

MEMORANDUM

October 14th, 2010

TO: Eric Olson, Chair
Transportation, Housing and Environment Committee (THE)

FROM: Hawi Sanu, Director ^{HS}
Transportation, Housing and Environment Committee (THE)

Howard Stone ^{HS}
Office of Audits and Investigations

THRU Robert Williams, Council Administrator ^{R.W.}
Prince Georges County Council

SUBJECT: WSSC FY 2012 Spending Control Limits

Montgomery and Prince George's County Councils created a Bi-County Working Group on WSSC Spending Controls to focus on the financial concerns of increasing water and sewer rates, debt, and debt service levels.

Background

In May of 1993, the Montgomery and Prince George's County Councils created a Bi-County Working Group on WSSC Spending Controls to focus on the financial concerns of increasing water and sewer rates, debt, and debt service levels. This group's January 1994 report recommended "the creation of a Spending Affordability Process that requires the Counties to set annual ceilings on WSSC's rates and debt, and then place corresponding limits on the size of the capital and operating budgets of the Commission."

A Bi-County team was put together and a process was created to control capital, operational, and new debt service costs for the purpose of moderating or avoiding water and sewer bill increases. WSSC's FY 1996 Budget was the first budget to be formulated with the limits set by the spending affordability process. The Spending Affordability Process focused the financial performance discussions on the need to balance affordability considerations against providing resources necessary to serve existing customers, meet environmental mandates, and provide the facilities needed to accommodate growth. The major objectives of this process are to establish the framework for (1) controlling costs, (2) achieving low or moderate water/sewer bill increases, and (3) slowing the rate at which WSSC incurs debt. The impact of this process has been integral in keeping customer bill increases at a stable and reasonable level.

The Spending Affordability process provides a framework within which the Council can review and decide on spending control limits. The limits do not cap what the Councils can approve within the regular budget process that concludes in May of each year.

Schedule

The FY 2012 Spending Affordability Group met on September 8th and 22nd 2010. The base case scenario presented at the first meeting, assuming a same services level as FY 2011 yielded a 10.6% rate increase. This scenario represented a 2.1% rate increase above the FY 2011 adopted budget and represented a 2.5% rate increase above the FY 2011 same services scenario during the spending affordability process at the same time last year. An FY 2012 Spending Affordability Scenario which included funding for new and expanded programs translated into a 12.0% rate increase.

Historical Data on Spending Control Limits

Historically, the spending affordability process has worked and the limits have been used as a basis to formulate the Commission's budget. Over the years, certain minimal rate increases were achieved by use of fund balance; staff will urge caution in using a one-time revenue source such as fund balance to reduce rates as this only reassigns expenses to later years and does not eliminate it. The spending affordability process was put in place to review four limits: Rates, Operating Budget, Debt Service Expense and New Debt; however the most reviewed has been the rate increase and the other three limits are then adjusted accordingly.

From FY 1999 through FY 2004, there were no rate increases, in FY 2005 there was a 3% rate increase, FY 2006, 2.5% rate increase, FY 2007 3.0% rate increase and in FY 2008, there was a 6.5% rate increase. In FY 2008, the spending affordability recommended rate was 5.3%; however the actual budget rate increase was 6.5%; In FY 2009 there was a rate increase of 8% with the use of \$5.6 million of fund balance, in FY 2010, there was a rate increase of 9% and in FY 2011, there was an 8.5% rate increase.

Scenarios

Several scenarios were discussed over the course of the Spending Affordability Process in conjunction with an adjustment to the billing factor and without. The billing factor discussion came about as a result of the past years projected revenues not being reflected in the actual revenues. All scenarios include the use \$7 million funding for the GASB 45 requirement which is an 8 year phase in, and a proposed increase of \$1.9 million in addition to the \$1.5 million operating reserve contribution in order to meet the 10% target that they were trying to attain. The \$1.5 million, which is usually

contributed is insufficient and has shown a regression in the operating reserve rather than a progression toward 10%. A 5% cost of living adjustment / merit for some employees that are eligible for such raises has also been included in all scenarios.

Scenario 1: A same services scenario as last fiscal year with an adjustment of 1.5% to the billing factor. WSSC has been conservatively increasing the billing factor over a period of time, however, the projected revenues based on the proposed and adopted billing factors, have never materialized. The group agreed that it was fiscally prudent to adjust the billing factor so as to get a more accurate picture of the projected revenues. A 10.6 % rate increase adds approximately \$6.35 to an average monthly consumers' bill which means that 1% of the rate increase translates into .64 cents per month on an average consumers' bill.

Scenario 1 yielded a 10.6% rate increase. (Attachment A)

A further breakdown of the rate increase component between FY-2011 and FY2012 – same services is attached. **(Attachment B)**

Scenario 2: is exactly as Scenario 1 without the adjustment to the billing factor and therefore assuming more revenues, yielded a rate increase of 9.1%. **(Attachment C)**

Scenario 3: shows a same services level as in FY 2011; and all assumptions in scenario 1, and an inclusion of all **mandatory** new and expanded programs and yields a rate increase of 12.0%. In light of the economic climate, the group had discussions to review the new and expanded programs and determine which of them are mandatory and which ones are not. **(Attachment D)**

A further breakdown of the rate increase component between FY-2011 and FY2012 – with new and expanded programs is attached. **(Attachment E)**

(Attachment G) is a consolidated list of all new and expanded programs projected within the spending affordability process in a prioritized order.

Scenario 4: represents a rate increase of 7% which adds approximately \$4.18 to an average consumer's bill.

(Attachment H)

Scenario 5: The debt to equity ratio will become a concern in the next two to three years as it moves to 40%. This will impact WSSC's borrowing ability as they will not be deemed favorable in terms of credit worthiness. **(Attachment I)**

Council Staff Recommendations

- *Council Staff recommends Scenario 4 which is the rate increase of 7.0%.*
- *Council Staff recommends that Capital Projects must be conservatively reviewed so as not to incur debts for projects that are not expensed in the budget year projected; these projected costs are rolled into rate increases during the budget process.*
- *The Commission must consider reducing expenditures a cancellation of merits and Colas, by furloughs, reduction in force and freezing of vacancies rather than raising rates.*
- *Council Staff suggests that Consent Decree items be stretched out over longer periods of time so as to lessen the impact on consumer rates.*

ASSUMPTIONS
WSSC's Multi-Year Financial Forecast
FY 2012 thru 2017 Forecast : Preliminary (Revised)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	<u>Proposed</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
WATER PRODUCTION						
Yearly Growth Increment (MGD)	-	0.5	0.5	0.5	0.5	0.5
Estimated Annual Average Water Production (MGD)	170.0	170.5	171.0	171.5	172.0	172.5
OPERATING FUNDS						
Salaries & Wages Rate of Increase	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Heat, Light & Power Annual Expenses (Includes savings from Energy Performance Program)	15,821	14,463	15,354	16,304	17,310	18,409
Water (\$ thousands)	12,944	11,834	12,563	13,339	14,163	15,062
Sewer (\$ thousands)						
Blue Plains (Regional Sewage Disposal) Rate of Increase	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
All Other - % Annual Increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
GASB 045 Expense	7,000	8,000	9,000	10,000	10,000	10,000
Water REDO (\$ thousands)	5,500	5,500	5,300	5,300	5,000	5,000
Sewer REDO (\$ thousands)	5,500	5,500	5,200	5,200	5,000	5,000
Work Years / FTE \$s	-	-	-	-	-	-
Operating Program	-	-	-	-	-	-
Capital Programs	-	-	-	-	-	-
BOND FUNDS						
Short-term Construction Note Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Long-Term Bond Interest Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Bond Life for Water and Sewer Bonds (yrs)	19	19	19	19	19	19
CAPITAL EXPENDITURES RELATED PARAMETERS						
Construction Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Water Construction Completion Factor	80%	80%	80%	80%	80%	80%
Sewer Construction Completion Factor	80%	80%	80%	80%	80%	80%
Blue Plains Sewer Construction Completion Factor	80%	80%	80%	80%	80%	80%
ENR Construction Completion Factor	80%	80%	80%	80%	80%	80%
Reconstruction Completion Factor	100%	100%	100%	100%	100%	100%

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : Preliminary (Revised)
 Estimated Revenues and Expenditures (\$1,000)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenue							
1 Water & Sewer Rate Revenue	Approved \$478,818	Proposed \$471,636	Estimate \$523,329	Estimate \$573,089	Estimate \$623,776	Estimate \$665,161	Estimate \$711,174
2 All Other Sources	51,659	51,186	52,297	50,057	50,611	50,732	50,959
3 Total Revenue	530,477	522,822	575,626	623,146	674,387	715,893	762,133
Expenses							
4 Maintenance & Operating	320,708	337,105	349,349	364,306	379,881	398,725	418,587
5 Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218	59,335
6 Debt Service	174,454	196,290	232,144	264,929	288,948	313,130	337,749
7 PAYGO	-	-	-	-	-	-	-
8 Additional Operating Reserve Contribution	1,500	3,400	4,100	1,500	1,500	1,500	1,500
9 Adjustments to Expenses (SDC Debt Service Offset, REDO)	(13,898)	(13,293)	(13,192)	(11,928)	(11,667)	(10,728)	(10,207)
10 Unspecified reductions	-	-	-	-	-	-	-
11 Total Expenses	\$530,477	\$572,980	\$623,711	\$672,014	\$713,838	\$759,845	\$806,965
12 Revenue Gap (Revenue - Expenses)	-	(50,158)	(48,084)	(48,868)	(39,452)	(43,952)	(44,832)
Water Production (MGD)	170.0	170.0	170.5	171.0	171.5	172.0	172.5
13 Debt Service Ratio (debt service / budget)	32.9%	34.3%	37.2%	39.4%	40.5%	41.2%	41.9%

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Rate Increase	8.5%	10.6%	9.2%	8.5%	6.3%	6.6%	6.3%
Operating Budget	\$530,477	\$572,980	\$623,711	\$672,014	\$713,838	\$759,845	\$806,965
Debt Service Expense	174,454	196,290	232,144	264,929	288,948	313,130	337,749
New Debt	249,374	325,285	401,869	341,560	284,930	293,573	307,784

NOTE:
 Impact of Rate Increase on Average Residential Monthly Bill

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	\$4.60	\$6.35	\$6.07	\$6.15	\$4.95	\$5.50	\$5.59

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : Preliminary (Revised)
 Estimated Revenues and Expenditures (\$'1,000)

	FY 2011 Approved	FY 2012 Proposed	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
REVENUE							
1 Water / Sewer Use Charges	\$478,818	\$471,636	\$523,329	\$573,089	\$623,776	\$665,161	\$711,174
3 Account Maintenance Fee (Ready to Serve Charge)	22,850	22,850	22,900	22,900	22,950	22,950	23,000
2 Interest Income	4,000	4,000	4,050	4,050	4,100	4,100	4,150
Plumbing/Inspection Fees	5,823	5,823	5,873	5,873	5,923	5,973	6,023
Rockville Sewer Use	2,258	2,353	2,404	2,444	2,438	2,509	2,536
Products & Technology	-	-	-	-	-	-	-
5 Miscellaneous	13,547	12,760	12,970	13,290	13,700	13,700	13,750
6 Total Revenue	527,296	519,422	571,526	621,646	672,887	714,393	760,633
Adjustments to Revenue							
9 Use of Fund Balance	3,181	3,400	4,100	1,500	1,500	1,500	1,500
10 Less Rate Stabilization	-	-	-	-	-	-	-
11 Adjustments to Total Revenue	3,181	3,400	4,100	1,500	1,500	1,500	1,500
12 FUNDS AVAILABLE	530,477	522,822	575,626	623,146	674,387	715,893	762,133
EXPENDITURES							
13 Salaries and Wages	93,483	98,158	103,067	108,222	113,634	119,317	125,284
14 Salaries and Wages based on Workyear Adjustment	-	-	-	-	-	-	-
15 Heat, Light and Power	27,819	28,765	26,297	27,917	29,643	31,473	33,471
19 Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218	59,335
16 All Other	199,406	210,182	219,985	228,167	236,604	247,935	259,832
17 All Other based on New & Expanded Programs	-	-	-	-	-	-	-
22 Additional Operating Reserve Contribution	1,500	3,400	4,100	1,500	1,500	1,500	1,500
20 Unspecified reductions	-	-	-	-	-	-	-
21 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
23 Total Operating Expenses	369,921	389,983	404,758	419,013	436,557	457,443	479,422
24 Debt Service	174,454	196,290	232,144	264,929	288,948	313,130	337,749
25 Debt Reduction (PAYGO)	-	-	-	-	-	-	-
23 Total Financial Expenses	174,454	196,290	232,144	264,929	288,948	313,130	337,749
TOTAL GROSS EXPENSES (Operating & Financial)	544,375	586,273	636,903	683,942	725,505	770,573	817,172
7 Less: SDC Debt Service Offset	(2,398)	(2,293)	(2,192)	(1,428)	(1,167)	(728)	(207)
8 Reconstruction Debt Service Offset	(11,500)	(11,000)	(11,000)	(10,500)	(10,500)	(10,000)	(10,000)
NET EXPENSES	530,477	572,980	623,711	672,014	713,838	759,845	806,965
28 Revenue - Expenditure Gap before rate increase	-	(50,159)	(48,084)	(48,868)	(39,452)	(43,952)	(44,832)
29 Rate Increase	8.5%	10.6%	9.2%	8.5%	6.3%	6.6%	6.3%

Water & Sewer Capital and Bond Funds Summary - Report
WSSC Multi-Year Financial Forecast (Spending Affordability -- Preliminary (Revised)): FYs 2012 thru 2017
 Estimated Expenditures and Funding (\$'1,000)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	<u>Approved</u>	<u>Proposed</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Capital Expenditures							
1	Water & Sewer CIP Projects	\$ 332,851	\$ 452,804	\$ 510,074	\$ 324,812	\$ 158,647	\$ 144,520
2	Information Only Projects (@ < 100% completion)	18,693	15,796	15,344	19,163	24,809	24,289
3	Additional High Probability Future CIP Projects	-	-	-	-	-	-
4	SAG Adjustments (unspecified capital spending reductions)	-	-	-	-	-	-
5	Subtotal - Capital Expenditures less unspecified SAG capital spending reductions	351,544	468,600	525,418	343,975	183,456	168,789
6	Subtotal - Capital Expenditures w/ scaling, completion, & Inflation index factors	\$ 281,237	\$ 386,128	\$ 445,934	\$ 300,697	\$ 165,186	\$ 156,539
Information Only Projects (@ 100% completion)							
7	Water Reconstruction	64,485	65,860	74,958	84,541	94,632	104,161
8	Sewer Reconstruction	69,445	49,560	57,021	64,416	71,395	79,565
9	EPP & Water Storage Facility Rehab	10,252	6,325	7,310	7,282	6,149	5,000
10	Total Capital Funding Required	<u>425,419</u>	<u>507,873</u>	<u>585,223</u>	<u>456,936</u>	<u>337,362</u>	<u>345,265</u>
Funding							
11	Bond Issues	249,374	325,285	401,889	341,560	284,930	293,573
12	5% Debt Buydown of Short-term Construction Notes	13,125	17,120	21,152	17,977	14,996	15,451
13	System Development Charges (w/ scaling, completion & inflation index factors)	56,186	79,928	87,667	54,482	12,271	5,820
14	PAYGO	-	-	-	-	-	-
15	Grants - Federal & State (Includes ENR Grants)	57,974	70,464	63,248	36,771	23,604	28,315
16	Developers and Government Contrib. (w/ scaling, completion & inflation index factors)	13,586	15,075	11,265	6,145	1,560	2,105
17	Previous Year's Funds Available after Construction	35,174	1	2	2	2	1
18	Total Funds Available	<u>425,419</u>	<u>507,873</u>	<u>585,223</u>	<u>456,936</u>	<u>337,362</u>	<u>345,265</u>
19	Funds Available after Construction	-	-	-	-	-	-
							<u>355,003</u>

Rate Increase Components

	FY 2011 Approved	FY 2012 Estimate	Dollar Change	Rate Impact	Description
Debt Service	174,454,000	196,290,000	21,836,000	4.63%	Debt Service is increasing due to increased capital spending assumptions (current & prior).
All Other	193,406,000	203,182,000	9,776,000	2.07%	Assumed 5 % increase in All Other Costs
Water & Sewer Revenue	\$ 478,818,000	\$ 471,636,000	\$ (7,182,000)	1.52%	Decrease in billing factor. No increase in water production.
Salaries & Wages	93,483,000	98,158,000	4,675,000	0.99%	Assumed 5% increase in Salaries & Wages
Regional Sewage Disposal	47,713,000	49,478,000	1,765,000	0.37%	
Use of Prior Year Net Revenue to fund EAM/ERP	1,681,000	-	(1,681,000)	0.36%	
GASB 45	6,000,000	7,000,000	1,000,000	0.21%	Fifth year of eight year phase-in of GASB 45
Heat, Light & Power	27,819,000	28,765,000	946,000	0.20%	Based on projection from WSSC Energy Manager.
Miscellaneous Revenue	21,628,000	20,936,000	(692,000)	0.15%	Based on historical miscellaneous revenue
Reconstruction Debt Service Offset	11,500,000	11,000,000	(500,000)	0.11%	
SDC Debt Service Offset	2,398,000	2,293,000	(105,000)	0.02%	
				10.63%	

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : Decrease in Billing Factor Offset by Fund Balance
 Estimated Revenues and Expenditures (\$1,000)

	FY 2011 <u>Approved</u>	FY 2012 <u>Proposed</u>	FY 2013 <u>Estimate</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Estimate</u>	FY 2016 <u>Estimate</u>	FY 2017 <u>Estimate</u>
Revenue							
1 Water & Sewer Rate Revenue	\$478,818	\$471,636	\$516,126	\$573,089	\$623,776	\$665,161	\$711,174
2 All Other Sources	51,659	58,368	52,297	52,208	49,111	49,232	49,459
3 Total Revenue	530,477	530,004	568,423	625,297	672,887	714,393	760,633
Expenses							
4 Maintenance & Operating	320,708	337,105	349,349	364,306	379,881	398,725	418,587
5 Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218	59,335
6 Debt Service	174,454	196,290	232,144	264,929	288,948	313,130	337,749
7 PAYGO	-	-	-	-	-	-	-
8 Additional Operating Reserve Contribution	1,500	3,400	4,100	3,651	-	-	-
9 Adjustments to Expenses (SDC Debt Service Offset, REDO)	(13,898)	(13,293)	(13,192)	(11,928)	(11,667)	(10,728)	(10,207)
10 Unspecified reductions	-	-	-	-	-	-	-
11 Total Expenses	\$530,477	\$572,980	\$623,711	\$674,165	\$712,338	\$758,345	\$805,465
12 Revenue Gap (Revenue - Expenses)	-	(42,976)	(55,288)	(48,868)	(39,452)	(43,952)	(44,832)
Water Production (MGD)	170.0	170.0	170.5	171.0	171.5	172.0	172.5

13 Debt Service Ratio (debt service / budget) 32.9% 34.3% 37.2% 39.3% 40.6% 41.3% 41.9%

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Rate Increase	8.5%	9.1%	10.7%	8.5%	6.3%	6.6%	6.3%
Operating Budget	\$530,477	\$572,980	\$623,711	\$674,165	\$712,338	\$758,345	\$805,465
Debt Service Expense	174,454	196,290	232,144	264,929	288,948	313,130	337,749
New Debt	249,374	325,285	401,889	341,560	284,930	293,573	307,784

NOTE:
Impact of Rate Increase on Average Residential Monthly Bill

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	\$4.60	\$5.44	\$6.98	\$6.75	\$4.95	\$5.50	\$5.59

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : Decrease in Billing Factor Offset by Fund Balance
 Estimated Revenues and Expenditures (\$1,000)

	FY 2011 Approved	FY 2012 Proposed	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
REVENUE							
1 Water / Sewer Use Charges	\$478,818	\$471,636	\$516,126	\$573,089	\$623,776	\$665,161	\$714,174
3 Account Maintenance Fee (Ready to Serve Charge)	22,850	22,850	22,900	22,900	22,950	22,950	23,000
2 Interest Income	4,000	4,000	4,050	4,050	4,100	4,100	4,150
Plumbing/Inspection Fees	5,823	5,823	5,873	5,873	5,923	5,973	6,023
Rockville Sewer Use	2,258	2,353	2,404	2,444	2,438	2,509	2,536
Products & Technology	-	-	-	-	-	-	-
Miscellaneous	13,547	12,760	12,970	13,290	13,700	13,700	13,750
5 Total Revenue	527,296	519,422	564,323	621,646	672,887	714,393	760,633
6							
Adjustments to Revenue							
9 Use of Fund Balance	3,181	10,582	4,100	3,651	-	-	-
10 Less Rate Stabilization	-	-	-	-	-	-	-
11 Adjustments to Total Revenue	3,181	10,582	4,100	3,651	-	-	-
12							
FUNDS AVAILABLE	<u>530,477</u>	<u>530,004</u>	<u>568,423</u>	<u>625,297</u>	<u>672,887</u>	<u>714,393</u>	<u>760,633</u>
EXPENDITURES							
13 Salaries and Wages	93,483	98,158	103,067	108,222	113,634	119,317	125,284
14 Salaries and Wages based on Workyear Adjustment	-	-	-	-	-	-	-
15 Heat, Light and Power	27,819	28,765	26,297	27,917	29,643	31,473	33,471
19 Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218	59,335
16 All Other	199,406	210,182	219,985	228,167	236,604	247,935	259,832
17 All Other based on New & Expanded Programs	-	-	-	-	-	-	-
22 Additional Operating Reserve Contribution	1,500	3,400	4,100	3,651	-	-	-
20 Unspecified reductions	-	-	-	-	-	-	-
21 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
23							
Total Operating Expenses	<u>369,921</u>	<u>389,983</u>	<u>404,758</u>	<u>421,164</u>	<u>435,057</u>	<u>455,943</u>	<u>477,922</u>
24 Debt Service	174,454	196,290	232,144	264,929	288,948	313,130	337,749
25 Debt Reduction (PAYGO)	-	-	-	-	-	-	-
23 Total Financial Expenses	<u>174,454</u>	<u>196,290</u>	<u>232,144</u>	<u>264,929</u>	<u>288,948</u>	<u>313,130</u>	<u>337,749</u>
TOTAL GROSS EXPENSES (Operating & Financial)	<u>544,375</u>	<u>586,273</u>	<u>636,903</u>	<u>686,093</u>	<u>724,005</u>	<u>769,073</u>	<u>815,672</u>
7 Less: SDC Debt Service Offset	(2,398)	(2,293)	(2,192)	(1,428)	(1,167)	(728)	(207)
8 Reconstruction Debt Service Offset	(11,500)	(11,000)	(11,000)	(10,500)	(10,500)	(10,000)	(10,000)
NET EXPENSES	<u>530,477</u>	<u>572,980</u>	<u>623,711</u>	<u>674,165</u>	<u>712,338</u>	<u>758,345</u>	<u>805,465</u>
28 Revenue - Expenditure Gap before rate increase	-	(42,977)	(55,288)	(48,868)	(39,452)	(43,952)	(44,832)
29 Rate Increase	8.5%	9.1%	10.7%	8.5%	6.3%	6.6%	6.3%

Water & Sewer Capital and Bond Funds Summary - Report

WSSC Multi-Year Financial Forecast (Spending Affordability -- Decrease in Billing Factor Offset by Fund Balance): FYs 2012 thru 2017
 Estimated Expenditures and Funding (\$1,000)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	<u>Approved</u>	<u>Proposed</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Capital Expenditures							
1	Water & Sewer CIP Projects	\$ 332,851	\$ 452,804	\$ 510,074	\$ 324,812	\$ 158,647	\$ 144,520
2	Information Only Projects (@ < 100% completion)	18,693	15,796	15,344	19,163	24,809	24,269
3	Additional High Probability Future CIP Projects	-	-	-	-	-	-
4	SAG Adjustments (unspecified capital spending reductions)	-	-	-	-	-	-
5	Subtotal - Capital Expenditures less unspecified SAG capital spending reductions	351,544	468,600	525,418	343,975	183,456	168,789
6	Subtotal - Capital Expenditures w/ scaling, completion, & inflation index factors	\$ 281,237	\$ 386,128	\$ 445,934	\$ 300,697	\$ 165,186	\$ 156,539
7	Information Only Projects (@ 100% completion)						
7	Water Reconstruction	64,485	65,860	74,958	84,541	94,632	104,161
8	Sewer Reconstruction	69,445	49,560	57,021	64,416	71,395	79,565
9	EPP & Water Storage Facility Rehab	10,252	6,325	7,310	7,282	6,149	5,000
10	Total Capital Funding Required	<u>425,419</u>	<u>507,873</u>	<u>585,223</u>	<u>456,936</u>	<u>337,362</u>	<u>345,285</u>
	Funding						
11	Bond Issues	249,374	325,285	401,889	341,560	284,930	293,573
12	5% Debt Buydown of Short-term Construction Notes	13,125	17,120	21,152	17,977	14,996	15,451
13	System Development Charges (w/ scaling, completion & inflation index factors)	56,186	79,928	87,667	54,482	12,271	5,820
14	PAYGO	-	-	-	-	-	-
15	Grants - Federal & State (includes ENR Grants)	57,974	70,464	63,248	36,771	23,604	28,315
16	Developers and Government Contrib. (w/ scaling, completion & inflation index factors)	13,586	15,075	11,265	6,145	1,560	2,105
17	Previous Year's Funds Available after Construction	35,174	1	2	2	2	1
18	Total Funds Available	<u>425,419</u>	<u>507,873</u>	<u>585,223</u>	<u>456,936</u>	<u>337,362</u>	<u>345,285</u>
19	Funds Available after Construction	-	-	-	-	-	-
							<u>355,003</u>

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : Preliminary w/ Additional & Reinstated Programs
 Estimated Revenues and Expenditures (\$1,000)

	FY 2011 <u>Approved</u>	FY 2012 <u>Proposed</u>	FY 2013 <u>Estimate</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Estimate</u>	FY 2016 <u>Estimate</u>	FY 2017 <u>Estimate</u>
2 Revenue							
2 Water & Sewer Rate Revenue	\$478,818	\$471,636	\$529,968	\$580,062	\$631,097	\$672,849	\$719,248
3 All Other Sources	51,659	51,186	52,297	50,057	50,611	50,732	50,959
4 Total Revenue	530,477	522,822	582,265	630,119	681,708	723,581	770,207
5 Expenses							
6 Maintenance & Operating	320,708	343,725	356,301	371,606	387,547	406,775	427,041
7 Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218	59,335
8 Debt Service	174,454	196,290	232,144	264,929	288,948	313,130	337,749
9 PAYGO	-	-	-	-	-	-	-
10 Additional Operating Reserve Contribution	1,500	3,400	4,100	1,500	1,500	1,500	1,500
11 Adjustments to Expenses (SDC Debt Service Offset, REDO)	(13,898)	(13,293)	(13,192)	(11,928)	(11,667)	(10,728)	(10,207)
12 Unspecified reductions	-	-	-	-	-	-	-
13 Total Expenses	\$530,477	\$579,600	\$630,663	\$679,314	\$721,504	\$767,895	\$815,419
14 Revenue Gap (Revenue - Expenses)	-	(56,778)	(48,397)	(49,195)	(39,796)	(44,313)	(45,212)
15 Water Production (MGD)	170.0	170.0	170.5	171.0	171.5	172.0	172.5
16 Debt Service Ratio (debt service / budget)	32.9%	33.9%	36.8%	39.0%	40.0%	40.8%	41.4%

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
17 Rate Increase	8.5%	12.0%	9.1%	8.5%	6.3%	6.6%	6.3%
18 Operating Budget	\$530,477	\$579,600	\$630,663	\$679,314	\$721,504	\$767,895	\$815,419
19 Debt Service Expense	174,454	196,290	232,144	264,929	288,948	313,130	337,749
20 New Debt	249,374	325,285	401,889	341,560	284,930	293,573	307,784

NOTE:
 Impact of Rate Increase on Average Residential Monthly Bill

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	\$4.60	\$7.19	\$6.11	\$6.19	\$4.99	\$5.55	\$5.64

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary

FY 2012 thru 2017 Forecast : Preliminary w/ Additional & Reinstated Programs

Estimated Revenues and Expenditures (\$1,000)

	FY 2011 Approved	FY 2012 Proposed	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
REVENUE							
1	Water / Sewer Use Charges	\$478,818	\$471,636	\$529,968	\$580,062	\$631,097	\$672,849
2	Account Maintenance Fee (Ready to Serve Charge)	22,850	22,850	22,900	22,900	22,950	22,950
3	Interest Income	4,000	4,000	4,050	4,050	4,100	4,100
4	Plumbing/Inspection Fees	5,823	5,823	5,873	5,873	5,923	5,973
5	Rockville Sewer Use	2,258	2,353	2,404	2,444	2,438	2,509
6	Products & Technology	-	-	-	-	-	-
7	Miscellaneous	13,547	12,760	12,970	13,290	13,700	13,700
8	Total Revenue	527,296	519,422	578,165	628,619	680,208	722,081
9	Adjustments to Revenue	3,181	3,400	4,100	1,500	1,500	1,500
10	Use of Fund Balance	-	-	-	-	-	-
11	Less Rate Stabilization	3,181	3,400	4,100	1,500	1,500	1,500
12	Adjustments to Total Revenue	-	-	-	-	-	-
13	FUNDS AVAILABLE	530,477	522,822	582,265	630,119	681,708	723,581
14	EXPENDITURES						
15	Salaries and Wages	93,483	98,158	103,067	108,222	113,634	119,317
16	Salaries and Wages - Additional & Reinstated Programs	-	2,346	2,464	2,588	2,718	2,854
17	Heat, Light and Power	27,819	28,765	26,297	27,917	29,643	31,473
18	Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218
19	All Other	199,406	210,182	219,985	228,167	236,604	247,935
20	All Other - Additional & Reinstated Programs	-	4,274	4,488	4,712	4,948	5,196
21	Additional Operating Reserve Contribution	1,500	3,400	4,100	1,500	1,500	1,500
22	Unspecified reductions	-	-	-	-	-	-
23	Unspecified reduction of future year's expenditure base	-	-	-	-	-	-
24	Total Operating Expenses	369,921	396,603	411,710	426,313	444,223	465,493
25	Debt Service	174,454	196,290	232,144	264,929	288,948	313,130
26	Debt Reduction (PAYGO)	-	-	-	-	-	-
27	Total Financial Expenses	174,454	196,290	232,144	264,929	288,948	313,130
28	TOTAL GROSS EXPENSES (Operating & Financial)	544,375	592,893	643,855	691,242	733,171	778,623
29	Less: SDC Debt Service Offset	(2,398)	(2,293)	(2,192)	(1,428)	(1,167)	(726)
30	Reconstruction Debt Service Offset	(11,500)	(11,000)	(11,000)	(10,500)	(10,500)	(10,000)
31	NET EXPENSES	530,477	579,600	630,663	679,314	721,504	767,895
32	Revenue - Expenditure Gap before rate increase	-	(56,778)	(48,397)	(49,195)	(39,796)	(44,313)
33	Rate Increase	8.5%	12.0%	9.1%	8.5%	6.3%	6.6%
							(45,212)
							6.3%

Rate Increase Components

	FY 2011 Approved	FY 2012 Estimate	Dollar Change	Rate Impact	Description
Debt Service	174,454,000	196,290,000	21,836,000	4.63%	Debt Service is increasing due to increased capital spending assumptions (current & prior).
All Other	193,406,000	203,182,000	9,776,000	2.07%	
Water & Sewer Revenue	\$478,818,000	\$471,636,000	\$ (7,182,000)	1.52%	Decrease in billing factor. No increase in water production.
Salaries & Wages	93,483,000	98,158,000	4,675,000	0.99%	Assumed 5% increase in Salaries & Wages
Additional & Reinstated Programs		3,570,219	3,570,219	0.76%	
New Positions		3,048,343	3,048,343	0.65%	
Regional Sewage Disposal	47,713,000	49,478,000	1,765,000	0.37%	
Use of Prior Year Net Revenue to fund EAM/ERP	1,681,000	-	(1,681,000)	0.36%	
GASB 45	6,000,000	7,000,000	1,000,000	0.21%	Fifth year of eight year phase-in of GASB 45
Heat, Light & Power	27,819,000	28,765,000	946,000	0.20%	Based on projection from WSSC Energy Manager.
Miscellaneous Revenue	21,628,000	20,936,000	(692,000)	0.15%	Based on historical miscellaneous revenue
Reconstruction Debt Service Offset	11,500,000	11,000,000	(500,000)	0.11%	
SIDC Debt Service Offset	2,398,000	2,293,000	(105,000)	0.02%	
				12.04%	

WSSC
FY 2012 ADDITIONAL & REINSTATED PROGRAM REQUESTS SUMMARY

Program: PLANT OPERATIONS

Patuxent Plant

Request: 1 Sr. Water Plant Operator, 1 Facility Technician

Cost including benefits: \$135,070, Water/Sewer Impact: \$135,070

Justification:

There are a total of 13 operators/facility technicians in the Patuxent Group. Given that it requires two staff members to cover each shift, often times the dayshift is sparsely covered, thus causing supervisors to perform operational and/or maintenance functions. Currently, 5 Sr. Water Plant operators and one Facility Technician are charged with covering plant operations between the hours of 3:00 pm and 6:30 am, as well as weekends and holidays. The current Sr. Operator is responsible for covering these "off-hour" shifts, often by working overtime. Fatigue is becoming a factor within the Sr. Operator ranks. In a self-perpetuating cycle, many of them work the necessary double shifts then need to take off in order to recuperate, requiring someone else to work a double shift in their place.

The Patuxent Plant's Phase II expansion and the addition of the new UV system will test the already stretched Plant workforce. Relief is necessitated in the form of at least one Sr. Water Plant Operator and one Facility Technician I. Without the addition of these new positions, overtime costs will continue to rise. The Plant may also begin to experience subtle slips in productivity as staff attempts to work a growing number of elongated hours.

Operations Support

Request: Contamination Rapid Response Team Call Back Duty Program

Cost: \$50,000, Water/Sewer Impact: \$50,000

Justification:

The Contamination Rapid Response Team (CRRT) was created to properly respond to water system contamination events such as those caused by terrorist, criminal, or accidental acts involving toxic and/or bacteriological agents. Presently, there is no plan or program in place to reliably ensure that CRRT personnel will be available at all times (24/7/365) to respond to a security breach event requiring mobile testing. The WSSC Internal Security Task Force (ISTF) is requesting that an after hours standby duty program be established, and modeled after the other Production Team Standby Duty Programs, to insure the availability and prompt response of two CRRT members at all times.

Operations Support

Request: 1 Sr. Mechanical Engineer

Cost including benefits: \$95,550 Water/Sewer Impact: \$95,550

Justification:

The Energy Manager has been working independently for many years, due to staffing levels. This has exposed the Commission to a serious succession management problem should the Energy Manager unexpectedly leave the Commission. In addition, the duties have expanded due to the increasing number of energy saving programs. The Energy Manager's responsibilities include investigating and administering bulk power procurements with other consortium members, monitoring and reporting to management proposed and actual changes in state power regulations, investigating and pursuing federal, state, and local utility grants for energy conservation, projecting WSSC's power requirements and preparing associated cost estimates, designing and maintaining the Commission's renewable energy portfolio plans and researching and participating in the implementation of energy saving projects, including wind, solar, and anaerobic digestion/combined heat and power.

In light of the increasing duties and the associated succession risk exposure, a new Sr. Mechanical Engineer position is requested. This position would also assist in supporting the Production Team's Internal Security Task Force as its workload increases.

ATTACHMENT F

Systems Control

Request: 1 Electrical/Mechanical Supervisor

Cost including benefits: \$102,050, Water/Sewer Impact: \$102,050

Justification:

The Chief Water Distribution Operator has 15 direct reports. He is also responsible for overseeing day to day operations, work assignments, the coordination of new facilities going on line, verifying rehabilitation contracts are ready to return to service, and covers emergency duty for water operations. In addition, administrative workload has increased significantly during the last five years. An Electrical/Mechanical Supervisor would provide better oversight and coordination of employees' electrical work and the electrical skill sets being developed for succession planning. The workyear would also allow for the review and development of better preventive maintenance work requirements and would be available to implement the Asset Management Utility Master Plan.

Industrial Assets Management

Request: 1 Electrical/Mechanical Technician

Cost including benefits: \$69,420, Water/Sewer Impact: \$69,420

Justification:

The addition of an Electrical/Mechanical Technician is requested due to an increased workload within the Electrical/Mechanical Unit. The increased workload, including bank testing and total discharging of all microwave battery sites and additional load banking of new generator sites along with the increasing number of Preventive and Predictive Maintenance tasks cannot be accomplished with the existing Electrical/Mechanical staff. This position was requested as an expanded activity for FY10 and was approved for inclusion in the budget request. However, the position was subsequently not funded due to budget reductions that year.

Request: 570kVA Generator

Cost: \$150,000, Water/Sewer Impact: \$18,750

Justification:

The new portable 570kVA generator is being requested due to increased demand for portable generators. On multiple occasions last year, Industrial Asset Management's entire fleet of portable generators was deployed at the same time supporting power reliability upgrades, elevated tank renovations and providing stand-by power while site generators and breakers were being repaired. This left no available units to support any power outages that may occur due to feeder outages or additional site generator failures. The shortage of available portable generators has already placed our facilities at risk of overflows and system disruptions when extreme weather events have hit our area. It becomes difficult to find an available rental unit in the correct size to fill our needs, especially when power outages affect our entire region.

Fuel Management

Request: Generator Fuel Management Program (Contract)

Cost: \$150,000, Water/Sewer Impact: \$150,000

Justification:

Industrial Assets Management is proposing to initiate a Fuel Management Program (FMP) to support the nearly 70 site and portable generator fuel systems across the Commission. Diesel fuel degrades over time, where it can separate, suffer water contamination, accumulate sediment and gums, or even grow micro-organisms. This program would address these potential problems through monitoring of fuel condition, treatment of fuel to remove contaminants, and the addition of additives to restore fuel to a useable condition. WSSC has already experienced problems with contaminated diesel fuel at several of its generator sites where fuel purification measures had to be deployed. The expected benefits of this program include increased reliability, less stack smoking, and reduced maintenance of filters and engine components on all of WSSC's site and portable generators.

Program: PCCP AND TRANSMISSION MAIN INSPECTION

Request: 5 Utility Technicians

Cost including benefits: \$293,150, Water/Sewer Impact: \$293,150

Justification:

PCCP inspection

With the increased mileage of planed Prestressed Concrete Cylinder Pipe (PCCP) inspection and the ever increasing water main break rate the Customer Care Team cannot support the level of service needed for both programs with present staff. WSSC used to have a large transmission water main inspection program. This program did not go to the extent of dewatering and internal inspection that the PCCP program is required to do.

It is expected to have at least 12 -16 miles of the PCCP inspection per winter season, specifically between October and June. To complete a typical 12-mile project with devoted crews, it can be expected about 15,000 hours needed for 9 months long. In practice, the inspection crews need to work more than 8-hour shift due to arriving and preparing job site prior to the inspection team. The overtime work (more than 8-hour shift) is unavoidable to accommodate the inspection staffs as well as meeting the in-service date before the high demand in summer season. Based on the scenario above, there would be 8-person crews that would be needed to support a typical 12-mile inspection and there would be approximately 3,000 hours of overtime.

Non-PCCP transmission main inspection

The large transmission main inspection program was intended to make sure all surface structures on the main were visible and in proper operation condition. This program forces WSSC employees to gain knowledge of the location and operation of all the large water mains in their geographical area. This knowledge put WSSC in the position to be able to rapidly and expertly respond to any situation involving those critical mains. With the reorganization and down sizing that occurred about 10 years ago the staffing needed to handle the transmission main inspection effort was cut. There are about 350 miles of 20 inch and larger transmission size mains in the systems that are not PCCP. The vast majority of these mains are made of cast iron followed by ductile iron and some steel.

Note that 8 Utility Technicians were requested. Our recommendation is to stage in the positions over 2 years; 5 in FY'12, and the balance in FY'13.

Program: WATER MAIN BEST PRACTICE / SMALL VALVE EXERCISING & REPAIR

Request: 3 Utility Technicians

Cost including benefits: \$175,890, Water/Sewer Impact: \$175,890

Justification:

The potential for system contamination from water main leaks and repair practices and depressurization events came to the forefront as the US EPA was developing new regulations associated with the Total Coliform Rule. Thus, began the increasing regulatory and research focus on distribution systems and water quality, especially during pipe breaks. In 2009, WSSC retained the services of a consulting firm to develop a practical, cost effective, risk-based public health protection program to address WSSC distribution system depressurization events, with an emphasis on repairing broken water mains, especially mains less than 16 inches in diameter.

The study found that WSSC incorporates many best practices as a matter of routine operations and maintenance and there is no evidence of acute problems or imminent public health concerns associated with ongoing repair practices. However, the study found that there are reasonable measures that can be taken to enhance the existing program. The study identified many preventive measures and monitoring procedures that could significantly strengthen the program from a sanitary standpoint. Several best management practices (BMP's) were identified in the report that directly affects the maintenance crew's repair time and level of service. They are:

- Implement and maintain a valve inspection and maintenance program;
- Cleaning repair tools;
- Chlorine swabbing/spraying fittings, valves, pipe prior to installation;
- Documentation of conditions, repair methods, chlorine residuals, valve tagging; and
- Chlorine residual testing and flushing.

Twelve (12) Utility Technicians were requested to support this effort. We recommend staging in this program over 4 years. Three workyears are requested for FY'12.

Approved FY 2012 Additional & Reinstated Requests by Program

Program: LEAK DETECTION

Request: 2 Utility Technicians

Cost including benefits: \$117,260, Water/Sewer Impact: \$117,260

Justification:

WSSC's current Leak Detection Program consists of a 2-person leak detection crew and coverage is limited. They survey approximately 100 miles a year. The entire water system has over 5,500 miles of pipe. It would take 55 years to survey the entire system at this rate. WSSC is in the process of preparing a Water Conservation Plan as a condition of the Maryland Water Appropriations Permit. The Plan includes several steps, one of which is to identify and select potential water conservation measures. MDE recommends employing a leak detection program to reduce water loss.

The Utility Master Plan also recommends having a leak detection program. It would provide valuable information to the Commission that would likely assist in prioritizing major capital work such as pipeline replacement projects.

Six (6) workyears (as Utility Technicians) were requested to ramp up the leak detection program. This will result in placing a 2-person leak detection crew in each of the remaining depots. Keeping with the goal of 100 miles surveyed per 2 person crew per year, the addition of these three crews would increase the surveyed miles to 400 per year. The whole water main distribution would be surveyed in an estimated 14 years. We recommend staging this expansion over 3 years, thereby adding 2 workyears per year.

Program: CONSENT DECREE – SEWER DESIGN

Request: 7 Project Managers

Cost including benefits: \$581,880, Water/Sewer Impact: \$0 (Included in CIP)

Justification:

These positions are needed for the Sewer Design Program to support the Consent Decree. This function is transferring from Customer Care. However, based on the required workload, the unit being transferred is severely understaffed and there are no existing workyears within Engineering & Construction to support this function. These positions have been documented in the UMP workyear needs assessment.

Program: WATER MAIN & VAULT METER REPLACEMENT

Request: 3 Project Managers

Cost including benefits: \$246,220, Water/Sewer Impact: \$0 (Included in CIP)

Justification:

The organization that is currently responsible for designing main replacement is also responsible for the Meter/Pressure Reducing Valve Rehabilitation Program. Prior to the addition of this program, the group was required to design 40 miles of main for FY'11. This program adds a significant workload as it requires a feasibility study, acquisition of rights of way for each vault, and the design of 30 vaults. Also, the Water Main Replacement Program will continue to expand from 40 miles in FY'11 to 61 miles in FY'15.

Program: UTILITY MASTER PLAN (UMP)

In accordance with the results of Project 6 (Organizational Structure) of the Utility Master Plan, the following workyears were identified as requirements beginning in FY'12:

Technical Services

Request: 4 Workyears (see below)

Cost including benefits: \$397,540, Water/Sewer Impact: \$198,770

Justification:

This request provides for the establishment of the engineering and technical support structure needed to sustain asset management at WSSC under the UMP. Project 6 of the UMP calls for an organizational structure that includes an entity entitled the Center of Excellence. This engineering support and technical team will provide input to various WSSC asset management personnel. The Group will stay current on best practices, engineering and technology advances, and will provide support to the planning, operation and maintenance teams for their asset management functions. The requested positions are as follows:

- One (1) Capital Cost Benefit Advisor – This position will incorporate engineering economics into the decision making for capital investment projects prioritized by the UMP asset management plans.
- One (1) Maintenance (Electrical/Mechanical) Engineering Unit Coordinator – This position will provide oversight and supervision for the soon to be formed Electrical and Mechanical Engineering Unit. Prior to FY'10, WSSC had only one Electrical and one Mechanical Engineer to support all capital, maintenance and operational needs and they reported directly to the Group Leader. There are now two positions for both functions, all four of which will report to this requested position.
- One (1) Principal Materials Engineer – Currently WSSC has no resource with the knowledge base dedicated to evaluating the suitability of existing and new materials for WSSC pipelines and facilities. This position will play an active role in developing project material specifications and will support asset management with material selections and material condition assessment techniques.
- One (1) Sr. Civil Engineer (Pipelines) – The growth in the number of Project Managers for pipeline reconstruction projects has significantly out numbered the technical civil pipeline design support needed to assure that the best design practices are being consistently followed. In addition, with the planned expansion of the Systems Enhancement Unit, a significant increase in the requests for civil pipeline design support is expected.

Buried Systems Asset Management

Request: 8 Workyears (see below)

Cost including benefits: \$830,310, Water/Sewer Impact: \$830,310

Justification:

The following positions have also been identified as requirements for the UMP:

- Two (2) Buried Asset Strategy Managers – These positions will determine the replacement/renewal strategies for water buried infrastructure. They will also develop Systems/Sub-Systems Asset Management Plans, update and refine renewal costs database, and monitor asset lifecycle costs for buried infrastructure.
- One (1) Maintenance Optimization Manager – Determines replacement/renewal for wastewater buried infrastructure
- One (1) Asset Management Business Improvement Manager – Manages Buried Infrastructure Asset Management Improvement Plan
- One (1) Buried Systems Asset Manager – Determines and manages maintenance strategy, standards and procedures for buried infrastructure (including within facilities). Monitors and manages maintenance performance for buried infrastructure.

Approved FY 2012 Additional & Reinstated Requests by Program

- One (1) Water Analysis Unit Coordinator, One (1) Principal Civil Engineer, One (1) Engineering Assistant IV – These positions are needed for the condition assessment of pipes function.

Program: GEOGRAPHICAL INFORMATION SYSTEM

Request: 1 GIS Program Analyst

Cost including benefits: \$102,050, Water/Sewer Impact: \$102,050

This request includes additional resources to support an expanding and improved GIS Program and the newly formed GIS Unit. The Unit's primary role has been to update GIS data in order to depict an accurate graphical representation of our distribution and collection system and to maintain synchronicity with other databases. With the increase in the use of GIS throughout WSSC and an effort to support the Engineering Records effort, the role of the Unit is rapidly expanding. New responsibilities include:

- Leading GIS development and application support for all Commission GIS users;
- Coordinating data sharing with both counties and MNCPPC and providing WSSC consultants with GIS data to support their work for the Commission;
- Future data layers will include water and sewer house connections and water meters. The new data layers require additional resources to develop and maintain;
- With the continual increase in water and sewer pipeline reconstruction and the mapping requirements of our SSO Consent Decree, the Unit's workload demand has increased to input and maintain GIS data.

The resources below are requested as a result of the expansion.

A GIS Program Analyst would undertake the higher level work beyond the data maintenance being done by current staff. This higher level function would include application support, data preparation for consultants, application deployment, training and support, new data development and integration of GIS data with other systems.

Request: New Aerial Photos

Cost: \$100,000, Water/Sewer Impact: \$100,000

Justification:

These funds are to support regional efforts for data development in conjunction with both counties and M-NCPPC. Specifically, WSSC would enter into cost sharing agreements for new orthographic (aerial) photos every two years and regular updates of topographical elevation and property parcel data. This would be a continued additional cost in future years in order to maintain up to date data.

Program: PERMIT SERVICES

Request: 1 Permit Agent

Cost including benefits: \$69,290, Water/Sewer Impact: \$69,290

Justification:

In anticipation of launching a fully automated permitting system, four positions in the Permit Services Unit were eliminated. In May of 2005, implementation of the application was cancelled. In 2006, only Phase I (Short Form Permits) of the automated system was implemented. The more labor intensive Long Form Permits process was never automated. Under current economic conditions, new construction permits have decreased and Systems Extension projects are 59% below 2007 levels. However, issuance of redevelopment/remodeling permits is higher and Onsite Plan submittals are 76% above 2007 levels. The addition of a Permit Agent is critical to the Unit's ability to maintain reasonable levels of service given the workload and reducing current review/turnaround times (ranging up to 120 days for complex reviews).

Program: COLLECTIONS

Request: 2 Collections Field Specialists

Cost including benefits: \$117,260, Water/Sewer Impact: \$117,260

Justification:

WSSC collections averaged about \$10 million in FY 2010, with about \$3 million in a “static turned off” state. This request provides for an internal collections effort, with 2 Collections Field solely devoted to collections work. Additionally, we recommend eliminating “same day turn-on” in order to allow greater scheduling flexibility for turn-offs; with the possibility of an additional charge for a “same-day turn-on.” 16 positions were requested, 4 for each depot. Our recommendation is to stage this expansion over multiple years after determining the effectiveness of this collection effort.

Program: SITE UTILITY INSPECTION

Request: 1 Contract Manager and 5 Consultant Inspectors

Cost including benefits: \$89,440, Water/Sewer Impact: \$0

Cost of Inspectors: \$500,000, Water/Sewer Impact: \$0

Justification:

Third party inspections are often not occurring (no proof provided) until work has progressed beyond a point that any correction can be done. As a result, WSSC is taking over the inspection of site utility jobs. The work involves the installation of water and sewer systems on property from the property line to 5 feet off of the building. WSSC would be responsible for inspecting the work of the property owner’s contractor. This request is cost neutral as a fee for the inspection would be charged to the property owner to recoup all of the WSSC costs for the management and inspection of this work. Based on the amount of site utility work anticipated in FY’12, there is a need to hire 5 additional consultant inspectors and 1 Contract Manager.

Program: PROPERTY AND RIGHT OF WAY ACQUISITION

Request: 1 Property Acquisition Agent

Cost including benefits: \$78,390, Water/Sewer Impact: \$19,598

Justification:

This request provides for additional support to the Land Unit in the area of property and right of way acquisitions. Services provided by this Unit include land surveying, property and right of way acquisition, and engineering records. The aging infrastructure and resulting increase in water and sewer reconstruction efforts and the requirements from the SSO Consent Decree, have increased the demand for the property and right of way acquisition services which are currently provided by only one agent. In addition, the Unit will also be assisting in the acquiring of rights of way and/or right of entry agreements that are required to meet their sewer reconstruction and rehabilitation requirements as set forth in the Consent Decree. An additional Property Acquisition Agent is needed to maintain acceptable delivery and quality of service.

Program: MAINTENANCE

Fire Hydrant Painting Program

Cost: \$200,000, Water/Sewer Impact: \$200,000

Justification:

This request is to initiate a contract that improves the preparation and painting process. The Fire Hydrant Painting Program has been cut for at least three years. There are high-performance coating systems (repainting) that can be used on the surfaces of the Commission’s fire hydrants. This high performance paint will allow for WSSC to lengthen its painting frequency from the current three years to approximately 10 years. The initial start-up would

require more funding until all fire hydrants have been through the new process. The plan is to utilize our in-house crews to conduct refresher painting.

Request: 1 Maintenance Unit Coordinator

Cost including benefits: \$102,050, Water/Sewer Impact: \$102,050

Justification:

An assessment of the Flexible Worker Program was completed in March 2010. The report indicated the Unit Coordinators are overwhelmed by their workload. Their responsibilities have increased by more participation at the management level of the Commission, training of staff, and oversight of geographically larger field operations. Two of the recommendations from the study are to add one Unit Coordinator and 3 Flexible Workers to each zone group. The additional crew members are to assist with coverage for team members when scheduled for training and to proactively manage the preventive maintenance tasks not getting done in a timely manner.

Additionally, the large diameter PCCP inspection program, which involves direct Unit Coordinator oversight, is being reinstated. The Transmission Main Inspection/Large Valve Exercising and Water Main Break BMP's, including an expanded Leak Detection Program will require additional staff if these programs are to be implemented successfully. The potential addition of 26 Utility Technicians will compound the Unit Coordinator overload.

Note that 4 Unit Coordinator positions were requested. Our recommendation is to stage in the positions over 4 years.

Program: CORROSION MONITORING

Request: Test station monitoring and new database

Cost: \$500,000, Water/Sewer Impact: \$500,000

Justification:

Test stations measure how well existing corrosion protection is functioning to ensure the intended useful life of the pipeline is realized. The current level of funding allows for only 145 test stations to be monitored. The goal is to monitor 400 test stations per year. Additional funding is also requested to acquire a new database to replace the existing database that is over 15 years old and no longer functional. With new software in place, the consultant engineer would be able to perform condition assessments using the test station data collected since FY'10 as well as readings taken prior to the start of the Corrosion Monitoring Program. The assessments will determine if there has been a reduction or loss of protective cathodic (corrosion) protection during the years the pipeline has been in service.

Program: CHEMICAL ROOT CONTROL

Request: \$500,000, Water/Sewer Impact: \$500,000

Justification:

The Consent Decree required cleaning of sewers, which includes jet cleaning and chemical root control. Non-approval of the expansion will result in fewer miles treated. More mileage treated should result in a more immediate reduction of root blockage related SSOs. This is an effort to reduce root blockage related SSOs immediately. The funding for this program dictates how many miles of sewer mains that can be treated. Non-approval of this will not have an impact on future years. It will only extend the time needed to treat 30% to 40% of the collection system, which is suspected to experience problems with root blockages and intrusion.

Program: LARGE DIAMETER SEWER MAIN INSPECTION

Request: \$1,500,000, Water/Sewer Impact: \$1,200,000

Justification:

This program is designed to perform closed circuit television, laser and sonar inspections of sewers 15 inches in diameter and larger. The Commission's collection system consists of almost 700 miles of sewers 15 inches in diameter and larger. To date, most of these sewers have not been inspected from manhole to manhole. The Commission's inspection of large diameter sewers to date has been reactive. Partial review of the data collected from the ongoing trunk sewer inspection program, which includes a video lamping of approximately 40 to 80 feet of each pipe, has identified that over 40 miles of these large pipes require complete internal inspection. In addition,

there are several sections of the 66-inch diameter sewer that failed in Hyattsville in 2008 as well as many sections of large sewers downstream of pump stations throughout the collection system.

Program: LATERAL INSPECTION

Request: \$187,500, Water/Sewer Impact: \$187,000

Justification:

Standard Commission practice for performing sewer lining or pipe bursting is to rehab all the associated sewer laterals. However, the Commission does not currently have a lateral inspection program. Therefore, lateral rehabilitation during pipeline rehabilitation has resulted in some delays in construction and cost increase because of a lack of information. Adding a lateral inspection program will provide the necessary information to allow contractors to submit more accurate bids for lateral rehab. It will also minimize construction delays currently experienced without the lateral inspections. A lateral inspection program will also help with the reduction of inflow and infiltration impacting the collection system through on-property sewer defects.

Program: INFORMATION TECHNOLOGY

Oracle Master Data Management

Request: \$500,000, Water/Sewer Impact: \$410,000

Justification:

The Master Data Management implementation will identify, create, clean and maintain an accurate list of Master Data pertinent to the Commission's business processes for the successful implementation of its Oracle E-Business Suite and Utilities Enterprise Resource Planning (ERP), Enterprise Asset Management (EAM) and Customer Relationship Management (CRM) solutions. The funding requested for IT to support ERP/EAM/CRM will consist of Professional Services for the following:

- Oracle Standard Benefits – build programs/interfaces
- Oracle Learning Management – Populate the learning management system with information/content
- Master Data Management – Cleanup data from MAPS and other application being migrated to Oracle ERP/EAM.

Network Support

Request: 1 Data Network Engineer

Cost including benefits: \$89,960, Water/Sewer Impact: \$73,767

Justification:

The WSSC Security Network is the largest network at the Commission and currently has no dedicated network support or built-in redundancy. The number of additional devices requiring network support include: 20 INET radios and associated antenna systems; 47 moxa devices; 60 dial-up modems; 2 VDSL modems; 15 telephones (SOC); 23 routers; and 24 switches.

In FY'11 and FY'12, Security Network upgrades are planned to clean up physical cabling; replace router and switches with current, supported CISCO devices, and perform other communication-related repairs as needed. The requested Data Network Engineer will be required for ongoing support, maintenance, and enhancement of the communication functions of the Security Network.

Application Development

Request: 1 Sr. Financial Information Systems (FIS) Support Developer

Cost including benefits: \$107,900, Water/Sewer Impact: \$88,478

Justification:

The 5-year staged plan to add over 11 Oracle modules places demand on application support efforts. This request provides for a Sr. FIS Support Developer to fill some upcoming gaps in the expanding Oracle footprint at WSSC.

Technical target will primarily be the FIS HR environment, expanded to include Learning Management and Benefit data stores. As additional interconnected modules are added to the core application, the scope will be expanded.

Program: COMMUNICATIONS

Request: WSSC Messaging & Initiatives Resulting from Customer Survey

Cost: \$200,000, Water/Sewer Impact: \$159,800

Justification:

WSSC is conducting a customer survey in FY'11. We expect that the survey will identify areas where we can improve communication to our customers on important issues such as our Infrastructure Rehabilitation/Replacement Program. Paid advertising is a powerful force that can shape attitudes and behaviors of those reached by your message. WSSC currently relies on the media to "advertise" our campaigns for free through stories that we pitch, such as aging infrastructure and Can the Grease. Paid advertising would allow the Commission direct control over our messages as well as control over the target audience.

Another example of the types of WSSC programs that would benefit from advertising is RoundUp, the program to increase donations to the Water Fund. Advertising would also publicize the infrastructure problems facing WSSC. While we cannot solicit funds through advertising, we can identify the situations we face that would benefit from increased funds.

Program: CROSS CONNECTION

Request: 6 Workyears

Cost including benefits: \$458,380, Water/Sewer Impact: \$458,380

Justification:

This request is for an expedited expansion of the FY'11 approved Cross Connection Control Program. Cross connections are any permanent or temporary connecting arrangements to any part of a potable water system through which it is possible for contaminants to enter into the potable water supply system. The previously approved program with slow growth over a 5 year period would result in an estimated compliance of 20 years. If the requested staffing is obtained in FY'12, it is estimated that WSSC can achieve compliance in 16 years instead of 20 years. The following positions are requested for FY'12:

- One (1) Sr. Plumbing Inspector
- Four (4) Plumbing Inspectors
- One (1) Inspection Service Agents

It should be noted that last years' revenue estimates for fee collection are not currently being realized. Revised estimates indicate that, in the short term, fees will not cover all costs. Therefore, cost estimates above do not include fee offsets.

Increased FY'12 Expenditure Assumptions Over and Above Inflation Factor

FY'12 Additional & Reinstated Programs:

New Workyears

Rank	Plant Operations
1	1 Sr. Water Plant Operator
2	1 Sr. Mechanical Engineer
3	1 Electrical Mechanical Supervisor
4	1 Facility Technician I
5	1 Electrical Mechanical Technician
PCCP & Transmission Main Inspection	
6	5 Utility Technician
Water Main Best Practice / Small Valve Exercising & Repair	
7	3 Utility Technician
Leak Detection	
8	2 Utility Technician
Consent Decree - Sewer Design Program - no additional w/s impact - already in CIP	
9	4 Project Manager I*
10	3 Project Manager II*
Water Main & Vault Meter Replacement - no additional w/s impact - already in CIP	
11	2 Project Manager I
12	1 Project Manager II
Utility Master Plan	
13	1 Capital Cost Benefit Manager
13	1 Maintenance Electrical Mechanical Engineering Unit Coordinator
13	1 Principal Materials Engineer
13	1 Sr. Civil Engineer - Pipelines
13	2 Buried Asset Strategy Manager
13	1 Maintenance Optimization Manager
13	1 Asset Management Business Improvement Manager
13	1 Buried Systems Manager
13	1 Water Analysis Unit Coordinator
13	1 Principal Civil Engineer
13	1 Engineering Assistant IV
Geographical Information System	
14	1 GIS Program Analyst
Permit Services	
15	1 Permit Agent
Collections	
16	2 Collection Field Specialist
Site Utility Inspection - fee based	
17	1 Contract Manager
Property & Right of Way Acquisition	
18	1 Property Acquisition Agent
Maintenance	
19	1 Customer Care (Maintenance) Unit Coordinator
Information Technology	
20	1 Data Network Engineer
21	1 Sr. FIS Support Developer
Cross Connection	
22	1 Sr. Plumbing Inspector
22	4 Plumbing Inspector
22	1 Inspection Service Agent
52 Total Workyears	

	Cost	W/S Impact
<i>New Workyears Impact</i>	\$ 3,276,200	\$ 2,344,879
<i>Benefits</i>	982,860	703,464
<i>Miscellaneous Support Equipment</i>	131,570	94,169

Other Additional & Reinstated Programs

1	570kVA generator	150,000	18,750
2	Corrosion Monitoring Program support	500,000	500,000
3	Chemical Root Control*	500,000	500,000
4	Large Diameter Sewer Main Inspection	1,500,000	1,200,000
5	Geographical Information System Regional Cost Share	100,000	100,000
6	Site Utility Inspection (fee based)	500,000	-
7	Contamination Rapid Response Team Call Back Duty Program	50,000	50,000
8	Lateral Inspection Program	187,500	187,500
9	Generator Fuel Management Program	150,000	150,000
10	Fire Hydrant Painting	200,000	200,000
11	Oracle Master Data Management	500,000	410,000
12	WSSC Messaging & Initiatives Resulting from Customer Survey	200,000	159,800
Total Other Additional & Reinstated Programs		<u>4,537,500</u>	<u>3,476,050</u>
Total Additional & Reinstated Programs		<u>\$ 8,928,130</u>	<u>\$ 6,618,561</u>

* Consent Decree required.

Additional & Reinstated Summary List.xls

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : Preliminary w/ Additional & Reinstated Programs @ 7%
 Estimated Revenues and Expenditures (\$1,000)

	FY 2011 Approved	FY 2012 Proposed	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
1 Revenue							
2 Water & Sewer Rate Revenue	\$478,818	\$471,636	\$506,134	\$558,779	\$609,244	\$649,313	\$693,920
3 All Other Sources	51,659	51,186	52,297	50,057	50,611	50,732	50,959
4 Total Revenue	530,477	522,822	558,431	608,836	659,855	700,045	744,879
5 Expenses							
6 Maintenance & Operating	320,708	340,612	356,765	372,585	387,985	406,623	429,057
7 Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218	59,335
8 Debt Service	174,454	196,290	232,144	264,929	288,948	313,130	337,749
9 PAYGO	-	-	-	-	-	-	-
10 Additional Operating Reserve Contribution	1,500	3,400	4,100	1,500	1,500	1,500	1,500
11 Adjustments to Expenses (SDC Debt Service Offset, REDO)	(13,898)	(13,293)	(13,192)	(11,928)	(11,667)	(10,728)	(10,207)
12 Unspecified reductions	-	(20,652)	-	-	-	-	-
13 Unspecified reduction of future year's expenditure base	-	-	(21,684)	(22,768)	(23,906)	(25,102)	(26,358)
14 Total Expenses	530,477	555,835	609,443	657,525	698,036	742,641	791,077
15 Revenue Gap (Revenue - Expenses)	-	(33,013)	(51,012)	(48,689)	(38,181)	(42,596)	(46,198)
16 Water Production (MGD)	170.0	170.0	170.5	171.0	171.5	172.0	172.5
17 Debt Service Ratio (debt service / budget)	32.9%	35.3%	38.1%	40.3%	41.4%	42.2%	42.7%

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
18 Rate Increase	8.5%	7.0%	10.1%	8.7%	6.3%	6.6%	6.7%
19 Operating Budget	\$530,477	\$555,835	\$609,443	\$657,525	\$698,036	\$742,641	\$791,077
20 Debt Service Expense	174,454	196,290	232,144	264,929	288,948	313,130	337,749
21 New Debt	249,374	325,285	401,889	341,560	284,930	293,573	307,784

NOTE: Impact of Rate Increase on Average Residential Monthly Bill

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	\$4.60	\$4.18	\$6.44	\$6.13	\$4.79	\$5.33	\$5.76

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : Preliminary w/ Additional & Reinstated Programs @ 7%

Estimated Revenues and Expenditures (\$1,000)

	FY 2011 Approved	FY 2012 Proposed	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$478,818	\$471,636	\$506,134	\$558,779	\$609,244	\$649,313	\$693,920
3 Account Maintenance Fee (Ready to Serve Charge)	22,850	22,850	22,900	22,900	22,950	22,950	23,000
4 Interest Income	4,000	4,000	4,050	4,050	4,100	4,100	4,150
5 Plumbing/Inspection Fees	5,823	5,823	5,873	5,873	5,923	5,923	6,023
6 Rockville Sewer Use	2,258	2,353	2,404	2,444	2,438	2,438	2,509
7 Products & Technology	-	-	-	-	-	-	-
8 Miscellaneous	13,547	12,760	12,970	13,290	13,700	13,700	13,750
9 Total Revenue	527,296	519,422	554,331	607,336	658,355	698,545	743,379
10 Adjustments to Revenue							
11 Use of Fund Balance	3,181	3,400	4,100	1,500	1,500	1,500	1,500
12 Less Rate Stabilization	-	-	-	-	-	-	-
13 Adjustments to Total Revenue	3,181	3,400	4,100	1,500	1,500	1,500	1,500
14 FUNDS AVAILABLE	530,477	522,822	558,431	608,836	659,855	700,045	744,879
15 EXPENDITURES							
16 Salaries and Wages	93,483	98,158	103,067	108,222	113,634	119,317	125,284
17 Salaries and Wages - Additional & Reinstated Programs	-	2,346	2,464	2,588	2,718	2,854	2,998
18 Heat, Light and Power	27,819	25,652	26,761	28,896	30,081	31,321	35,487
19 Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218	59,335
20 All Other	199,406	210,182	219,985	228,167	236,604	247,935	259,832
21 All Other - Additional & Reinstated Programs	-	4,274	4,488	4,712	4,948	5,196	5,456
22 Additional Operating Reserve Contribution	1,500	3,400	4,100	1,500	1,500	1,500	1,500
23 Unspecified reductions	-	(20,652)	-	-	-	-	-
24 Unspecified reduction of future year's expenditure base	-	-	(21,684)	(22,768)	(23,906)	(25,102)	(26,358)
25 Total Operating Expenses	369,921	372,838	390,490	404,524	420,755	440,239	463,534
26 Debt Service	174,454	196,290	232,144	264,929	288,948	313,130	337,749
27 Debt Reduction (PAYGO)	-	-	-	-	-	-	-
28 Total Financial Expenses	174,454	196,290	232,144	264,929	288,948	313,130	337,749
29 TOTAL GROSS EXPENSES (Operating & Financial)	544,375	569,128	622,635	669,453	709,703	753,369	801,284
30 Less: SDC Debt Service Offset	(2,308)	(2,293)	(2,192)	(1,428)	(1,167)	(728)	(207)
31 Reconstruction Debt Service Offset	(11,500)	(11,000)	(11,000)	(10,500)	(10,500)	(10,000)	(10,000)
32 NET EXPENSES	530,477	555,835	609,443	657,525	698,036	742,641	791,077
33 Revenue - Expenditure Gap before rate increase	-	(33,013)	(51,012)	(48,689)	(38,181)	(42,596)	(46,198)
34 Rate Increase	8.5%	7.0%	10.1%	8.7%	6.3%	6.6%	6.7%

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary

FY 2012 thru 2017 Forecast : ERP Funding thru Fund Balance

Estimated Revenues and Expenditures (\$1,000)

	FY 2011 Approved	FY 2012 Proposed	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
Revenue							
1	\$478,818	\$471,636	\$521,728	\$572,476	\$623,776	\$665,161	\$711,174
2	51,659	52,782	52,908	53,357	52,937	49,232	49,459
3	530,477	524,418	574,636	625,833	676,713	714,393	760,633
Expenses							
4	320,708	337,105	349,349	364,306	379,881	398,725	418,587
5	47,713	49,478	51,309	53,207	55,176	57,218	59,335
6	174,454	196,290	232,144	264,929	288,948	313,130	337,749
7	-	-	-	-	-	-	-
8	1,500	3,400	4,100	4,800	3,826	-	-
9	(13,898)	(13,293)	(13,192)	(11,928)	(11,667)	(10,728)	(10,207)
10	-	-	-	-	-	-	-
11	\$530,477	\$572,980	\$623,711	\$675,314	\$716,164	\$758,345	\$805,465
12	-	(48,562)	(49,074)	(49,481)	(39,452)	(43,952)	(44,832)
Water Production (MGD)							
	170.0	170.0	170.5	171.0	171.5	172.0	172.5
13	32.9%	34.3%	37.2%	39.2%	40.3%	41.3%	41.9%

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
14	Rate Increase	8.5%	10.3%	9.4%	8.6%	6.3%	6.3%
15	Operating Budget	\$530,477	\$572,980	\$623,711	\$675,314	\$716,164	\$758,345
16	Debt Service Expense	174,454	196,290	232,144	264,929	288,948	313,130
17	New Debt	249,374	325,285	401,889	341,560	284,930	293,573

NOTE:
Impact of Rate Increase on Average Residential Monthly Bill

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	\$4.60	\$6.75	\$6.20	\$6.23	\$4.95	\$5.50	\$5.59

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2012 thru 2017 Forecast : ERP Funding thru Fund Balance
 Estimated Revenues and Expenditures (\$1,000)

	FY 2011 Approved	FY 2012 Proposed	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
REVENUE							
1	Water / Sewer Use Charges	\$478,818	\$471,636	\$521,728	\$572,476	\$623,776	\$665,161
3	Account Maintenance Fee (Ready to Serve Charge)	22,850	22,850	22,900	22,900	22,950	22,950
2	Interest Income	4,000	4,000	4,050	4,050	4,100	4,100
	Plumbing/Inspection Fees	5,823	5,823	5,873	5,873	5,923	5,973
	Rockville Sewer Use	2,258	2,353	2,404	2,444	2,438	2,509
5	Products & Technology	-	-	-	-	-	-
	Miscellaneous	13,547	12,760	12,970	13,290	13,700	13,700
6	Total Revenue	527,296	519,422	569,925	621,033	672,887	714,393
Adjustments to Revenue							
9	Use of Fund Balance	3,181	4,996	4,711	4,800	3,826	-
10	Less Rate Stabilization	-	-	-	-	-	-
11	Adjustments to Total Revenue	3,181	4,996	4,711	4,800	3,826	-
12	FUNDS AVAILABLE	530,477	524,418	574,636	625,833	676,713	714,393
EXPENDITURES							
13	Salaries and Wages	93,483	98,158	103,067	108,222	113,634	119,317
14	Salaries and Wages based on Workyear Adjustment	-	-	-	-	-	-
15	Heat, Light and Power	27,819	28,765	26,297	27,917	29,643	31,473
16	Regional Sewage Disposal	47,713	49,478	51,309	53,207	55,176	57,218
18	All Other	199,406	210,182	219,985	228,167	236,604	247,935
17	All Other based on New & Expanded Programs	-	-	-	-	-	-
22	Additional Operating Reserve Contribution	1,500	3,400	4,100	4,800	3,826	-
20	Unspecified reductions	-	-	-	-	-	-
21	Unspecified reduction of future year's expenditure base	-	-	-	-	-	-
23	Total Operating Expenses	369,921	389,983	404,758	422,313	438,883	455,943
24	Debt Service	174,454	196,290	232,144	264,929	288,948	313,130
25	Debt Reduction (PAYGO)	-	-	-	-	-	-
23	Total Financial Expenses	174,454	196,290	232,144	264,929	288,948	313,130
TOTAL GROSS EXPENSES (Operating & Financial)							
		544,375	586,273	636,903	687,242	727,831	769,073
7	Less: SDC Debt Service Offset	(2,398)	(2,293)	(2,192)	(1,428)	(1,167)	(728)
8	Reconstruction Debt Service Offset	(11,500)	(11,000)	(11,000)	(10,500)	(10,500)	(10,000)
NET EXPENSES							
		530,477	572,980	623,711	675,314	716,164	758,345
28	Revenue - Expenditure Gap before rate increase	-	(48,563)	(49,074)	(49,481)	(39,452)	(43,952)
29	Rate Increase	8.5%	10.3%	9.4%	8.6%	6.3%	6.5%

Water & Sewer Capital and Bond Funds Summary - Report

WSSC Multi-Year Financial Forecast (Spending Affordability -- ERP Funding thru Fund Balance): FYs 2012 thru 2017
 Estimated Expenditures and Funding (\$1,000)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	<u>Approved</u>	<u>Proposed</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Capital Expenditures							
1 Water & Sewer CIP Projects	\$ 332,851	\$ 452,804	\$ 510,074	\$ 324,812	\$ 158,647	\$ 144,520	\$ 136,788
2 Information Only Projects (@ < 100% completion)	18,693	15,796	15,344	19,163	24,809	24,269	17,798
3 Additional High Probability Future CIP Projects	-	-	-	-	-	-	-
4 SAG Adjustments (unspecified capital spending reductions)	-	-	-	-	-	-	-
5 Subtotal - Capital Expenditures less unspecified SAG capital spending reductions	351,544	468,600	525,418	343,975	183,456	168,789	154,586
6 Subtotal - Capital Expenditures w/ scaling, completion, & Inflation Index factors	\$ 281,237	\$ 386,128	\$ 445,934	\$ 300,697	\$ 165,186	\$ 156,539	\$ 147,668
Information Only Projects (@ 100% completion)							
7 Water Reconstruction	64,485	65,860	74,958	84,541	94,632	104,161	114,173
8 Sewer Reconstruction	69,445	49,560	57,021	64,416	71,395	79,565	88,162
9 EPP & Water Storage Facility Rehab	10,252	6,325	7,310	7,282	6,149	5,000	5,000
10 Total Capital Funding Required	425,419	507,873	585,223	456,936	337,362	345,265	355,003
Funding							
11 Bond Issues	249,374	325,285	401,889	341,560	284,930	293,573	307,784
12 5% Debt Buydown of Short-term Construction Notes	13,125	17,120	21,152	17,977	14,996	15,451	16,199
13 System Development Charges (w/ scaling, completion & Inflation Index factors)	56,186	79,928	87,667	54,482	12,271	5,820	530
14 PAYGO	-	-	-	-	-	-	-
15 Grants - Federal & State (includes ENR Grants)	57,974	70,464	63,248	36,771	23,604	28,315	28,691
16 Developers and Government Contrib. (w/ scaling, completion & Inflation Index factors)	13,586	15,075	11,265	6,145	1,560	2,105	1,798
17 Previous Years Funds Available after Construction	35,174	1	2	2	2	1	1
18 Total Funds Available	425,419	507,873	585,223	456,936	337,362	345,265	355,003
19 Funds Available after Construction	-	-	-	-	-	-	-