%	3.6%	3.6%	
18	OTHER TRANSFERS AND ADJUSTMENTS										
19	Unspecified Reductions/Additional & Reinstated	-	-	-	(22,093)	(3,745)	(5,198)	(6,013)	(6,534)	(7,087)	
20	PAYGO (Contribution to bond fund)	29,211	44,000	44,000	61,144	126,524	151,163	168,434	180,136	193,088	
21	Total Expenditures	\$ 820,789	\$ 924,352	\$ 937,069	\$ 1,018,372	\$ 1,141,383	\$ 1,205,587	\$ 1,262,495	\$ 1,313,009	\$ 1,366,205	
22	Net Revenue (Loss)	84,208	8,245	353	-	-	0	0	0	0	
23	BEGINNING FUND BALANCE - JULY 1	\$ 242,554	\$ 266,601	\$ 314,748	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	
24	Net Increase (Decrease) in Fund Balance	84,208	8,245	353	-	-	-	-	-	-	
25	Use of Fund Balance/Other Adjustments	(12,014)	-	-	-	-	-	-	-	-	
26	ENDING FUND BALANCE - JUNE 30	\$ 314,748	\$ 274,846	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	\$ 315,101	
27	Metrics for Water and Sewer Operating Funds										
28	Debt Service as a Percentage of Total Expenditures (Below 40% is target)	36.6%	35.5%	35.2%	35.7%	33.4%	33.3%	33.3%	33.3%	33.2%	
29	Operating Reserve Required 20% Level (\$)	\$178,944	\$184,725	\$185,930	\$202,120	\$226,722	\$239,568	\$250,950	\$261,052	\$271,692	
30	Ending Fund Balance as a Percentage of Operating Revenue (20% min)	35.2%	29.8%	33.9%	31.2%	27.8%	26.3%	25.1%	24.1%	23.2%	
31	Total Workyears	1,677	1,836	1,836	1,984	1,984	1,984	1,984	1,984	1,984	
32	Credit Rating Drivers at Highest Rating (All Funds)										
33	BASE CASE										
34	Financial Profile:										
35	Leverage Ratio - Credit Rating Preservation (< 10.0)	7.9	n/a	9.2	8.6	7.7	7.3	7.0	6.8	6.6	
36	Debt Service Coverage (1.5 target)	1.5	1.1	1.3	1.3	1.5	1.5	1.5	1.6	1.6	
37	Days Cash-on-Hand (250 target)	203.5	150.0	223.9	250.6	273.3	301.9	328.1	353.0	375.5	

List of enhancements that fall under (Additional Operating Budget Requests) 1.9%

Additional & Reinstated Request	Water & Sewer Fund Impact
Vehicle replacement and new purchases (Service Delivery)	\$ 6,714,900
Chemicals (Service Delivery, Regulatory, Core Mission)	4,600,000
Promise Pay - (Affordability/Customer service related)	3,300,000
Lead service line replacement (Regulatory Compliance)	3,000,000
IT Infrastructure enhancements (Service Delivery, Operational Reliability)	3,000,000
Bright Key Call Center support (Customer service related)	1,100,000
Biosolids management combined heat & power system maintenance	1,100,000
Biomethane gas testing and sampling (Service Delivery, Operational Reliability)	580,000
Water Fund contribution (Afforability)	500,000
CAP Plumbing Repair Program (Affordability)	350,000
Bypass pumping services and emergency repairs (Service Delivery)	800,000
Metalic water main condition assessment	483,000
Wastewater Assessment - CCTV Inspection	550,000
Fire flow testing (Regulatory)	555,400
Flow meter maintenance	373,000
Trunk sewer inspections	250,000
Fire hydrant painting	150,000
148 positions for Engineering & Construction, Production, Utility Services, IT and Staff Offices	10,531,609
55 of the 148 position are fully offset by reductions in temporary and consulting services	(4,910,013)
Total	\$ 33,027,896