



THE PRINCE GEORGE'S COUNTY GOVERNMENT

(301) 952-3700

County Council

MEMORANDUM

October 13th, 2011

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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 2013 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 2013 Spending Affordability Group met on September 7th and 21st 2011. The base case scenario presented at the first meeting, assuming a same services level as FY 2012 yielded an 8.3% rate increase. This scenario represented a .2% rate increase above the FY 2012 adopted budget and represented a 2.3% rate decrease below the FY 2012 same services scenario during the spending affordability process at the same time last year. This base scenario did not include additional and reinstated programs. A base case with same level of service as FY 2012 and the additional and reinstated programs yielded a rate increase of 9.6%.

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 have 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 and FY 2012, there was an 8.5% rate increase.

WSSC FY 2013 SPENDING LIMITS SUMMARY

	<u>WSSC Base Case</u>	<u>Council Staff Reccomendation</u>
New Debt:	\$481,764,000	\$481,764,000
Debt Service	\$212,714,000	\$212,714,000
Total Water & Sewer Expenses:	\$628,999,000	\$628,999,000
Projected Rate Increase:	9.20%	8.50%
Average Residential Monthly Impact	<u>\$5.99</u>	<u>\$5.50</u>

Scenarios

Several scenarios were discussed over the course of the Spending Affordability Process in conjunction with an adjustment to the billing factor; with additional and reinstated programs 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 \$8 million funding for the GASB 45 requirement which is an 8 year phase in, and a proposed increase of \$5.0 million in addition to the \$5.2 million operating reserve contribution in order to meet the 10% target that they were trying to attain. A 5% cost of living adjustment / merit for some employees that are eligible for such raises have 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 with no additional and reinstated programs yield a rate increase of 8.3%. 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. An 8.3% rate increase adds approximately \$5.37 to an average monthly consumers' bill.

Scenario 1 yielded an 8.3% rate increase. (Attachment A)

A further breakdown of the rate increase component between FY-2012 and FY2013 – same services is attached. **(Attachment B)**

Scenario 2: is exactly as Scenario 1 with additional and reinstated programs yielded a rate increase of 9.6%. **(Attachment C)**

Scenario 3: shows a same services level as in FY 2012; and all assumptions in scenario 1, with a lowered interest rate on debt, thereby creating a reduction in debt expense, yields a rate increase of 9.2%. 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)**

(Attachment E) is a consolidated list of all new and expanded programs projected within the spending affordability.

Scenario 4: represents a rate increase of 8.5% which adds approximately \$5.50 to an average consumer's bill. The additional and reinstated programs are included in this scenario with a lower interest rate on the debts translating to a reduction in interest expense.

(Attachment F)

A further breakdown of the rate increase component between FY-2012 and FY2013 – with new and expanded programs is attached. **(Attachment G)**

Council Staff Recommendations

- *Council Staff recommends Scenario 4 which is the rate increase of 8.5%.*
- *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 by a cancellation of merits and Colas, through furloughs, reduction in force and freezing of vacancies rather than raising rates.*
- *Council Staff urges the Commission to move expeditiously on the Bi County Infrastructure resolution.*

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2013 thru 2018 Forecast : Base Case (Lowered Interest Rates) - No Additional & Reinstated Programs (2)
 Estimated Revenues and Expenditures (\$1,000)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
1 Revenue							
2 Water & Sewer Rate Revenue	\$510,506	\$502,848	\$537,993	\$605,055	\$661,044	\$722,360	\$779,069
3 All Other Sources	64,479	79,914	73,950	66,378	61,570	61,076	61,100
4 Total Revenue	574,985	582,762	611,943	671,433	722,614	783,436	840,169
5 Expenses							
6 Maintenance & Operating	336,213	350,275	366,630	377,788	395,933	417,523	438,224
7 Regional Sewage Disposal	49,478	51,309	53,207	55,176	57,218	59,335	61,530
8 Debt Service	185,894	212,714	252,299	286,530	321,879	353,329	379,986
9 PAYGO	-	-	-	-	-	-	-
10 Additional Operating Reserve Contribution	3,400	10,200	5,100	6,000	6,800	7,700	8,700
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	574,985	624,498	677,236	725,494	781,830	837,887	888,440
14 Revenue Gap (Revenue - Expenses)	-	(41,735)	(65,293)	(54,061)	(59,216)	(54,451)	(48,270)
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)	32.3%	34.1%	37.3%	39.5%	41.2%	42.2%	42.8%

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Rate Increase	8.5%	8.3%	12.1%	8.9%	9.0%	7.5%	6.2%
Operating Budget	\$574,985	\$624,498	\$677,236	\$725,494	\$781,830	\$837,887	\$888,440
Debt Service Expense	185,894	212,714	252,299	286,530	321,879	353,329	379,986
New Debt	203,993	481,764	390,331	379,274	391,085	361,941	319,495

NOTE:
 Impact of Rate Increase on Residential Monthly Bill with 210 gal/day usage

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	\$5.05	\$5.37	\$8.51	\$7.03	\$7.68	\$7.04	\$6.22

**WSSC's Multi-Year Financial Forecast : Combined water/sewer operating funds summary
 FY 2013 thru 2018 Forecast : Base Case (Lowered Interest Rates) - No Additional & Reinstated Programs (2)**

Estimated Revenues and Expenditures (\$1,000)

	FY 2012 Approved	FY 2013 Proposed	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$510,506	\$502,848	\$537,993	\$605,055	\$661,044	\$722,360	\$779,069
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	5,973
6 Rockville Sewer Use	2,353	2,404	2,444	2,438	2,509	2,536	2,567
7 Products & Technology	-	-	-	13,450	13,860	13,860	13,910
8 Miscellaneous	-	-	-	653,766	710,386	771,729	828,669
9 Total Revenue	558,292	550,845	586,390	653,766	710,386	771,729	828,669
10 Adjustments to Revenue							
11 Use of Fund Balance	3,400	18,725	13,625	6,000	1,500	1,500	1,500
12 Less Rate Stabilization	-	-	-	-	-	-	-
13 SDC Debt Service Offset	2,293	2,192	1,428	1,167	728	207	0
14 Reconstruction Debt Service Offset	11,000	11,000	10,500	10,500	10,000	10,000	10,000
15 Adjustments to Total Revenue	16,693	31,917	25,553	17,667	12,228	11,707	11,500
16 FUNDS AVAILABLE	574,985	582,762	611,943	671,433	722,614	783,436	840,169
17 EXPENDITURES							
18 Salaries and Wages	97,921	102,818	107,960	113,359	119,028	124,980	131,230
19 Salaries and Wages - Additional & Reinstated Programs	-	-	-	-	-	-	-
20 Heat, Light and Power	25,275	24,224	25,684	26,733	27,824	31,507	33,406
21 Regional Sewage Disposal	49,478	51,309	53,207	55,176	57,218	59,335	61,530
22 All Other	213,017	223,233	232,986	237,696	249,081	261,036	273,588
23 All Other - Additional & Reinstated Programs	-	-	-	-	-	-	-
24 Additional Operating Reserve Contribution	3,400	10,200	5,100	6,000	6,800	7,700	8,700
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	389,091	411,784	424,937	438,964	459,951	484,558	508,454
28 Debt Service	185,894	212,714	252,299	286,530	321,879	353,329	379,986
29 Debt Reduction (PAYGO)	-	-	-	-	-	-	-
30 Total Financial Expenses	185,894	212,714	252,299	286,530	321,879	353,329	379,986
31 TOTAL GROSS EXPENSES (Operating & Financial)	574,985	624,498	677,236	725,494	781,830	837,887	888,440
32 NET EXPENSES	574,985	624,498	677,236	725,494	781,830	837,887	888,440
33 Revenue - Expenditure Gap before rate Increase	-	(41,735)	(65,293)	(54,061)	(59,216)	(54,451)	(48,270)
34 Rate Increase	8.5%	8.3%	12.1%	8.9%	9.0%	7.5%	6.2%

Water & Sewer Capital and Bond Funds Summary - Report

FY 2013 thru 2018 Forecast : Base Case (Lowered Interest Rates) - No Additional & Reinstated Programs (2)

Estimated Expenditures and Funding (\$'1,000)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
Capital Expenditures							
1	Water & Sewer CIP Projects	\$ 421,052	\$ 572,984	\$ 381,838	\$ 270,964	\$ 187,138	\$ 146,546
2	Information Only Projects (@ < 100% completion)	15,796	22,488	30,544	73,863	73,097	33,010
3	Additional High Probability Future CIP Projects	-	-	-	-	-	-
4	SAG Adjustments (unspecified capital spending reductions)	-	-	-	-	-	-
5	Subtotal - Capital Expenditures less unspecified SAG capital spending reductions	436,848	595,472	412,382	344,827	260,235	179,556
6	Subtotal - Capital Expenditures w/ scaling, completion, & inflation index factors	\$ 349,480	\$ 476,378	\$ 339,804	\$ 292,662	\$ 227,493	\$ 161,675
Information Only Projects (@ 100% completion)							
7	Water Reconstruction	65,860	77,455	94,639	106,766	113,478	118,851
8	Sewer Reconstruction	49,560	136,412	88,805	96,498	99,393	102,374
9	EPP & Water Storage Facility Rehab	6,325	6,325	7,860	9,757	9,009	6,155
10	Total Capital Funding Required	471,225	696,570	531,109	505,684	449,373	389,054
Funding							
11	Bond Issues	203,993	481,764	390,331	379,274	391,085	361,941
12	5% Debt Buydown of Short-term Construction Notes	10,736	25,356	20,544	19,962	20,583	19,050
13	System Development Charges (w/ scaling, completion & inflation index factors)	77,600	95,313	64,362	43,783	12,520	2,496
14	PAYGO	-	-	-	-	-	-
15	Grants - Federal & State (includes ENR Grants)	75,551	77,758	44,400	55,511	20,716	2,761
16	Developers and Government Contrib. (w/ scaling, completion & inflation index factors)	14,240	16,377	11,470	7,153	4,466	2,805
17	Previous Years Funds Available after Construction	89,105	1	2	2	2	2
18	Total Funds Available	471,225	696,570	531,109	505,684	449,373	389,054
19	Funds Available after Construction	-	-	-	-	-	-
							338,719

Rate Increase Components

	FY 2012 Approved	FY 2013 Estimate	Dollar Change	Rate Impact	Description
Revenue					
Water & Sewer Revenue	510,506,000	502,848,000	(7,658,000)	1.52%	Decrease in billing factor.
Miscellaneous Revenue	20,936,000	21,147,000	211,000	-0.04%	Based on historical miscellaneous revenue
Use of Fund Balance	3,400,000	10,200,000	6,800,000	-1.35%	For operating reserve contribution
Use of Fund Balance	-	8,525,000	8,525,000	-1.70%	For billing factor reduction offset
Use of Fund Balance	-	980,000	980,000	-0.19%	For rate reduction
SDC Debt Service Offset	2,293,000	2,192,000	(101,000)	0.02%	
Debt Service					
Debt Service (Existing Debt)	\$ 185,894,000	\$ 165,273,000	\$ (20,621,000)	-4.10%	
FY13 New Debt		\$ 47,441,000	\$ 47,441,000	9.43%	Due to capital spending assumptions
Debt Service Total	185,894,000	212,714,000	26,820,000	5.33%	
Expenses					
All Other	206,017,000	215,233,000	9,216,000	1.83%	Assumed 4 % increase in All Other Costs
Salaries & Wages	97,921,000	102,818,000	4,897,000	0.97%	Assumed 5% increase in Salaries & Wages
Additional & Reinstated Programs		4,501,000	4,501,000	0.90%	
Regional Sewage Disposal	49,478,000	51,309,000	1,831,000	0.36%	
Operating Reserve Contribution	3,400,000	10,200,000	6,800,000	1.35%	
GASB 45	7,000,000	8,000,000	1,000,000	0.20%	Sixth year of eight year phase-in of GASB 45
Heat, Light & Power	25,275,000	24,224,000	(1,051,000)	-0.21%	Based on projection from WSSC Energy Manager.
Unspecified Reductions	-	(5,028,000)	(5,028,000)	-1.00%	
				8.00%	

ASSUMPTIONS

WSSC's Multi-Year Financial Forecast

FY 2013 thru 2018 Forecast : Preliminary A - Base Case with Additional & Reinstated Programs

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
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)						
Water (\$ thousands)	13,323	14,126	14,703	15,303	17,329	18,373
Sewer (\$ thousands)	10,901	11,558	12,030	12,521	14,178	15,033
Blue Plains (Regional Sewage Disposal) Rate of Increase	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
All Other - % Annual Increase	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%
GASB 045 Expense	8,000	9,000	10,000	10,000	10,000	10,000
Water REDO (\$ thousands)	5,500	5,300	5,300	5,000	5,000	5,000
Sewer REDO (\$ thousands)	5,500	5,200	5,200	5,000	5,000	5,000
Work Years / FTE \$\$	-	-	-	-	-	-
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	0.0%	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%

FY 2013 thru 2018 Forecast : Preliminary A - Base Case with Additional & Reinstated Programs
 Estimated Revenues and Expenditures (\$'1,000)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
1 Revenue							
2 Water & Sewer Rate Revenue	\$510,506	\$502,848	\$544,199	\$611,504	\$667,703	\$729,243	\$786,190
3 All Other Sources	64,479	74,914	73,950	66,378	61,570	61,076	61,100
4 Total Revenue	574,985	577,762	618,149	677,882	729,273	790,319	847,290
5 Expenses							
6 Maintenance & Operating	336,213	355,442	372,004	383,430	401,857	423,743	444,756
7 Regional Sewage Disposal	49,478	51,309	53,207	55,176	57,218	59,335	61,530
8 Debt Service	185,894	213,829	253,355	287,528	322,818	354,210	380,807
9 PAYGO	-	-	-	-	-	-	-
10 Additional Operating Reserve Contribution	3,400	5,200	5,100	6,000	6,800	7,700	8,700
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	574,985	625,780	683,666	732,134	788,693	844,988	895,793
14 Revenue Gap (Revenue - Expenses)	-	(48,017)	(65,517)	(54,252)	(59,420)	(54,669)	(48,503)
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)	32.3%	34.2%	37.1%	39.3%	40.9%	41.9%	42.5%

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
17 Rate Increase	8.5%	9.6%	12.0%	8.9%	8.9%	7.5%	6.2%
18 Operating Budget	\$574,985	\$625,780	\$683,666	\$732,134	\$788,693	\$844,988	\$895,793
19 Debt Service Expense	185,894	213,829	253,355	287,528	322,818	354,210	380,807
20 New Debt	203,993	481,764	390,331	379,274	391,085	361,941	319,495

NOTE:
 21 Impact of Rate Increase on Residential Monthly Bill with 210 gal/day usage

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
21	\$5.05	\$6.22	\$8.55	\$7.06	\$7.71	\$7.07	\$6.25

FY 2013 thru 2018 Forecast : Preliminary A - Base Case with Additional & Reinstated Programs

Estimated Revenues and Expenditures (\$1,000)

	FY 2012 Approved	FY 2013 Proposed	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$510,506	\$502,848	\$544,199	\$611,504	\$667,703	\$729,243	\$786,190
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	5,973
6 Rockville Sewer Use	2,353	2,404	2,444	2,438	2,509	2,509	2,567
7 Products & Technology	-	-	-	-	-	-	-
8 Miscellaneous	12,760	12,920	13,130	13,450	13,860	13,860	13,910
9 Total Revenue	558,292	550,845	592,596	660,215	717,045	778,612	835,790
10 Adjustments to Revenue							
11 Use of Fund Balance	3,400	13,725	13,625	6,000	1,500	1,500	1,500
12 Less Rate Stabilization	-	-	-	-	-	-	-
13 SDC Debt Service Offset	2,293	2,192	1,428	1,167	728	207	0
14 Reconstruction Debt Service Offset	11,000	11,000	10,500	10,500	10,000	10,000	10,000
15 Adjustments to Total Revenue	16,693	26,917	25,553	17,667	12,228	11,707	11,500
16 FUNDS AVAILABLE	574,985	577,762	618,149	677,882	729,273	790,319	847,290
17 EXPENDITURES							
18 Salaries and Wages	97,921	102,818	107,960	113,359	119,028	124,980	131,230
19 Salaries and Wages - Additional & Reinstated Programs	-	-	-	-	-	-	-
20 Heat, Light and Power	25,275	24,224	25,684	26,733	27,824	31,507	33,406
21 Regional Sewage Disposal	49,478	51,309	53,207	55,176	57,218	59,335	61,530
22 All Other	213,017	223,233	232,986	237,696	249,081	261,036	273,588
23 All Other - Additional & Reinstated Programs	-	5,167	5,374	5,642	5,924	6,220	6,532
24 Additional Operating Reserve Contribution	3,400	5,200	5,100	6,000	6,800	7,700	8,700
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	389,091	411,951	430,311	444,606	465,875	490,778	514,986
28 Debt Service	185,894	213,829	253,355	287,528	322,818	354,210	380,807
29 Debt Reduction (PAYGO)	-	-	-	-	-	-	-
30 Total Financial Expenses	185,894	213,829	253,355	287,528	322,818	354,210	380,807
31 TOTAL GROSS EXPENSES (Operating & Financial)	574,985	625,780	683,666	732,134	788,693	844,988	895,793
32 NET EXPENSES	574,985	625,780	683,666	732,134	788,693	844,988	895,793
33 Revenue - Expenditure Gap before rate increase	-	(48,018)	(65,517)	(54,252)	(59,420)	(54,669)	(48,503)
34 Rate Increase	8.5%	9.6%	12.0%	8.9%	8.9%	7.5%	6.2%

Water & Sewer Capital and Bond Funds Summary - Report

WSSC Multi-Year Financial Forecast (Spending Affordability -- Preliminary A - Base Case with Additional & Reinstated Programs): FYs 2013 thru 2018
 Estimated Expenditures and Funding (\$1,000)

	FY 2012 <u>Approved</u>	FY 2013 <u>Proposed</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Estimate</u>	FY 2016 <u>Estimate</u>	FY 2017 <u>Estimate</u>	FY 2018 <u>Estimate</u>
Capital Expenditures							
1 Water & Sewer CIP Projects	\$ 421,052	\$ 572,984	\$ 381,838	\$ 270,964	\$ 187,138	\$ 146,546	\$ 103,145
2 Information Only Projects (@ < 100% completion)	15,796	22,488	30,544	73,863	73,097	33,010	11,648
3 Additional High Probability Future CIP Projects	-	-	-	-	-	-	-
4 SAG Adjustments (unspecified capital spending reductions)	-	-	-	-	-	-	-
5 Subtotal - Capital Expenditures less unspecified SAG capital spending reductions	436,848	595,472	412,382	344,827	260,235	179,556	114,793
6 Subtotal - Capital Expenditures w/ scaling, completion, & inflation index factors	\$ 349,480	\$ 476,378	\$ 339,804	\$ 292,662	\$ 227,493	\$ 161,675	\$ 106,462
Information Only Projects (@ 100% completion)							
7 Water Reconstruction	65,860	77,455	94,639	106,766	113,478	118,851	121,810
8 Sewer Reconstruction	49,560	136,412	88,805	96,498	99,393	102,374	105,447
9 EPP & Water Storage Facility Rehab	6,325	6,325	7,860	9,757	9,009	6,155	5,000
10 Total Capital Funding Required	<u>471,225</u>	<u>696,570</u>	<u>531,109</u>	<u>505,684</u>	<u>449,373</u>	<u>389,054</u>	<u>338,719</u>
Funding							
11 Bond Issues	203,993	481,764	390,331	379,274	391,085	361,941	319,495
12 5% Debt Buydown of Short-term Construction Notes	10,736	25,356	20,544	19,962	20,583	19,050	16,816
13 System Development Charges (w/ scaling, completion & inflation index factors)	77,600	95,313	64,362	43,783	12,520	2,496	-
14 PAYGO	-	-	-	-	-	-	-
15 Grants - Federal & State (includes ENR Grants)	75,551	77,758	44,400	55,511	20,716	2,761	157
16 Developers and Government Contrib. (w/ scaling, completion & inflation index factors)	14,240	16,377	11,470	7,153	4,466	2,805	2,251
17 Previous Year's Funds Available after Construction	89,105	1	2	2	2	2	1
18 Total Funds Available	<u>471,225</u>	<u>696,570</u>	<u>531,109</u>	<u>505,684</u>	<u>449,373</u>	<u>389,054</u>	<u>338,719</u>
19 Funds Available after Construction	-	-	-	-	-	-	-

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2013 thru 2018 Forecast : Base Case (Lowered Interest Rate) with Additional & Reinstated Programs (2)
 Estimated Revenues and Expenditures (\$1,000)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
1 Revenue							
2 Water & Sewer Rate Revenue	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
3 All Other Sources	\$510,506	\$502,848	\$542,439	\$609,749	\$665,972	\$727,535	\$784,503
4 Total Revenue	64,479	79,914	73,950	66,378	61,570	61,076	61,100
5 Expenses	574,985	582,762	616,389	676,127	727,542	788,611	845,603
6 Maintenance & Operating	336,213	354,776	371,310	382,702	401,093	422,941	443,912
7 Regional Sewage Disposal	49,478	51,309	53,207	55,176	57,218	59,335	61,530
8 Debt Service	185,894	212,714	252,299	286,530	321,879	353,329	379,966
9 PAYGO	-	-	-	-	-	-	-
10 Additional Operating Reserve Contribution	3,400	10,200	5,100	6,000	6,800	7,700	8,700
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	574,985	628,999	681,916	730,408	786,990	843,305	894,128
14 Revenue Gap (Revenue - Expenses)	-	(46,236)	(65,527)	(54,282)	(59,448)	(54,694)	(48,524)
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)	32.3%	33.8%	37.0%	39.2%	40.9%	41.9%	42.5%

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
17 Rate Increase	8.5%	9.2%	12.1%	8.9%	8.9%	7.5%	6.2%
18 Operating Budget	\$574,985	\$628,999	\$681,916	\$730,408	\$786,990	\$843,305	\$894,128
19 Debt Service Expense	185,894	212,714	252,299	286,530	321,879	353,329	379,966
20 New Debt	203,993	481,764	390,331	379,274	391,085	361,941	319,495

NOTE:
 Impact of Rate Increase on Residential Monthly Bill with 210 gal/day usage

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	\$5.05	\$5.99	\$8.55	\$7.06	\$7.71	\$7.07	\$6.26

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2013 thru 2018 Forecast : Base Case (Lowered Interest Rate) with Additional & Reinstated Programs (2)

Estimated Revenues and Expenditures (\$'1,000)

	FY 2012 Approved	FY 2013 Proposed	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$510,506	\$502,848	\$542,439	\$609,749	\$665,972	\$727,535	\$784,503
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	5,973
6 Rockville Sewer Use	2,353	2,404	2,444	2,438	2,509	2,536	2,567
7 Products & Technology	-	-	-	-	-	-	-
8 Miscellaneous	12,760	12,920	13,130	13,450	13,860	13,860	13,910
9 Total Revenue	558,292	550,845	590,836	658,460	715,314	776,904	834,103
10 Adjustments to Revenue							
11 Use of Fund Balance	3,400	18,725	13,625	6,000	1,500	1,500	1,500
12 Less Rate Stabilization	-	-	-	-	-	-	-
13 SDC Debt Service Offset	2,293	2,192	1,428	1,167	728	207	0
14 Reconstruction Debt Service Offset	11,000	11,000	10,500	10,500	10,000	10,000	10,000
15 Adjustments to Total Revenue	16,693	31,917	25,553	17,667	12,228	11,707	11,500
16 FUNDS AVAILABLE	574,985	582,762	616,389	676,127	727,542	788,611	845,603
17 EXPENDITURES							
18 Salaries and Wages	97,921	102,818	107,960	113,359	119,028	124,980	131,230
19 Salaries and Wages - Additional & Reinstated Programs	-	-	-	26,733	27,824	31,507	33,406
20 Heat, Light and Power	25,275	24,224	25,664	55,176	57,218	59,335	61,530
21 Regional Sewage Disposal	49,478	51,309	53,207	237,696	249,081	261,036	273,588
22 All Other	213,017	223,233	232,986	4,914	5,160	5,418	5,688
23 All Other - Additional & Reinstated Programs	-	4,501	4,680	6,000	6,800	7,700	8,700
24 Additional Operating Reserve Contribution	3,400	10,200	5,100	-	-	-	-
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	389,091	416,285	429,617	443,878	465,111	489,976	514,142
28 Debt Service	185,894	212,714	252,299	286,530	321,879	353,329	379,986
29 Debt Reduction (PAYGO)	-	-	-	-	-	-	-
30 Total Financial Expenses	185,894	212,714	252,299	286,530	321,879	353,329	379,986
31 TOTAL GROSS EXPENSES (Operating & Financial)	574,985	628,999	681,916	730,408	786,990	843,305	894,128
32 NET EXPENSES	574,985	628,999	681,916	730,408	786,990	843,305	894,128
33 Revenue - Expenditure Gap before rate increase	-	(46,236)	(65,527)	(54,282)	(59,448)	(54,694)	(48,524)
34 Rate Increase	8.5%	9.2%	12.1%	8.9%	8.9%	7.5%	6.2%

Increased FY'13 Expenditure Assumptions Over and Above Inflation Factor

FY'13 Additional & Reinstated Programs:

New Workyears

Plant Operations

- 3 Water Plant Operators
- 2 Planner-Scheduler (AMP)

Maintenance

- 1 Customer Care (Maintenance) Unit Coordinator

Collections

- 2 Collection Field Specialist

Process Control - Network Security

- 1 Process Control Security Specialist Unit Coordinator

Consent Decree - FOG (Fats, Oils & Grease)

- 2 FOG Investigators

Property Management

- 1 Asset Strategy Manager (AMP)

12 Total Workyears

	Cost	W/S Impact
<i>New Workyears Impact</i>	\$ 724,700	\$ 708,800
<i>Benefits</i>	217,400	212,600
<i>Miscellaneous Support Equipment</i>	4,500	4,400

Other Additional & Reinstated Programs

Watershed Access Road	500,000	500,000
Reservoir Shoreline Armoring	50,000	50,000
Condition Assessment - Piscataway Assets	75,000	75,000
On-Call Plumbers	318,000	318,000
Lateral Inspection Program	187,500	187,500
Forensics Contract	100,000	100,000
Corrosion Engineering Basic Ordering Agreement	250,000	250,000
Patuxent Reservoirs Buffer Property Management Study	100,000	100,000
Automated Fuel Dispensing & Accounting System	500,000	42,700
Administrative Materials	217,000	175,800
Materials Evaluation	200,000	104,000
Electronic Security Network Preventive Maintenance	200,000	162,000
Continuity of Operations Plans	1,000,000	810,000
Staff Augmentation - Recruitment	115,200	93,200
GIS Infrastructure	470,000	358,100
IT Storage Equipment	430,000	117,500
Automated Attendant Solution	100,000	82,000
Data Center Infrastructure Computer Equipment	180,000	49,200
<i>Total Other Additional & Reinstated Programs</i>	<u>4,992,700</u>	<u>3,575,000</u>
Total Additional & Reinstated Programs	<u>\$ 5,939,300</u>	<u>\$ 4,500,800</u>

Although Advanced Metering Infrastructure, Water Main Cathodic Protection, and Water Main Lining are new programs, they are included as part of the CIP. Therefore, the water/sewer impact of these new programs has been captured via debt service.

WSSC
FY 2013 ADDITIONAL & REINSTATED PROGRAM REQUESTS SUMMARY

Program: PLANT OPERATIONS

Potomac Water Filtration Plant (WFP)

Request: 3 Water Plant Operators

Cost including benefits: \$147,800, Water/Sewer Impact: \$147,800

Justification:

The Potomac Plant has three (3) current vacancies for the job of Senior Water Plant Operator. After nearly a year of recruiting and two interview sessions, these positions remain vacant. Offers were extended to candidates after each of the interview sessions. However, the candidates did not accept the job offers. Both conveyed that a higher level of compensation would be required to assume the very high level of responsibility and liability associated with the position.

With the large number of qualified incumbents retiring, as demonstrated by our Senior Operator vacancies, we need to cultivate our talent internally. The (3) Water Plant Operator positions are requested to staff an Operator Apprenticeship Program. This program would provide support for existing plant operations while simultaneously providing incumbents the ability to learn the facility layout, valve and piping locations, and daily interaction with experienced operators. This proactive planning and staff development would reduce the risk of the severe and critical staff shortages that we now face from recurring in the future.

Asset Management – Potomac WFP

Request: 1 Planner-Scheduler

Cost including benefits: \$89,150, Water/Sewer Impact: \$89,150

Justification:

The Potomac Plant Asset Management Plan will be developed during FY'12 and implementation is scheduled for FY'13. A large number of new assets were added under recent improvements projects including the Potomac Improvements Project, the Chemical Improvements Project, the Hydropneumatic Surge Tank Project and the Medium Voltage Electrical Improvements Project. There are also a number of new projects beginning including the Ferric Chloride Project, the Pump Replacement Project, the S-2 Electrical Substation Replacement Project, the Sulfuric Acid System Upgrade Project and the Basin Corrosion Mitigation Project. The Planner-Scheduler position is vital to the integration of these new assets as well as existing assets into the new asset management plan. The Planner-Scheduler would help create the new Computerized Maintenance Management System (CMMS) databases to track and optimize equipment performance, maintenance tasks and inventory as well as assist in the planning of repairs, rehabilitation, or replacement efforts.

Asset Management – Piscataway Wastewater Treatment Plant (WWTP) and Broad Creek Wastewater Pumping Station (WWPS)

Request: 1 Planner-Scheduler

Cost including benefits: \$89,150, Water/Sewer Impact: \$89,150

Justification:

The asset management plans for the Piscataway WWTP and Broad Creek WWPS were completed during FY'11. The implementation of these asset management plans requires a Planner-Scheduler as the effort far exceeds what existing Piscataway staff can undertake beyond their normal duties. The Planner-Scheduler would help create the new CMMS databases to track and optimize equipment performance, maintenance tasks, inventory, and review maintenance strategy functions, target performance indicators and failure mode and maintenance/repair history of assets. This position would also have an integral role in the planning of repairs, rehabilitation, or replacement efforts as well as determining the appropriate investment in inventory and spare parts for the facility.

Systems Control

Request: Watershed Access Road

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

Justification:

The request is for resources to repair 10.3 miles of access road along the southern boundary of the watershed. The access road will better enable us to maintain and patrol the watershed. We plan to use WSSC engineering support staff to provide engineering expertise in developing construction drawings and guidelines to construct the roadway and ravine crossings.

Request: Reservoir Shoreline Armoring

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

Justification:

There are several places along the reservoir shoreline that are washed out. The most visible area is at the Green Bridge Boat Ramp. Armoring of the shoreline will keep soil from entering into the reservoir. This will help preserve the volume of the reservoir as well as the quality of the water. The funds would be used to purchase armor stones.

Industrial Assets Management

Request: Condition Assessment Inspection of Piscataway WWTP Assets

Cost: \$75,000, Water/Sewer Impact: \$75,000

Justification:

This request is for funding to perform an in-depth inspection and assessment of those assets that have been predicted to fail within the next two (2) years as identified in the Piscataway WWTP Asset Management Plan (AMP). This program will utilize outside vendors to assess the condition of critical assets identified in the AMP.

Program: MAINTENANCE

Request: 1 Maintenance Unit Coordinator

Cost including benefits: \$103,400, Water/Sewer Impact: \$103,400

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 Prestressed Concrete Cylinder Pipe (PCCP) inspection program, which involves direct Unit Coordinator oversight, has been reinstated. The Transmission Main Inspection/Large Valve Exercising and Water Main Break Best Management Practices, including an expanded Leak Detection Program obtained additional staff in FY'12. The potential addition of more Utility Technicians will compound the Unit Coordinator overload.

Note that four (4) Unit Coordinator positions were requested for FY12. However, only one (1) was approved. Our recommendation was to stage in the positions over 4 years. If approved, this would be the 2nd position.

Program: COLLECTIONS

Request: 2 Collections Field Specialists

Cost including benefits: \$121,200, Water/Sewer Impact: \$121,200

Justification:

WSSC delinquent accounts 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 Specialists solely devoted to collections work.

Note: 16 positions were requested for FY12, four (4) for each depot. Our plan is to stage this expansion over multiple years after determining the effectiveness of this additional collection effort. Two (2) were approved for FY12.

Program: PLUMBING SERVICES

Request: On-Call Plumbers

Cost: \$318,000, Water/Sewer Impact: \$318,000

Justification: -

WSSC has been experiencing an increasing number of water main breaks. December 2010 set a new record for repairs to broken and leaking water mains in a single month. Our plumbers are often called to assist customers who have backed up due to stoppages in the WSSC-maintained portions of sewer lines. Due to the increased number of water main breaks, which require the use of all field resources, and the ramp-up of proactive sewer maintenance resulting from the consent decree, the use of on-call plumbers to assist customers in snaking and televising lines has increased tremendously. The table below shows the WSSC expenditures on plumbing services since 2008.

Year	Amount
2008	\$258,700
2009	360,700
2010	410,000
2011	Over \$600,000

This trend is expected to continue in FY12 and beyond.

Program: LATERAL INSPECTION

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

Justification:

Standard Commission practice for performing sewer lining or pipe bursting is to rehabilitate all the associated sewer laterals. As there was no lateral inspection program in previous years, lateral rehabilitation during pipeline rehabilitation has resulted in some delays in construction and cost increases because of a lack of information. Fully implementing the 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.

Note: Half of the \$375,000 FY'12 request was approved. This request is for the remaining half.

Attachment E

Program: PROCESS CONTROL NETWORK SECURITY

Request: 1 Process Control Security Specialist Unit Coordinator

Cost including benefits: \$116,100, Water/Sewer Impact: \$116,100

Justification:

This position is needed to lead efforts regarding cyber security, and network design and maintenance for all Process Control networks and the Supervisory Control and Data Acquisition (SCADA) system. The workload is expected to increase because the SCADA system is getting larger, there is an increase in demand for live production data, and the likelihood that new Federal and State regulations will increase the reporting and monitoring of water and wastewater control systems.

Program: CIVIL ENGINEERING SUPPORT

Technical Services

Request: Forensics Contract

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

Justification:

As part of the development of the individual asset management plans, the AMP has recommended that forensics be performed on assets to support condition assessment analysis and the recommendations for replacement and rehabilitation to support the business case for the capital improvements. This contract will also be available to perform forensics of PCCP if needed to support the PCCP Program.

Request: Corrosion Engineering Basic Ordering Agreement

Cost: \$250,000, Water/Sewer Impact: \$250,000

Justification:

Under the Corrosion Monitoring Program, corrosion test stations are read periodically to determine the effectiveness of existing corrosion protection systems. If an existing system is found to need repairs, the repairs could be minor or require a more significant engineering corrosion design. The Program has focused on getting up to date test stations readings in FY'11 and FY'12. The readings have shown that there is a need to perform a number of corrosion designs to make repairs or upgrades to the existing corrosion protection system. These designs are partially funded in FY'12 and additional funds will be needed for FY'13.

Program: ENVIRONMENTAL STEWARDSHIP

Request: Patuxent Reservoirs Buffer Property Management & Use Study

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

Justification:

The WSSC owns more than 5,000 acres of largely forested land forming a narrow buffer around the Duckett and Triadelphia Reservoirs. The main purpose of the buffer land is to protect the drinking water source by serving as a large natural filter against excess loads of nutrients and sediment that can impair water quality and reduce storage capacity. However, portions of the buffer property have, over the decades since their acquisition in the 1940s and 1950s, been opened to recreational uses.

Following a recent amendment to the WSSC Watershed Regulations, in which the locations and seasons for horseback riding were modified, there was significant reaction from the equestrian community. Its argument included an apparent lack of documented evidence that horseback riding on the WSSC buffer property was creating an adverse environmental impact on the reservoir water quality. In addition, the WSSC faces challenges in providing sufficient resources for security and management of the buffer land under its current limited recreational use. An environmental and resource management study is needed to define the nature and extent of adverse impacts, and to develop recommendations.

Program: CONSENT DECREE – FOG (Fats, Oils, & Grease)

Request: 2 FOG Investigators

Cost including benefits: \$166,600, Water/Sewer Impact: \$166,600 (fee supported).

Justification:

The purpose of the expansion of staff for the FOG program is to meet the requirements of the Consent Decree, Article 3 and its related documents. An audit of past experiences and upcoming inspection priorities and requirements show that is not likely the existing staff of six (6) FOG Investigators will be able to adequately cover all the needs of Article 3 related to Sanitary Sewer Overflows. As of July 2011, there were 4,900 Food Service Establishments (FSE) assigned to the 6 Investigators (over 800 per Investigator). A preliminary survey of several similar organizations finds that this ratio is too high to adequately cover a FOG Program given the in-depth requirements of physical inspections and aggressive permit enforcement.

There are currently over 900 FSEs in non-compliance dating back through 2007. An additional 1,200 enforcement actions could remain open by July 2012. Additional FOG Investigators would allow for a more manageable level of annual FSE inspection that can be balanced with the expected level of FSE non-compliance notices needing follow-up. Four (4) FOG Investigators were requested. Our plan is to start with two (2) additional workyears and re-evaluate the need at a later date. These positions will be supported by fees.

Program: FUEL ACCOUNTING

Request: Automated Fuel Dispensing and Accounting System

Cost: \$500,000, Water/Sewer Impact: \$42,700

Justification:

The purpose of this request is to replace the E.J. Ward fuel system. This system provides for automated fueling and fuel accounting for the WSSC fleet of vehicles and equipment. E.J. Ward is approaching end-of-life for both support and functional development progress. Due to an increase in interruption of service at fuel sites and reduced availability of old repair parts, the WSSC is at risk of not being able to provide fuel services and maintain regulatory compliance.

Program: ADMINISTRATIVE SERVICES

Request: Administrative Materials

Cost: \$217,000, Water/Sewer Impact: \$175,800

Justification:

Additional funding is requested for office materials supplied by the Materials & Services Unit. The FY'11 budget for this unit was exceeded by \$218K and the FY'10 budget was exceeded by \$181K. The overages were primarily driven by increased prices in toner, paper and envelopes. These supplies items are purchased by this unit for the entire Commission. Two years ago, the IT department found that the refurbished toner cartridges previously ordered and used were causing the printers and fax machines to malfunction. IT recommended that original manufactured toner cartridges be used on all printers and faxes. As a result of this change, printer and fax problems have drastically decreased.

Program: PROPERTY MANAGEMENT

Request: Asset Strategy Manager

Cost including benefits: \$108,700, Water/Sewer Impact: \$88,000

Justification:

This position will support the Asset Management Program in the implementation of the Buildings & Grounds (B&G)/ Support Facilities Network infrastructure assets plan. This position will be responsible for the determination of (B&G)/ Support Facilities Network infrastructure asset investment strategies. This position will also provide support to the Support Facilities (B&G) Network maintenance and operations staff by analyzing work order and asset performance data to provide input into the Asset Management Committee decision processes with respect to maintenance, capital and operational decisions.

Program: MATERIALS EVALUATION

Request: Engineering Support Services

Cost: \$200,000, Water/Sewer Impact: \$104,000

Justification:

The WSSC Materials Evaluation Committee (MEC) supports maintenance, new installation, construction and infrastructure efforts. This committee is tasked with evaluating new or improved material solutions applicable to WSSC's construction and repair products as well as evaluating alternative supply sources to approved products currently in use by WSSC on construction and repair projects.

Current staffing levels, project priorities and available professional expertise do not support efficient and timely evaluation of product applications and review of existing technological advancements. Since 2008, the MEC has received approximately 70 product applications related to WSSC's water delivery infrastructure. About 25 cases have culminated in an approval or rejection decision. For those cases that reach an approval or rejection decision, the average "turn around time" exceeds 365 days.

Additional funding would support the hiring of dedicated consultants that can complete the evaluation process from "cradle to grave". Consultants would present a report to committee voting members for acceptance.

Program: ELECTRONIC SECURITY NETWORK PREVENTIVE MAINTENANCE

Request: Support Services for Security Network Preventive Maintenance and Replacement Schedule

Cost: \$200,000, Water/Sewer Impact: \$162,000

Justification:

As a result of the Physical Security Upgrade Project following September 11, 2001, the electronic security network grew to four times its previous size and is now the largest network within the Commission. Additional funding is requested to maintain the electronic security network.

Program: BUSINESS CONTINUITY

Request: Consultant Services

Cost: \$1,000,000, Water/Sewer Impact: \$810,000

Justification:

Funding is requested to secure a consultant to develop Continuity of Operations Plans (COOPs) for each Commission Business Unit. COOPs are essential to ensure continuity of agency operations in the event of a disaster, be it natural or intentional. COOPs identify exposure to internal and external threats and provide effective prevention and recovery methods for the organization. Some of the risks and incidents covered in such a plan include building fires, earthquakes, floods, terrorism, pandemic illnesses, loss of a source of supply, theft, and the loss of a critical piece of infrastructure. The development of Commission-wide COOPs is a General Manager priority.

Program: HUMAN RESOURCES

Request: Staff Augmentation - Recruitment

Cost: \$115,200, Water/Sewer Impact: \$93,200

Justification:

The current economic situation has not deterred retirements from WSSC. The number of people retiring has almost tripled during the past 12 months when compared to the two prior years. In the next 12 months, 201 employees will be eligible for full retirement. Another 499 will be eligible for early retirement. Funding for temporary staff augmentation of 1.5 recruiters is requested to reduce time-to-fill and ramp up to support the anticipated wave of retirements.

Program: INFORMATION TECHNOLOGY

Geographic Information System (GIS) Infrastructure

Request: \$470,000, Water/Sewer Impact: \$358,100

Justification:

The GIS Infrastructure encompasses maintaining a standardized, supported, high availability, enterprise GIS architecture based on the Environmental Systems Research Institute (ESRI) technology stack. In FY'13, this includes the conversion of existing applications to the new GIS infrastructure to be implemented in FY'12.

Part of the FY'13 effort includes the implementation of GIS work order management. There is currently no seamless integration between the WSSC work order system and the GIS. The GIS should be the primary interface for business for the field crews and office workers who are engaged in the work order life cycle. Enabling work order initiation, process flow, review, activity monitoring, and closing for the GIS interface is critical to enabling systems to improve efficiencies and data quality.

IT Storage Equipment

Request: \$430,000, Water/Sewer Impact: \$117,500

Justification:

SAN (Storage Area Network) is WSSC's enterprise centralized storage data system which houses all Commission production data. Included are critical systems such as GIS, Financial Information Systems, Document Management, and email. The system hard drives have a five to eight year life cycle. This request is to fund additional data storage based on the Commission's growing data needs.

Automated Attendant Solution

Request: \$100,000, Water/Sewer Impact: \$82,000

Justification:

The purpose of the Automated Attendant Solution is to replace the legacy operator console solution which provides telephony operator functionality. The existing solution has expiring maintenance support and is tied to our legacy Siemens Private Branch Exchange (PBX). Replacement of phones and other related telephony equipment in the RGH Building is targeted for FY12 and will be connected to the new Avaya PBX.

Data Center Cisco Infrastructure Computer Equipment

Request: \$180,000, Water/Sewer Impact: \$49,200

Justification:

This request is for Cisco Nexus technology to be introduced into the WSSC Data Center to provide high capacity network connections for enterprise servers and storage appliances with capacities of 10 gigabits and higher. This will result in increased data throughput by supporting 10 gigabit server network interface cards (NICs), reduction in heating and power requirements in the PBX room, shortened cable runs between the Data Center and the PBX room

INFORMATION ONLY PROJECTS IN CIP

Program: ADVANCED METERING INFRASTRUCTURE (AMI)

Request: Implementation funding

Cost: \$2,500,000, Water/Sewer Impact: \$225,000

Justification:

WSSC is currently reading and billing the vast majority of our water meters through the use of Meter Readers who visit customer properties on a quarterly basis. Personnel use a handheld device with manual and touch input to record meter readings. The implementation of AMI technology will allow the Commission to reduce expenses related to personnel, vehicles, fuel, and other ancillary equipment required to collect readings, while concurrently providing flexibility to bill customers monthly, track usage, and detect distribution leaks in a shorter time. Implementation costs for the 1st year are approximately \$2.5 million. The expected total cost over four years is \$85 million.

Program: WATER MAIN CATHODIC PROTECTION

Request: \$500,000, Water/Sewer Impact: \$45,000

Justification:

This request is for the resources needed to initiate a capital program for cathodic protection enhancement of existing cast and ductile iron pipe which is to be added to the Water Reconstruction Program CIP W-1.00. Cathodic protection enhancement is a rehabilitation method which adds sacrificial anodes to existing buried metallic pipelines to minimize the corrosion rate of the host pipe and extend the overall useful life of the pipeline. Adding anodes to existing cast and ductile iron pipe is analogous to a cleaning and lining program as they both are water main rehabilitation techniques that extend the useful life of the pipeline at a fraction of the cost of replacement. This rehabilitation technique is one of the recommendations from the Asset Management Plan (AMP) as a component of the Water Distribution System Asset Management Plan.

Program: WATER MAIN LINING PROGRAM

Request: \$2,000,000, Water/Sewer Impact: \$180,000

Justification:

These resources are needed to initiate a capital program for water main lining rehabilitation which is to be added to the Water Reconstruction Program CIP W-1.00. Lining enhancement is a rehabilitation method which protects the interior surface of existing water mains from corrosion to extend the overall useful life of the pipeline. Lining also improves the hydraulic capacity of water mains where internal corrosion has restricted the flow of water through the pipeline. This rehabilitation technique is one of the recommendations from the Water Distribution System Asset Management Plan. We also plan to explore new lining technologies that provide structural enhancement to water pipes.

WSSC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
FY 2013 thru 2018 Forecast : Base Case (Lowered Int Rates) w/ Additional & Reinstated Programs @ 8.5% (2)
 Estimated Revenues and Expenditures (\$1,000)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
1 Revenue							
2 Water & Sewer Rate Revenue	\$510,506	\$502,848	\$538,987	\$606,740	\$663,966	\$726,532	\$784,503
3 All Other Sources	64,479	83,408	76,950	68,378	62,570	61,076	61,100
4 Total Revenue	574,985	586,257	615,937	675,118	726,536	787,608	845,603
5 Expenses							
6 Maintenance & Operating	336,213	354,776	371,310	382,702	401,093	422,941	443,912
7 Regional Sewage Disposal	49,478	51,309	53,207	55,176	57,218	59,335	61,530
8 Debt Service	185,894	212,714	252,299	286,530	321,879	353,329	379,986
9 PAYGO	-	-	-	-	-	-	-
10 Additional Operating Reserve Contribution	3,400	10,200	5,100	6,000	6,800	7,700	8,700
11 Unspecified reductions	-	-	-	-	-	-	-
12 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
13 Total Expenses	574,985	628,999	681,916	730,408	786,990	843,305	894,128
14 Revenue Gap (Revenue - Expenses)	-	(42,742)	(65,979)	(55,290)	(60,454)	(55,697)	(48,524)
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)	32.3%	33.8%	37.0%	39.2%	40.9%	41.9%	42.5%

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Rate Increase	8.5%	8.5%	12.2%	9.1%	9.1%	7.7%	6.2%
Operating Budget	\$574,985	\$628,999	\$681,916	\$730,408	\$786,990	\$843,305	\$894,128
Debt Service Expense	185,894	212,714	252,299	286,530	321,879	353,329	379,986
New Debt	203,993	481,764	390,331	379,274	391,085	361,941	319,495

NOTE:
 Impact of Rate Increase on Residential Monthly Bill with 210 gal/day usage

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	\$5.05	\$5.50	\$8.60	\$7.19	\$7.84	\$7.20	\$6.25

WSSUC's Multi-Year Financial Forecast : Combined Water/Sewer Operating Funds Summary
 FY 2013 thru 2018 Forecast : Base Case (Lowered Int Rates) w/ Additional & Reinstated Programs @ 8.5% (2)
 Estimated Revenues and Expenditures (\$1,000)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Approved	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate
1 REVENUE							
2 Water / Sewer Use Charges	\$510,506	\$502,848	\$538,987	\$606,740	\$663,966	\$726,532	\$784,503
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	5,973
6 Rockville Sewer Use	2,353	2,404	2,444	2,438	2,509	2,536	2,567
7 Products & Technology	-	-	-	-	-	-	-
8 Miscellaneous	12,760	12,920	13,130	13,450	13,860	13,860	13,910
9 Total Revenue	558,292	550,845	587,384	655,451	713,308	775,901	834,103
10 Adjustments to Revenue							
11 Use of Fund Balance	3,400	22,219	16,625	8,000	2,500	1,500	1,500
12 Less Rate Stabilization	-	-	-	-	-	-	-
13 SDC Debt Service Offset	2,293	2,192	1,428	1,167	728	207	0
14 Reconstruction Debt Service Offset	11,000	11,000	10,500	10,500	10,000	10,000	10,000
15 Adjustments to Total Revenue	16,693	35,411	28,553	19,667	13,228	11,707	11,500
16 FUNDS AVAILABLE	574,985	586,257	615,937	675,118	726,536	787,608	845,603
17 EXPENDITURES							
18 Salaries and Wages	97,921	102,818	107,960	113,359	119,028	124,980	131,230
19 Salaries and Wages - Additional & Reinstated Programs	-	-	-	-	-	-	-
20 Heat, Light and Power	25,275	24,224	25,684	26,733	27,824	31,507	33,406
21 Regional Sewage Disposal	49,478	51,309	53,207	55,176	57,218	59,335	61,530
22 All Other	213,017	223,233	232,986	237,696	249,081	261,036	273,588
23 All Other - Additional & Reinstated Programs	-	4,501	4,680	4,914	5,160	5,418	5,688
24 Additional Operating Reserve Contribution	3,400	10,200	5,100	6,000	6,800	7,700	8,700
25 Unspecified reductions	-	-	-	-	-	-	-
26 Unspecified reduction of future year's expenditure base	-	-	-	-	-	-	-
27 Total Operating Expenses	389,091	416,285	429,617	443,878	465,111	489,976	514,142
28 Debt Service	185,894	212,714	252,299	286,530	321,879	353,329	379,986
29 Debt Reduction (PAYGO)	-	-	-	-	-	-	-
30 Total Financial Expenses	185,894	212,714	252,299	286,530	321,879	353,329	379,986
31 TOTAL GROSS EXPENSES (Operating & Financial)	574,985	628,999	681,916	730,408	786,990	843,305	894,128
32 NET EXPENSES	574,985	628,999	681,916	730,408	786,990	843,305	894,128
33 Revenue - Expenditure Gap before rate increase	-	(42,742)	(65,979)	(55,290)	(60,454)	(55,697)	(48,524)
34 Rate Increase	8.5%	8.5%	12.2%	9.1%	9.1%	7.7%	6.2%

Rate Increase Components

	FY 2012 Approved	FY 2013 Estimate	Dollar Change	Rate Impact	Description
Revenue					
Water & Sewer Revenue	510,506,000	502,848,000	(7,658,000)	-1.52%	Decrease in billing factor.
Miscellaneous Revenue	20,936,000	21,147,000	211,000	-0.04%	Based on historical miscellaneous revenue
Use of Fund Balance	3,400,000	10,200,000	6,800,000	-1.35%	For operating reserve contribution
Use of Fund Balance	-	8,525,000	8,525,000	-1.70%	For billing factor reduction offset
Use of Fund Balance	-	3,494,000	3,494,000	-0.69%	For rate reduction
SDC Debt Service Offset	2,293,000	2,192,000	(101,000)	0.02%	
Debt Service					
Debt Service (Existing Debt)	\$ 185,894,000	\$ 165,273,000	\$ (20,621,000)	-4.10%	
FY'13 New Debt	-	\$ 47,441,000	\$ 47,441,000	9.43%	Due to capital spending assumptions
Debt Service Total	185,894,000	212,714,000	26,820,000	5.33%	
Expenses					
All Other	206,017,000	215,233,000	9,216,000	1.83%	Assumed 4 % increase in All Other Costs
Salaries & Wages	97,921,000	102,818,000	4,897,000	0.97%	Assumed 5% increase in Salaries & Wages
Additional & Reinstated Programs	-	4,501,000	4,501,000	0.90%	
Regional Sewage Disposal	49,478,000	51,309,000	1,831,000	0.36%	
Operating Reserve Contribution	3,400,000	10,200,000	6,800,000	1.35%	Sixth year of eight year phase-in of GASB '45
GASB 45	7,000,000	8,000,000	1,000,000	0.20%	
Heat, Light & Power	25,275,000	24,224,000	(1,051,000)	-0.21%	Based on projection from WSSC Energy Manager.
Unspecified Reductions	-	-	-	0.00%	
				8.50%	