



THE PRINCE GEORGE'S COUNTY GOVERNMENT

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APR 11 2018

MEMORANDUM

County Council

TO: Todd M. Turner, Chair
Transportation, Housing and Environment Committee

FROM: Canjor D. Reed, Sr. Auditor *CDR*
Office of Audits and Investigations

THRU: Robert J. Williams *R.J.W.*
Council Administrator

RE: **WSSC FY 2019 Operating Budget**

This report contains a detailed summary of the Washington Suburban Sanitary Commission (WSSC) FY 2019 Proposed Operating Budget, including an overview of revenues and expenditures, updates and highlights of projects, discussion points of key performance indicators, staff's recommendation to Council for consideration and attachments with supporting documents. The purpose of this report is to provide Prince Georges County Councilmembers and the Transportation, Housing, and Environment (THE) Committee with sufficient information in order to support a recommendation offered by the bi-county committee to allow WSSC to specify a rate increase which will be applicable to both Prince George's County as well as Montgomery County system demands. This report is the result of collaboration amongst the County staff represented by the Office of the County Executive, Office of Finance, and Audits and Investigations along with the management of WSSC.

I. Overview of WSSC Operating Budget

A. Total Proposed Budget (all funds) (Attachment 1 – Comparative Expenditure by Fund)

The FY 2019 Operating Budget of \$781.6 million represents an increase of \$40.34 million or 5.4% over the FY 2018 budget of \$741.2 million. Debt service, which increased by \$23.1 million is the primary driver as the Commission continues to make significant capital investments in its' aging infrastructure. This is evident from the fact that debt service for WSSC's extensive capital program is the single largest expenditure in the Operating Budget. Although the number of customer accounts has increased, revenue is not increasing as water production continues to remain flat.

B. Fund and Fee Structure (Attachment 1 – Comparative Expenditure by Fund)

The proposed FY 2019 Water Operating Fund is \$340.1 million, increasing by approximately \$19.1 million (5.9%); the Sewer Operating Fund is \$422.6 million, increasing by approximately \$18.3 million (4.5%); and the General Bond Debt Service Fund is \$18.9 million, increasing by approximately \$3.0 million (19%). These comparisons are being made to the FY 2018 Approved Operating Budget. The Proposed FY 2019 Water and Sewer Operating Budget provides for a 4.5% average water and sewer rate increase which is lower than the WSSC preliminary proposed Budget of 5.0%.

- The Infrastructure Investment and the Account Maintenance fees also remain a part of the Commission's bill to customers for FY 2019.
 - The Infrastructure Investment Fee is a dedicated, predictable and transparent funding source for the Commission's large and small diameter water and sewer pipe reconstruction program.
 - The Account Maintenance fee recoups servicing costs associated with the maintenance of customers' accounts.
- The impact on an average monthly bill for a residential customer using 143 gallons per day will be \$2.04 per month or \$6.12 per quarter. The annual impact is \$24.48.

C. Debt Service (Attachment 2A – Comparative Expenditures by Major Expense Category) and Attachment 2B - FY 2019 Proposed Budget by Major Expense Category)

Debt service accounts for \$294.3 million (37.7%) of the overall operating budget. Water and Sewer debt service comprises 94.1% of this debt, while the remaining 5.9% is debt service on general construction bonds, which is separate and apart from the water and sewer operating funds and does not impact the water and sewer rates. Expenditures in the General Bond Debt Service Fund are almost entirely debt service.

D. Salaries and Wages (Attachment 2A– Comparative Expenditures by Major Expense Category) and Attachment 2B - FY 2019 Proposed Budget by Major Expense Category)

Salary and wages represents 16.4% of gross operating cost, and show no significant increase from the Adopted Budget of FY 2018. WSSC has allocated \$5.4 million in salary enhancements for FY 2019; both Prince Georges and Montgomery Counties will determine how the salary enhancements should be applied. In the proposed budget, \$4.3 million of the total salary enhancement request is rate supported. The FY 2019 proposed WSSC budget for compensation includes funding for flexible worker increases, IT bonuses, merits and a 2% COLA for its Union and Non-Union employees.

Operating reductions of \$17 million were made to departments in FY 2018 and no new positions have been created since the FY 2017 budget. Any new positions in the FY 2019 budget will come from existing vacancies.

E. Revenues (Attachment 3A - FY 2018 – FY 2019 Summary of Revenues and Expenses and Attachment 3B – FY 2019 Proposed Budget Operating)

The primary sources of revenue supporting the operating budget come from the water and sewer use rates (Water and Sewer Operating Funds) and the General Bond Debt Service Fund. The FY 2019 proposed total revenues are \$778.5 million. WSSC proposes to use \$267.2 million (34.2%) in the category of operations and maintenance and \$294.3 million (37.7%) for debt service in FY 2019.

- Water and Sewer Operating Funds (Attachment 4 – Combined Water/Sewer Operating Fund – FY 2019)

It is projected in the FY 2019 operating budget that \$627.9 million in revenues (excluding offsets and use of fund balance) shall come from water and sewer consumption charges. Revenues are assumed based on a water production level of 164 MGD, the same as was included in the FY 2018 Approved Budget. In FY 2016, 166 MGD was included in the approved budget; however, the actual water production was 164.2 MGD. Each year WSSC projects the amount of water it will produce the coming budget year. It does so in terms of millions of gallons of water produced per day (mgd) from its two water treatment plants. WSSC's current projection for FY 2017 is 164.0 mgd; the same as the approved level. The Commission has continued to be very conservative on its water production projections. WSSC has proposed a water production level of 164 mgd for FY 2019.

WSSC ended FY 2016 with \$86.8 million fund balance in the Water and Sewer Operating Funds. WSSC ended FY 2017 with \$120.1 million in fund balance for the Water and Sewer Operating Funds (not including the \$68.4 million in the operating reserve). WSSC projects the FY 2018 fund balance for water and sewer at \$108.5 million (excluding the reserve). The FY 2018 Budget proposed \$11.1 million of fund balance for the IT Strategic Plan. There was no contribution in FY 2018 to maintain the reserve at 10% of water and sewer rate revenues. The FY 2019 Water and Sewer Fund Balance is projected to be \$165.4 million. This number includes the working capital reserve on \$73.5 million.

Table I: Operating Fund Summary at 4.5%

| <i>Funding Source</i> | <i>FY 2019 Proposed</i> |
|---|-------------------------|
| Revenues at Current Rates | |
| Consumption Charges | \$600,902 |
| Account Maintenance Fee | 32,182 |
| Infrastructure Investment Fee | 38,894 |
| Miscellaneous Revenues | 36,230 |
| Reconstruction Debt Fee | 12,500 |
| SDC Debt Service Offset | 3,364 |
| Use of Fund Balance | 11,580 |
| Total Funding | \$735,652 |
| Funding Requirements | |
| Operating, Maintenance & Support Services | \$454,616 |
| Debt Service | 277,061 |
| PAYGO | 31,016 |
| Total Requirements | \$762,693 |
| Short Fall to be Covered by Rate Increase | (\$27,041) |

Table I I: Water Production Analysis

| <i>Fiscal Year</i> | <i>Difference btw. Budget vs. Actual (MGD)</i> | <i>Rate Increase</i> | <i>Number of Customer Accounts</i> | <i>Customer Accounts Percent Change</i> | <i>Water and Sewer Rate Revenues (in millions of dollars)</i> | <i>Water and Sewer Rate Revenues Percent Change</i> |
|--------------------|--|--------------------------|--|---|---|---|
| 2009 | | 8.00% | 433,579 | | \$378.40 | |
| 2010 | 1.3 | 9.00% | 434,773 | 0.27% | \$412.40 | 8.24% |
| 2011 | 5 | 8.50% | 438,193 | 0.78% | \$460.50 | 10.45% |
| 2012 | -4.3 | 8.50% | 439,805 | 0.37% | \$482.10 | 4.48% |
| 2013 | -3.5 | 7.50% | 441,480 | 0.38% | \$500.80 | 3.73% |
| 2014 | -7.4 | 7.25% | 443,827 | 0.53% | \$537.30 | 6.79% |
| 2015 | -3.1 | 5.50% | 445,385 | 0.35% | \$562.40 | 4.46% |
| 2016 | -2 | 1.00% | 448,061 | 0.60% | \$543.10 | -3.55% |
| 2017 | -0.9 | 3.00% | 451,904 | 0.85% | \$599.50 | 9.41% |
| 2018 | 0 | 3.50% | 456,061 | 0.91% | \$600.90 | 0.23% |
| 2019 | | 4.50% | 459,404 | 0.73% | \$627.90 | 4.30% |

- Account Maintenance Fee (Attachment 5)

The account maintenance fee is expected to generate \$32.2 million in FY 2019 as compared to \$32.1 million in FY 2018.

- Infrastructure Investment Fee (Attachment 6)

The Infrastructure Investment fee is expected to generate approximately \$38.9 in FY 2019 as compared to \$38.8 million in FY 2018.

- Miscellaneous Fees and Charges (Attachment 7) Proposed Changes

WSSC has conducted a comprehensive review of fees and charges and have proposed various changes to align service costs with the fees charged. It should be noted that the Construction Service Fee has changed from 12% on the construction bond (less Design Review) to 9.3% of the WSSC unit cost estimate (or 12% of the construction bid estimate).

Also note that the small detector meter are now listed separately under Detector Check Meters on the Account Maintenance Fee Schedule; however, there's no change in the \$16 fee. Small detectors check meters were previously included with small meters.

- Other Revenues

Other revenues include the Reconstruction Debt Service Offset (REDO). This was established in FY 1983 and uses surplus funds in the General Bond Debt Service account to offset a portion of the debt service costs of the Systems Reconstruction Program, thereby benefiting all ratepayers. The Offset, a transfer of funds from the General Bond Debt Service to the Water and Sewer Operating Funds, is set at \$7.7 million in FY 2018, a decrease of \$2.1 million from the FY 2017 approved amount. The REDO for FY 2019 is proposed at \$12.5 million. When the unallocated balance in the General Bond Debt Service Fund is exhausted, the associated expenses will have to be incorporated into the rate structure.

F. Expenditures (Attachment 3A - FY 2018 – FY 2019 Summary of Revenues and Expenses)

Table III: 10-Year Trend Analysis of WSSC Expenditures

| <i>Summary of Key Expenditures (\$,000)</i> | | | | | |
|---|---------------------|-------------------------|---------------------------------|------------------------------|------------------|
| <i>Fiscal Year</i> | <i>Debt Service</i> | <i>Salary and Wages</i> | <i>Regional Sewage Disposal</i> | <i>Heat, Light and Power</i> | <i>All Other</i> |
| 2008 | \$ 212,364 | \$ 85,221 | \$ 42,384 | \$ 23,025 | \$ 145,128 |
| 2009 | 214,008 | 87,879 | 44,767 | 26,315 | 158,222 |
| 2010 | 217,123 | 89,380 | 47,013 | 28,187 | 156,251 |
| 2011 | 239,063 | 89,978 | 46,208 | 28,599 | 168,716 |
| 2012 | 223,010 | 89,144 | 49,483 | 24,658 | 180,689 |
| 2013 | 277,631 | 93,502 | 49,226 | 22,979 | 189,474 |
| 2014 | 249,067 | 95,986 | 44,631 | 24,443 | 199,996 |
| 2015 | 248,022 | 100,722 | 54,485 | 24,229 | 226,848 |
| 2016 | 228,472 | 104,753 | 50,068 | 22,000 | 240,746 |
| 2017 | 250,745 | 109,747 | 53,946 | 22,099 | 253,853 |
| 2018 | 271,216 | 120,919 | 53,617 | 22,028 | 273,456 |

G. Spending Affordability (Attachment 8A - WSSC Rate Schedule at 4.5% Proposed Increase and Attachment 8B – Annual Customer Bills at Various Consumption Levels)

In October of 2017, staff of Prince George's and Montgomery Counties, met with staff of the WSSC to discuss the spending affordability limits for FY 2019. The rehabilitation and maintenance of buried assets continued to be the area that required the most resources.

WSSC originally recommended a water and sewer rate increase of 6.2% as part of the FY 2019 Spending Affordability Guideline process. In order to reconcile the Commission's plans for FY 2019 service programs with the Counties guidelines, it was necessary to make reductions in existing programs during the FY 2018 budget process and defer the implementation of several initiatives to improve customer service and system reliability.

- Implementing a system wide hydrant flushing system as a preventive

maintenance practice

- Testing all 43,000 fire hydrants on a ten year cycle
- Expanding of the lead detection program to identify leak locations and provide proactive repairs
- Accelerating large diameter water valve inspections from a four year to a three year cycle.

Both Councils agreed to a FY 2018 spending affordability limit recommendation of 4.5% with an average impact of \$6.12 per quarter; The FY 2018 adopted budget rate increase submitted was 3.5% with an average impact of \$1.52 per month or \$4.56 per quarter for a customer using 143 gallons per day.

Table IV: FY 2019 Spending Affordability Summary

| | FY 2019 Proposed Budget (\$,000) | Percent Change from FY 2018 |
|---|--|-----------------------------------|
| <i>Spending Affordability Guidelines</i> | | |
| Rate Increase | 4.50% | |
| New Debt | \$ 486.80 | -6.90% |
| Debt Service | \$ 277.10 | 7.80% |
| Total Water & Sewer Operating Expense | \$ 763.00 | 5.10% |
| <i>Residential Customer Impact (monthly)</i> | | |
| Usage of 100 gallons per day | \$ 1.43 | 3.50% |
| Usage of 143 gallons per day | \$ 2.04 | 3.75% |
| Usage of 160 gallons per day | \$ 2.53 | 3.78% |

II. Updates and Highlights

A. Summary of Key Provisions of the FY 2019 Proposed Budget

- Testing and delivering 164.0 million gallons per day (MGD) of water to over 459,000 customer accounts in a manner that meets or exceeds the Safe Drinking Water Act standards
- Treating 201.4 MGD of wastewater and responsibly managing up to 1,000 tons of bio-solids per day in a manner that meets or exceeds federal and state permit requirements and regulations
- Operating and maintaining a system of three (3) water reservoirs impounding 14 billion gallons of water, two (2) water filtration plants, six (6) wastewater treatment plants, five thousand seven hundred (5,700) miles of water main and five thousand five hundred (5,500) miles of sewer main 24 hours a day, 7 days a week
- Complying with the Sanitary Sewer Overflow and the Potomac Plant Consent Decree Orders
- Funding the replacement of forty-five (45) miles of water main and forty-one (41) miles of sewer mains and lateral lines
- Paying debt service of \$294.3 million of which \$277.1 million is in the water and sewer operating funds
- Funding of \$46.5 million is included for large diameter pipe rehabilitation. This includes \$25.0 million for PCCP inspection, repair, and acoustic fiber optic monitoring of the pipes' condition; \$18.7 million for large diameter repairs and cathodic protection; and \$2.8 million for large valve inspections, replacement and repairs
- Paying WSSC's share of the cost of operating the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant
- Funding Customer Assistance Program (CAP) with revenue offset of \$888,000
- Maintaining an operating reserve of 10% of water and sewer rate revenues
- Providing maintenance services at a level consistent with the objective of responding to the customer within 2 hours and restoring service within 24 hours
- Answering 100% of all customer billing calls received
- Maintaining and fueling 970 vehicles, maintaining approx. 770 pieces of large field equipment and operating 6 repair facilities

- Funding employee salary enhancements in a manner coordinated with the Counties and continuing other benefits.

B. WSSC Information Technology Strategic Plan - Development Implementation

WSSC's IT Strategic Plan is in the process of being revised as the Commission focuses its efforts on the implementation of Project Cornerstone, a multi-year technological and organizational improvement initiative centered around the implementation of multiple Oracle Utilities Technologies. Through Project Cornerstone, WSSC will change the way its business is supported and operated. The project will also enable WSSC's other strategic initiatives. Project Cornerstone is implementing three new technologies:

- Oracle Utilities Customer to Meter (C2M)
- Oracle Utilities Mobile Workforce Management (MWM)
- Oracle Utilities Work and Asset Management, (WAM)

These new technologies will replace all, or part of, the following systems used by WSSC:

- C2M will replace WSSC's Customer Service and Information System, CSIS
- MWM will replace WSSC's Customer Connect/Field Service System
- WAM will replace certain functions of MMIS and TEAMS for tracking Assets, Service Requests, Work Orders, Inspections, and Patch Tickets

C. Customer Affordability Program (CAP)

WSSC continues to face challenges of balancing increasing costs for infrastructure and operations with affordability factors for its customers. WSSC's Customer Assistance Program (CAP) was created in FY 2016 to help economically disadvantaged customers by providing financial assistance with water and sewer bills. The CAP benefits as many as 9,000 customers with \$888,000 in revenue offsets. WSSC plans to continue this vital program in FY 2019. WSSC is currently working with a consultant to enhance and improve the assistance program.

Table V: CAP Budget and Enrollee Participation

| Fiscal Year | Projected CAP Benefit | Projected Enrollees | Actual CAP Benefit | Actual Enrollees |
|-------------|-----------------------|---------------------|--------------------|------------------|
| 2016 | \$ 1,700,000 | 15,179 | \$ 499,192 | 7,093 |
| 2017 | \$ 1,334,000 | 11,911 | \$ 530,141 | 7,697 |
| 2018 | \$ 888,000 | 7,929 | | |
| 2019 | \$ 888,000 | 7,929 | | |

The customer enrollee estimates used to project revenue losses were based on the average number of Prince George's and Montgomery County households receiving energy assistance over a five-year period. The challenge is matching WSSC accounts with residential customers enrolled in Maryland's Office of Home Energy Program and providing credits to tenants in multi-unit homes. The Customer Assistance Program steering committee is working on the details on how to provide credits to tenants in multi-unit homes.

D. Proposed Rate Structure Impact and Summary of Proposal

In September 2016, the Maryland Public Service Commission (PSC) issued an order concluding that WSSC's volumetric rate structure is "... unduly discriminate among classes of customers, and as such is unreasonable". An additional ruling by the PSC has reiterated that WSSC's rate structure is unreasonable. According to a 2014 report, commissioned by WSSC, it was determined that the inclining block structure based on retroactively charging for all gallons used at the highest tier reached is unusual. With WSSC having 16 tiers, consumers can cross into a higher tier on the last billing day of the billing cycle and will be billed for all of the previous usage within that cycle at the higher rate. As a result of this rate structure strategy, WSSC has noted the following:

- WSSC consumers may experience large fluctuations in their water bills if their average daily consumption per quarter varies.
- The movement between tiers causes fluctuations and can cause revenue unpredictability from quarter to quarter.
- Water consumption has declined over the last 20 years, which has caused a decline in WSSC's revenue, even as customers are added to their billing base.
- Large households and commercial ratepayers are subsidizing the rest of the ratepayer base, because the rates paid by large consumers are within the higher tiers as compared to the small commercial ratepayers and small households.

WSSC recommends that the Counties consider adopting an alternate rate structure. WSSC has proposed three different rate structure strategies for review by the Counties. At this time, no decision has been made by either County on the recommendations.

III. FY 2019 Performance Indicators

A. Water and Sewer Rates

A rate increase of 4.5% is being proposed for FY 2019 for a total increase of \$2.04 per month for a customer using 143 gallons per day. Staff recommends a combined 4.5% water and sewer rate increase in FY 2019.

Table VI: Comparison of Annual Adopted Water and Sewer Rate Increases

| <i>Water and Sewer Rate</i> | | | |
|------------------------------------|-------------------------------------|--|-------------------------------------|
| <i>Fiscal Year</i> | <i>Adopted Rate Increase</i> | <i>Prince George's County SAG</i> | <i>Montgomery County SAG</i> |
| 2008 | 6.50% | 5.30% | 5.30% |
| 2009 | 8.00% | 8.00% | 9.70% |
| 2010 | 9.00% | 6.00% | 9.50% |
| 2011 | 8.50% | 8.00% | 9.90% |
| 2012 | 8.50% | 8.00% | 9.90% |
| 2013 | 7.50% | 8.50% | 8.50% |
| 2014 | 7.25% | 7.50% | 8.00% |
| 2015 | 5.50% | 6.00% | 6.00% |
| 2016 | 1.00% | 2.10% | 2.10% |
| 2017 | 3.00% | 3.50% | 3.50% |
| 2018 | 3.50% | 3.50% | 3.50% |

B. Billing Factor

The billing factor is the revenue received for every 1,000 gallons of water produced. Total water produced does not equate to total water billed (and subsequent revenue). Therefore, in a given year, if the Commission collects revenue for a higher percentage of total water produced, the billing factor increases. Water and sewer revenue depends not only on the water produced and ultimately consumed, but also on the average billing rate.

Table VII: Comparison of Annual Billing Factor

| WSSC Annual Billing Factors | | |
|------------------------------------|-----------------------|-------|
| Fiscal Year | Billing Factor | |
| 2016 | \$ | 9.04 |
| 2017 | \$ | 9.67 |
| 2018 | \$ | 10.04 |
| 2019 | \$ | 10.49 |

C. Work Years

For FY 2019, WSSC is not adding any additional positions. Staff complement will remain at 1,776 positions. During FY 2011, WSSC expanded its System Enhancement Unit (SEU) due to concerns that staffing levels were not adequate to handle peak repair demand in a timely manner and water main replacement projects. The SEU complement was doubled and the number of in-house miles of water main replacement increased from 6 to 12. The expansion costs were assumed to be neutral as SEU staff performed work in lieu of outside contractors. The additional staff would handle peak repair demand without incurring ongoing operating costs. Based on recent analysis, the in-house SEU process has proven to be less cost-effective than outsourcing water main replacement. Therefore, over the next two years, SEU will be reduced to two crews that will perform 2 miles of water main replacement annually.

Table VIII: Comparison of Annual Work Years

| Work Year Annual Data | | |
|------------------------------|-------------------------|-----------------------------------|
| Fiscal Year | Total Work Years | Number of Work Years Added |
| 2010 | 1,561 | 6 |
| 2011 | 1,632 | 71 |
| 2012 | 1,681 | 49 |
| 2013 | 1,693 | 12 |
| 2014 | 1,717 | 24 |
| 2015 | 1,729 | 12 |
| 2016 | 1,747 | 15 |
| 2017 | 1,776 | 29 |
| 2018 | 1,776 | - |
| 2019 | 1,776 | - |

D. Fund Balance

| | Total |
|---|-----------------------|
| Water & Sewer Operating Fund Balance 07/01/2017 | \$ 188,513,000 |
| Less Working Capital Reserve 6/30/2017 | (68,424,000) |
| FY'17 Year-end Unallocated Fund Balance | \$ 120,089,000 |
| IT Strategic Plan | (11,080,000) |
| Strategic Energy Plan Implementation (5-Year FY16 A&R) | (300,000) |
| Climate Change Vulnerability Assessment (5-Year FY16 A&R) | (200,000) |
| Unallocated Reserve (end of FY'18) | \$ 108,509,000 |
| IT Strategic Plan | (11,080,000) |
| Strategic Energy Plan Implementation (5-Year FY16 A&R) | (300,000) |
| Climate Change Vulnerability Assessment (5-Year FY16 A&R) | (200,000) |
| Additional Reserve to maintain 10% revenues | (5,100,861) |
| Unallocated Reserve (end of FY'19) | \$ 91,828,139 |
| FY'20 Climate Change Vulnerability Assessment (A&R) - final year | (100,000) |
| FY'20 Strategic Energy Plan Implementation (A&R) - final year | (200,000) |
| FY'20-'21 Use of Fund Balance AMI/C2M | (15,500,000) |
| FY'20-'21 Implementation of Asset Management recommendations for support facilities | (18,500,000) |
| FY'20-'22 Other IT Implementations | (12,000,000) |
| FY'20-'24 Increase in Operating Reserves (to maintain 10% of budgeted W&S revenues) | (14,229,689) |
| Unallocated Reserve | \$ 31,298,450 |
| Working Capital Reserve 6/30/19 (10% of budgeted revenue) | \$ 73,524,861 |

As shown above, WSSC projects that it will have an excess fund balance of \$31.3 million as of July 1, 2019, over and above the operating reserve of \$73.5 million.

E. System Development Charge (Attachment 9A- System Development Charge Account and Attachment 9B FY 2017 Eligible Expenditures)

For the period July 1, 2016 to June 30, 2017 (FY 2017), a total of \$29.1 million in SDC revenue and interest was collected. The amount of \$2.6 million was transferred to the Water and Sewer Operating Funds for debt service payments due in FY 2017 for the debt incurred in FY 1998 and FY 2016 to fund growth costs. The amount of \$11.3 million was transferred to the Water Supply Bond Fund and \$25.4 million was transferred to the Sewage Disposal Bond Fund to

fund SDC eligible projects on a pay-as-you-go (PAYGO) basis during the fiscal year. The amount of \$5.5 million was allocated for reimbursements and uncollected charges. The available account balance at the end of the period is \$15.3 million.

In FY 2018 the SDC account balance and revenue collections will be dedicated to repay the annual debt service payments for debt issued to fund SDC eligible projects in FY 2016 and fund growth projects during the fiscal years on a PAYGO basis.

F. Water and Sewer Infrastructure Reliability

The state of WSSC infrastructure is a significant concern as the buried assets continue to age. On the water side, the budget proposes the rehabilitation of 45 miles of smaller water mains. This represents a reduction of 10 miles from the approved FY 2018 level of 55 miles and is based upon the prioritization and recommendations in the FY 2019 Enterprise Asset Management Plan. This budget also proposed increased funding for house connection renewals and the ongoing replacement of large water service meters and associated vaults. For large diameter water mains, the Pre-Stressed Concrete Cylinder Pipe (PCCP) Program provides for the ongoing acoustic fiber optic (AFO) monitoring of 107 miles of pipes, inspection of 18 miles of PCCP, and repairs or replacement of large diameter pipes. Funding is also included for large valve inspection, replacement, and repairs as well as for the planning, design, and construction required for the implementation of short term operational and long term capital improvements at the Potomac Water Filtration Plant (WFP) to comply with the Potomac WFP Consent Decree. On the wastewater side, funding is provided for continued compliance with the consent decree which continues to be a major cost driver in both the operating and capital budgets.

G. Regulatory Compliance

For the past decade, the Environmental Protection Agency (EPA) has identified the elimination of Sanitary Sewer Overflows (SSOs) as a national priority initiative necessary to eliminate the adverse public health and environmental impacts associated with the discharge of raw sewage overflows. Enforcement actions against major municipalities across the country have resulted in consent decrees that dictate remedial action necessary to eliminate future SSOs.

H. Cost Saving Measures

WSSC's Supply Chain Management Transformation project, supported by the Commission and both Counties since FY 2013, has produced significant cost reductions in excess of \$33 million in the operating and capital budgets and cost avoidance savings of more than \$43 million during the same period. During FY 2017, WSSC's efforts resulted in \$11.3 million in cost reductions and \$18.5 million in

cost avoidances over the term of the awarded contracts.

I. Minority Business Enterprise

WSSC has made a strong commitment to its relationships with minority- and women-owned businesses. The Commission's Office of Supplier Diversity & Inclusion is dedicated to creating an inclusive purchasing environment while building sustainable relationships, expanding opportunities, and cultivating growth of small, local and minority business enterprises which adds value to the Commission and community it serves.

FIGURE 6: FY 2017 SLBE TOTAL CONTRACT AWARDS



FIGURE 3: FY 2017 M/WBE TOTAL CONTRACT AWARDS



FIGURE 5: FY 2017 SLBE TOTAL CONTRACT PAYMENTS



FIGURE 1: FY 2017 M/WBE TOTAL CONTRACT PAYMENTS



The abbreviation "M/WBE" includes women-owned business enterprises ("WBEs") as well as minority-owned firms that have obtained MBE certification as provided in SP MBE 2017-004

IV. Staff Recommendation

Concur with the WSSC Commission's proposal to increase combined water and sewer rates by 4.5% for FY 2019.

V. Attachments

- Attachment 1: Comparative Expenditures by Fund
- Attachment 2A: Comparative Expenditures by Major Expense Category
- Attachment 2B: FY 2019 Proposed Budget by Major Category (chart)
- Attachment 3A: FY 2018 – FY 2019 Summary of Revenue & Expenses
- Attachment 3B: FY 2019 Proposed Budget Operating
- Attachment 4: Combined Water/Sewer Operating Fund
- Attachment 5: Account Maintenance Fees Proposed for Implementation
- Attachment 6: Infrastructure Investment Fees
- Attachment 7: Miscellaneous Fees and Charges
- Attachment 8A: WSSC Water/Sewer Rate Schedules
- Attachment 8B: Annual Customer Bills at Various Consumption Levels
- Attachment 9A: System Development Charge Account
- Attachment 9B: FY 2017 Eligible Expenditures SDC
- Attachment 10: FY 2019 Proposed Budget - How Each Dollar is Spent

TABLE I

Comparative Expenditures by Fund

| | FY'16 Actual | FY'17 Actual | FY'18 Approved | FY'19 Proposed | FY'19 Over / (Under) FY'18 | % Change |
|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------------------|-------------|
| Capital Funds | | | | | | |
| Water Supply | \$ 249,907,950 | \$ 263,568,816 | \$ 342,444,918 | \$ 306,478,722 | \$ (35,966,196) | -10.5% |
| Sewage Disposal | 387,241,984 | 280,632,043 | 323,054,156 | 328,890,176 | 5,836,020 | 1.8% |
| General Construction | 13,048,998 | 12,783,881 | 20,010,242 | 20,957,052 | 946,810 | 4.7% |
| Total Capital | 650,198,932 | 556,984,740 | 685,509,316 | 656,325,950 | (29,183,366) | -4.3% |
| Operating Funds | | | | | | |
| Water Operating | 282,951,957 | 300,598,657 | 321,017,005 | 340,082,785 | 19,065,780 | 5.9% |
| Sewer Operating | 343,235,028 | 374,234,124 | 404,331,357 | 422,609,826 | 18,278,469 | 4.5% |
| General Bond Debt Service | 19,852,305 | 15,557,107 | 15,887,815 | 18,888,188 | 3,000,373 | 18.9% |
| Total Operating | 646,039,290 | 690,389,888 | 741,236,177 | 781,580,799 | 40,344,622 | 5.4% |
| GRAND TOTAL | \$ 1,296,238,222 | \$ 1,247,374,628 | \$ 1,426,745,493 | \$ 1,437,906,749 | \$ 11,161,256 | 0.8% |

TABLE II

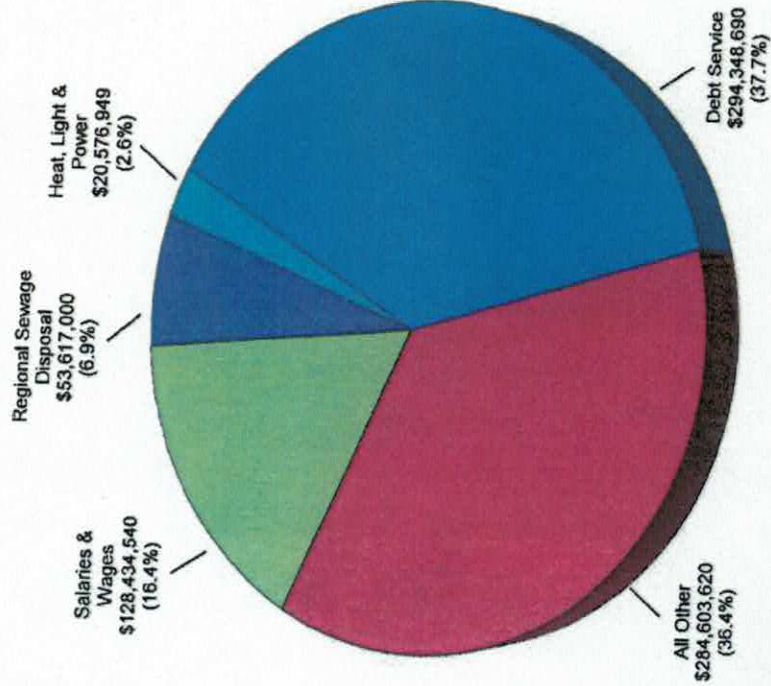
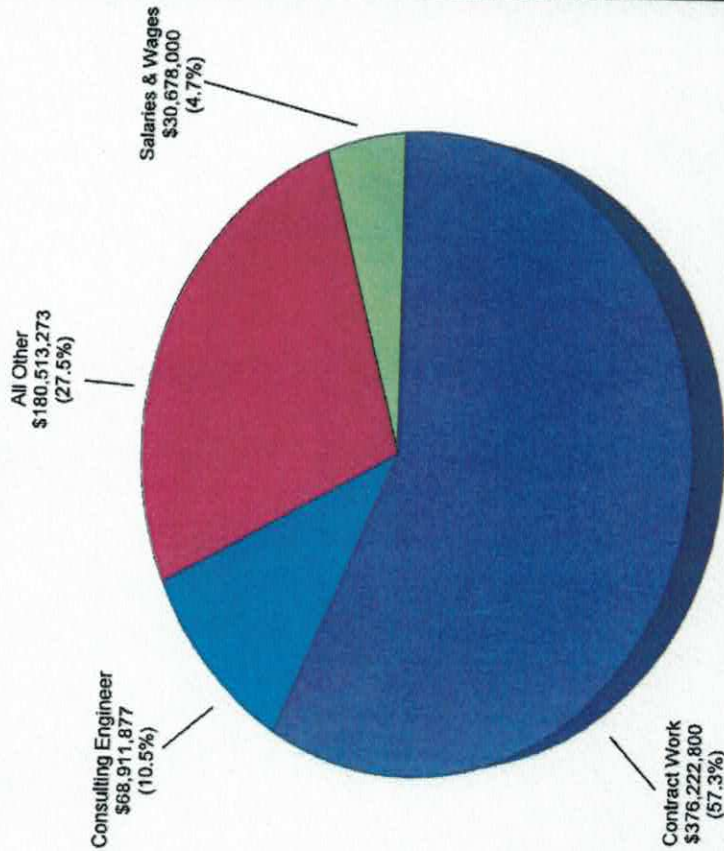
Comparative Expenditures by Major Expense Category
(\$ in Thousands)

| Expense Categories | FY'17 Actual | | | FY'18 Approved | | | FY'19 Proposed | | |
|--------------------------|------------------|------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|--------------------|
| | Capital | Operating | Total | Capital | Operating | Total | Capital | Operating | Total |
| Salaries & Wages | \$30,229 | \$109,747 | \$139,976 | \$30,009 | \$120,919 | \$150,928 | \$30,678 | \$128,434 | \$159,112 |
| Heat, Light & Power | - | 22,099 | 22,099 | - | 22,028 | 22,028 | - | 20,577 | 20,577 |
| Regional Sewage Disposal | - | 53,946 | 53,946 | - | 53,617 | 53,617 | - | 53,617 | 53,617 |
| Contract Work | 328,614 | - | 328,614 | 453,397 | - | 453,397 | 376,223 | - | 376,223 |
| Consulting Engineers | 53,763 | - | 53,763 | 57,814 | - | 57,814 | 68,912 | - | 68,912 |
| All Other | 144,379 | 253,853 | 398,232 | 144,289 | 273,456 | 417,745 | 180,513 | 284,604 | 465,117 |
| Debt Service | - | 250,745 | 250,745 | - | 271,216 | 271,216 | - | 294,349 | 294,349 |
| TOTAL | \$556,985 | \$690,390 | \$1,247,375 | \$685,509 | \$741,236 | \$1,426,745 | \$656,326 | \$781,581 | \$1,437,907 |

FY 2019 PROPOSED BUDGET BY MAJOR EXPENSE CATEGORY

CAPITAL = \$656,325,950

OPERATING = \$781,580,799



GRAND TOTAL = \$1,437,906,749

TABLE III

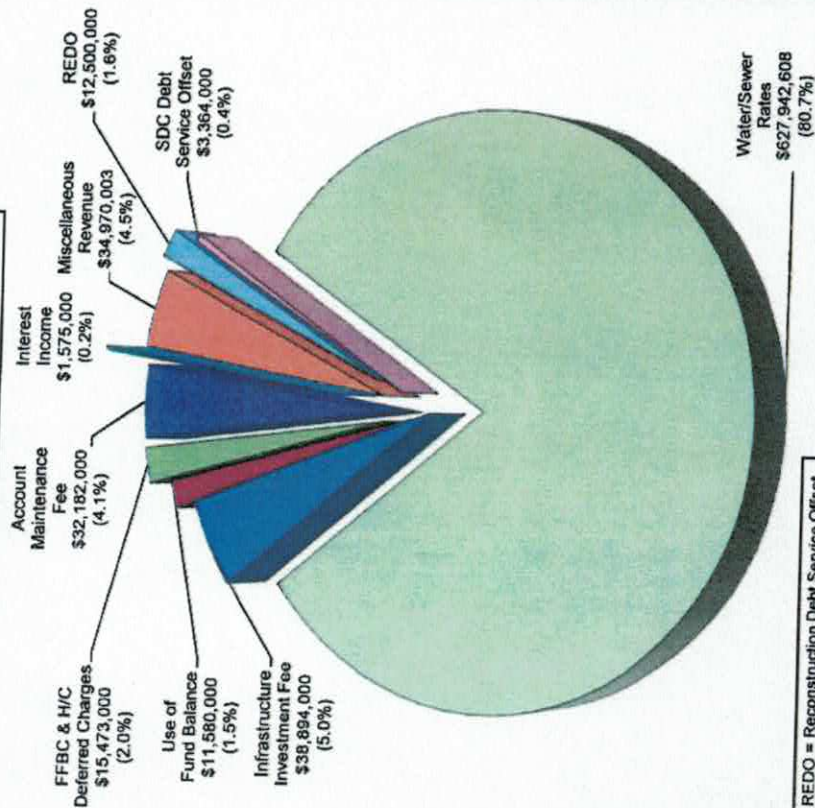
FY 2018 - FY 2019 Summary of Revenue & Expenses

| | Water Operating Fund | | Sewer Operating Fund | | General Bond Debt Service Fund | | Capital Funds | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------|----------------------|-----------------------|-----------------------|
| | 2018 Approved | 2019 Proposed | 2018 Approved | 2019 Proposed | 2018 Approved | 2019 Proposed | 2018 Approved | 2019 Proposed |
| REVENUES | | | | | | | | |
| Water Consumption Charges | \$ 267,080,000 | \$ 273,316,145 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sewer Use Charges | - | - | 333,822,000 | 354,626,463 | - | - | - | - |
| Front Foot Benefit & House Connection Charges (Deferred) | - | - | - | - | - | - | - | - |
| Account Maintenance Fees | 16,380,000 | 16,412,820 | - | - | 18,852,000 | 15,473,000 | - | - |
| Infrastructure Investment Fee | 19,796,560 | 19,835,940 | 15,738,000 | 15,769,180 | - | - | - | - |
| Interest Income | 100,000 | 100,000 | 19,019,440 | 19,058,060 | - | - | - | - |
| Miscellaneous | 17,660,445 | 18,090,000 | 600,000 | 1,400,000 | 20,000 | 75,000 | - | - |
| Use of Fund Balance | - | - | 15,871,917 | 16,640,003 | 240,000 | 240,000 | - | - |
| Other | - | - | - | - | - | - | - | - |
| Reconstruction Debt Service Offset | - | 5,905,800 | 11,580,000 | 5,674,200 | 7,700,000 | 12,500,000 | - | - |
| SDC Debt Service Offset | - | 4,000,000 | 7,700,000 | 8,500,000 | (7,700,000) | (12,500,000) | - | - |
| Bonds & Cash | - | 2,422,080 | - | 941,920 | - | - | - | - |
| Anticipated Contributions: | - | - | - | - | - | - | - | - |
| Federal & State Grants | - | - | - | - | - | - | 614,459,316 | 605,936,950 |
| System Development Charge | - | - | - | - | - | - | 10,780,000 | 6,122,000 |
| Other | - | - | - | - | - | - | 32,189,000 | 23,647,000 |
| TOTAL REVENUES | \$ 321,017,005 | \$ 340,082,785 | \$ 404,331,357 | \$ 422,609,826 | \$ 19,112,000 | \$ 15,788,000 | \$ 685,509,316 | \$ 656,325,950 |
| EXPENSES | | | | | | | | |
| Salaries & Wages | \$ 64,169,215 | \$ 68,672,298 | \$ 56,106,695 | \$ 59,229,223 | \$ 643,475 | \$ 533,019 | \$ 30,008,906 | \$ 30,678,000 |
| Heat, Light & Power | 11,760,491 | 10,641,982 | 10,254,440 | 9,934,987 | 13,330 | - | - | - |
| Regional Sewage Disposal | - | - | 53,617,000 | 53,617,000 | - | - | - | - |
| Contract Work | - | - | - | - | - | - | - | - |
| Consulting Engineers | - | - | - | - | - | - | 453,397,029 | 376,222,800 |
| Contribution to Required Reserve | - | - | - | - | - | - | 57,813,906 | 68,911,877 |
| All Other | - | - | - | - | - | - | - | - |
| Debt Service | 125,604,299 | 129,381,123 | 116,572,222 | 123,139,816 | 1,086,010 | 1,067,169 | 144,289,475 | 180,513,273 |
| PAYGO | 106,320,000 | 117,727,929 | 150,751,000 | 159,332,761 | 14,145,000 | 17,288,000 | - | - |
| | 13,163,000 | 13,659,453 | 17,030,000 | 17,356,059 | - | - | - | - |
| TOTAL EXPENSES | \$ 321,017,005 | \$ 340,082,785 | \$ 404,331,357 | \$ 422,609,826 | \$ 15,887,815 | \$ 18,888,188 | \$ 685,509,316 | \$ 656,325,950 |
| Net Increase (Decrease) in Fund Balance | - | - | - | - | 3,224,185 | (3,100,188) | - | - |
| Fund Balance - July 1 | \$ 39,968,000 | \$ 39,968,000 | \$ 148,545,000 | \$ 136,965,000 | \$ 54,839,000 | \$ 50,363,185 | \$ - | \$ - |
| Net Increase (Decrease) in Fund Balance | - | - | - | - | 3,224,185 | (3,100,188) | - | - |
| Use of Fund Balance | - | (5,905,800) | (11,580,000) | (5,674,200) | (7,700,000) | (12,500,000) | - | - |
| Fund Balance - June 30 | \$ 39,968,000 | \$ 34,062,200 | \$ 136,965,000 | \$ 131,290,800 | \$ 50,363,185 | \$ 34,762,997 | \$ - | \$ - |

FY 2019 PROPOSED BUDGET

OPERATING

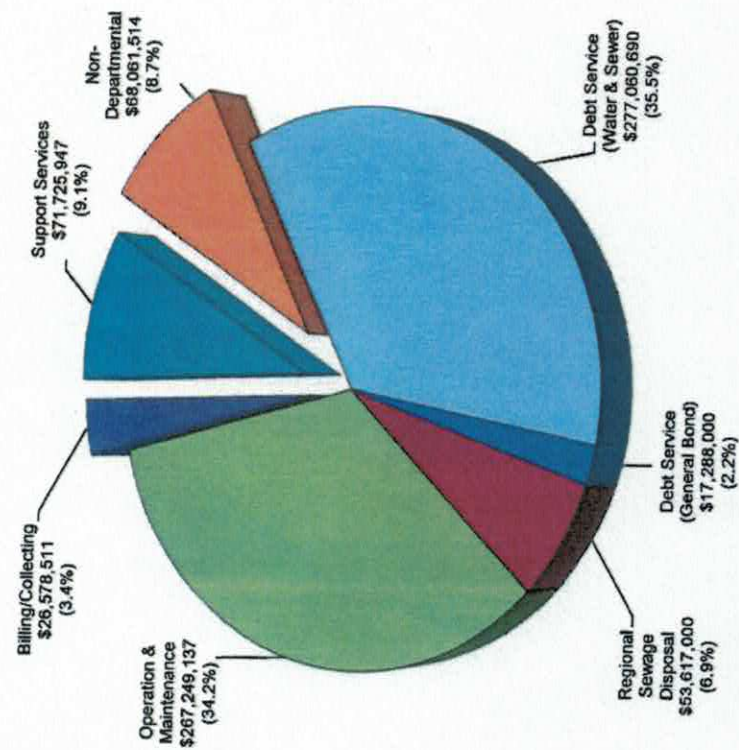
FUNDING SOURCES



REDO = Reconstruction Debt Service Offset
SDC = System Development Charge
H/C = House Connection
FFBC = Front Foot Benefit Charge

TOTAL SOURCES = \$778,480,611

FUNDING USES



TOTAL USES = \$781,580,799

TABLE VI

Combined Water/Sewer Operating Funds - FY'19 Proposed Rate Impact
 (\$ in Thousands)

| (4.5% AVERAGE RATE INCREASE PROPOSED FOR FY'19) | |
|--|---------------------------|
| <u>Funding Sources</u> | <u>FY'19 Proposed</u> |
| <u>Revenues at Current Rates</u> | |
| Consumption Charges | \$ 600,902 |
| Account Maintenance Fee | 32,182 |
| Infrastructure Investment Fee | 38,894 |
| Miscellaneous Revenues | 36,230 |
| Sub-Total | <u>708,208</u> |
| <u>Reconstruction Debt Service Offset</u> | |
| SDC Debt Service Offset | 12,500 |
| Use of Fund Balance | 3,364 |
| Total Funding Sources | <u>11,580</u> |
| | <u>735,652</u> |
| <u>Requirements</u> | |
| Operating, Maintenance & Support Services Expenses | 454,616 |
| Debt Service | 277,061 |
| PAYGO | 31,016 |
| Total Requirements | <u>762,693</u> |
| Shortfall to be Covered by Rate Increase | <u>\$ (27,041)</u> |
| PROPOSED AVERAGE WATER AND SEWER RATE INCREASE | 4.5% |

TABLE IX

Account Maintenance Fees Proposed for Implementation July 1, 2018

| <u>Meter Size</u> | <u>Approved FY'18 Quarterly Charges</u> | <u>Proposed FY'19 Quarterly Charges</u> |
|------------------------------|---|---|
| <u>Small Meters</u> | | |
| 5/8" to 1" | \$ 16.00 | \$ 16.00 |
| <u>Large Meters</u> | | |
| 1-1/2" | | |
| 2" | 16.00 | 16.00 |
| 3" | 27.00 | 27.00 |
| 4" | 66.00 | 66.00 |
| 6" | 142.00 | 142.00 |
| 8" | 154.00 | 154.00 |
| 10" | 200.00 | 200.00 |
| | 246.00 | 246.00 |
| <u>Detector Check Meters</u> | | |
| 5/8" to 1" | | |
| 2" | 16.00 | 16.00 |
| 4" | 33.00 | 33.00 |
| 6" | 177.00 | 177.00 |
| 8" | 255.00 | 255.00 |
| 10" | 461.00 | 461.00 |
| | 633.00 | 633.00 |
| <u>Fire Service Meters</u> | | |
| 4" | | |
| 6" | 182.00 | 182.00 |
| 8" | 293.00 | 293.00 |
| 10" | 452.00 | 452.00 |
| 12" | 682.00 | 682.00 |
| | 989.00 | 989.00 |

This is a quarterly fee which is prorated based on the length of the billing cycle.

TABLE X

Infrastructure Investment Fees Proposed for Implementation July 1, 2018

| <u>Meter Size</u> | <u>Approved FY'18 Quarterly Charges</u> | <u>Proposed FY'19 Quarterly Charges</u> |
|----------------------------|---|---|
| <u>Small Meters</u> | | |
| 5/8" | | |
| 3/4" | \$ 11.00 | \$ 11.00 |
| 1" | 12.00 | 12.00 |
| | 14.00 | 14.00 |
| <u>Large Meters</u> | | |
| 1-1/2" | | |
| 2" | 90.00 | 90.00 |
| 3" | 185.00 | 185.00 |
| 4" | 585.00 | 585.00 |
| 6" | 813.00 | 813.00 |
| 8" | 1,265.00 | 1,265.00 |
| 10" | 2,845.00 | 2,845.00 |
| | 4,425.00 | 4,425.00 |
| <u>Fire Service Meters</u> | | |
| 4" | 499.00 | 499.00 |
| 6" | 616.00 | 616.00 |
| 8" | 2,524.00 | 2,524.00 |
| 10" | 2,714.00 | 2,714.00 |
| 12" | 5,214.00 | 5,214.00 |

This is a quarterly fee which is prorated based on the length of the billing cycle.

Miscellaneous Fees and Charges – Proposed Changes

The Commission provides a number of services for which separate fees or charges have been established. Recent review of the costs required to provide these services indicates a need to change the amounts charged for some of the services. The fee and charge changes listed below are proposed to be effective July 1, 2018.

| ITEM | CURRENT CHARGE | PROPOSED CHARGE EFFECTIVE JULY 1, 2018 |
|--|----------------|---|
| 1. INSPECTION FEES | | |
| Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gasfitting Inspections | | |
| New Single Family Detached Dwellings and Townhouses | | |
| All Other Residential: | | |
| Water/Well Hookup | \$726 | \$835 |
| Meter Yoke Inspection (meter only installation) | 99 | 109 |
| Water Hookup Converting from Well (includes 2 inspections) | 99 | 109 |
| Sewer/Septic Hookup | 198 | 218 |
| First Plumbing Fixture | 99 | 109 |
| Each Additional Fixture | 99 | 109 |
| SDC Credit Fixture Inspection (per fixture) | 33 | 40 |
| Minimum Permit Fee | 33 | 40 |
| Permit Reprocessing Fee | 200 | *200 |
| Long Form Permit Refund Fee | 60 | *60 |
| Long Form Permit Re-Issue Fee | 200 | *200 |
| All Non-Residential: | 200 | *200 |
| Plan Review (without Permit Application) | | |
| 50 Fixtures or Less | 395 | 454 |
| 51 - 200 Fixtures | 1,340 | 1,541 |
| Over 200 Fixtures | 2,670 | 3,070 |
| 2 nd or 3 rd Review (with or without Permit Application) | | |
| 50 Fixtures or Less | | |
| 51 - 200 Fixtures | 160 | *160 |
| Over 200 Fixtures | 300 | 345 |
| Water/Well Hookup | 640 | 736 |
| Meter Yoke Inspection (meter only installation) | 170 | 195 |
| Sewer/Septic Hookup | 170 | 195 |
| FOG Interceptor | 170 | 195 |
| First Plumbing Fixture | 170 | 195 |
| Each Additional Fixture | 170 | 195 |
| SDC Credit Fixture Inspection (per fixture) | 44 | 51 |
| | 27 | 31 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes

(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> |
|---|-----------------------|---|
| Minimum Permit Fee | \$253 | \$278 |
| Permit Reprocessing Fee | 60 | *60 |
| Long Form Permit Refund Fee | 253 | 291 |
| Long Form Permit Re-Issue Fee | 253 | 291 |
| 2. SITE UTILITY (ON-SITE) REVIEW FEE | | |
| Base Fee | 3,301 | *3,301 |
| Additional Fee per 100 feet | 302 | *302 |
| Minor (Waived) Site Utility (On-Site) Fee | 874 | 1,005 |
| 3. LICENSE FEES FOR THE REGULATED TRADES | | |
| Reciprocal Master Plumber, Gasfitter | | |
| Initial Registration per type | 93/2 years | 102/2 years |
| Registration Renewal all types | 85/2 years | 88/2 years |
| Late Registration Renewal | 50 | 52 |
| Examined Master Plumber, Gasfitter | | |
| Initial Registration per type | 105/4 years | 108/4 years |
| Registration Renewal all types | 105/4 years | 108/4 years |
| Late Registration Renewal | 50 | 52 |
| Cross-connection Technician Registration | 25 | 26 |
| Sewer and Drain Registration and Renewal | 40/2 years | *40/2 years |
| Sewer and Drain Cleaner Late Registration Renewal | 20 | *20 |
| Journeyman License | | |
| Initial Registration per type | 30/2 years | 31/2 years |
| Registration Renewal | 30/2 years | 31/2 years |
| Late Registration Renewal | 20 | 21 |
| License Transfer Fee | 30 | 31 |
| License Replacement Fee | 15 | 16 |
| Apprentice License Registration/Renewal | 10 | 11 |
| 4. SHORT FORM PERMIT FEE (up to 3 fixtures) – Non-Refundable | | |
| | 82 | 94 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| ITEM | CURRENT CHARGE | PROPOSED CHARGE EFFECTIVE JULY 1, 2018 |
|--|---------------------------------------|---|
| 5. FEE FOR SALE OF WSSC PLUMBING AND FUEL GAS CODE (PLUMBING CODE) Sale of Plumbing Regulation (per book) | \$33/book | \$38/book |
| 6. SEPTIC HAULER DISCHARGE PERMIT STICKER CATEGORY I Residential & Septic Waste & Grease | | |
| 1 - 49 gallons | | |
| 50 - 799 gallons | 250/vehicle | 255/vehicle |
| 800 - 2,999 gallons | 4,009/vehicle | 4,610/vehicle |
| 3,000 - gallons and up | 11,434/vehicle | 13,149/vehicle |
| January through June | 27,120/vehicle | 31,188/vehicle |
| Transfer and/or Replacement Permit Sticker | 50% of fee | *50% of fee |
| Industrial/Special Waste Disposal Fee | 93 | 107 |
| Zero Discharge Permit Fee | 325/1,000 gallons | 355/1,000 gallons |
| Temporary Discharge Permit Fee | 93 | 107 |
| Sewer Rate – Domestic Low Strength Wastewater | 85 + Sewer Rate/1,000 gallons | 98 + Sewer Rate/1,000 gallons |
| Sewer Rate – Domestic High Strength Wastewater | 10,14/1,000 gallons of truck capacity | 11,14/1,000 gallons of truck capacity |
| | 54,00/1,000 gallons of truck capacity | 56,00/1,000 gallons of truck capacity |
| 7. LONG FORM PERMIT TRANSFER FEE | 152 | 160 |
| 8. METER REPLACEMENT FEE (Damaged or Stolen Meter) | | |
| 5/8" Encoder (outside) | 150 | *150 |
| 5/8" Encoder | 150 | *150 |
| 3/4" Encoder (outside) | 151 | *151 |
| 3/4" Encoder | 160 | *160 |
| 1" Encoder (outside) | 196 | *196 |
| 1" Encoder | 198 | 202 |
| 1-1/2" Encoder | 750 | *750 |
| Standard | 1,100 | *1,100 |
| 3" Compound | 3,190 | *3,190 |
| 4" Compound | 3,960 | *3,960 |
| 6" Compound | 5,830 | *5,830 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> |
|--|---------------------------|---|
| 2" MVR | \$1,210 | *\$1,210 |
| 3" MVR | 2,239 | 2,296 |
| 4" MVR | 3,207 | 3,216 |
| 6" MVR | 4,921 | 4,970 |
| 4" FM w/2" MVR | 8,239 | *8,239 |
| 6" FM w/3" MVR | 9,820 | *9,820 |
| 8" FM w/4" MVR | 11,495 | *11,495 |
| 10" FM w/6" MVR | 14,225 | *14,225 |
| 12" FM | 16,250 | *16,250 |
| 9. METER TESTING FEES | | |
| 5/8" to 1" | 253 | 261 |
| 1-1/2" | 424 | *424 |
| 2" and up | 473 | *473 |
| 10. SUB-METER INSTALLATION FEES | | |
| One-time Sub-Meter Charge - Small | 261 | *261 |
| One-time Sub-Meter Charge - Large | 528 | *528 |
| One-time Inspection Fee | 50 | 57 |
| Minimum Permit Inspection Fee | 200 | *200 |
| 11. TAPPER LICENSE FEE | | |
| Permit Fee | 363 | *363 |
| Duplicate | 33 | 36 |
| 12. TEMPORARY FIRE HYDRANT CONNECTION FEE | | |
| 3/4" Meter – Deposit | 0 | *0 |
| 2 Weeks or Less w/approved payment record | 376 | 379 |
| Over 2 Weeks/Less than 2 weeks w/unapproved payment record | | |
| 3" Meter - Deposit | 0 | *0 |
| 2 Weeks or Less w/approved payment record | 2,420 | *2,420 |
| Over 2 Weeks/Less than 2 weeks w/unapproved payment record | | |
| Service Charge | | |
| 2 Weeks or Less (3/4" meter) | 49 | 56 |
| 2 Weeks or Less (3" Meter) | 130 | *130 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| ITEM | CURRENT CHARGE | PROPOSED CHARGE EFFECTIVE JULY 1, 2018 |
|--|--|---|
| Over 2 Weeks (3/4" and 3" Meters) | | |
| Water Consumption Charge – 3/4" Meter | \$159 | \$175 |
| | Current approved rate for 1,000 gallons ADC; \$30 minimum | *Current approved rate for 1,000 gallons ADC; \$30 minimum |
| Water Consumption Charge – 3" Meter | | |
| | Current approved rate for 1,000 gallons ADC; \$195 minimum | *Current approved rate for 1,000 gallons ADC; \$195 minimum |
| Late Fee for Return of Meter | 7/day | 10/day |
| Fee on Unpaid Temporary Fire Hydrant Meter Billings | 1 1/2%/month | *1 1/2%/month |
| Loss/Destruction of Meter | Replacement Cost | *Replacement Cost |
| Loss/Destruction Wrench | 40 | *40 |
| 13. FEE FOR TRUCK INSPECTIONS WITH ATTACHED FIRE HYDRANT METER | 50/2 years | 52/2 years |
| 14. WATER TURN-OFF, TURN-ON FEE | | |
| Small Meter Turn-Off | 77 | 80 |
| Small Meter Turn-On | 77 | 89 |
| Large Meter Turn-Off | 203 | *203 |
| Large Meter Turn-On | 214 | 241 |
| 15. FEASIBILITY REVIEW FEE (Non-SEP) | | |
| Feasibility Review & Report Fee Deposit (can be deferred as deficit when extension is completed) | 9,377 | 10,784 |
| Feasibility Submission Fee (Non-refundable) | 1,512 | 1,618 |
| 16. INDUSTRIAL DISCHARGE CONTROL PROGRAM FEES BY CATEGORY | | |
| Industrial users subject to Categorical Pretreatment Standards | | |
| Less than 5,000 gpd (double visit) | 4,020 | 4,623 |
| Greater than 5,000 gpd (double visit) | 6,160 | 7,084 |
| Non-discharging Categorical Industries (zero discharge) | 1,083 | 1,245 |
| Significant Industrial User | | |
| Less than 25,000 gpd (single visit - priority pollutant sampling) | 4,020 | 4,623 |
| Greater than 25,000 gpd (double visit - priority pollutant sampling) | 6,160 | 7,084 |
| Penalty Charge for Late Fee Payment | 5% of fee | *5% of Fee |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> |
|---|---------------------------|---|
| 17. FEES FOR SALE OF CONTRACT SPECIFICATIONS, CONTRACT SPECIFICATION BOOKS, DRAWINGS, DESIGN MANUALS, STANDARD DETAILS, AND GENERAL CONDITIONS | | |
| Construction Specifications/Drawings | | |
| Utility Contracts | | |
| Facility Contracts | \$15 | \$17 |
| Construction Standard Details | 40-450 | *40-450 |
| Construction General Conditions & Standard Specifications | 55 | *55 |
| SEP Construction General Conditions & Standard Specifications | 44 | 46 |
| Procurement Specifications/Drawings/General Conditions | 44 | 46 |
| With Routine Specifications | | |
| With Complex/Voluminous Specifications | No charge | *No charge |
| | 35-200 | 40-200 |
| 18. CALL BACK FEE (small meters, plumbers) | 91 | 93 |
| 19. CALL BACK FEE (large meters, plumbers) | 198 | 228 |
| 20. MISSED APPOINTMENT FEE | | |
| First Missed Appointment or Turn-On | 88 | 97 |
| Each Additional Missed Appointment | 110 | *110 |
| 21. CONNECTION REDEMPTION FEE | 38 | 44 |
| 22. CONNECTION ABANDONMENT FEE | | |
| County Roads (Except Arterial Roads) - Water | 1,452 | 1,474 |
| County Roads (Except Arterial Roads) - Sewer | 1,847 | 1,873 |
| State Roads and County Arterial Roads - Water | 1,760 | 1,778 |
| State Roads and County Arterial Roads - Sewer | 2,200 | *2,200 |
| 23. FIRE HYDRANT INSPECTION FEE | | |
| Controlled Access Surcharge Fee | 121/hydrant | 137/hydrant |
| | 25 | 26 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> |
|---|-----------------------------|---|
| 24. UTILITY EROSION AND SEDIMENT CONTROL PERMIT FEE | | |
| Minor Projects | \$.14 per linear foot | \$.20 per linear foot |
| Major Projects | .18 per linear foot | .30 per linear foot |
| Minimum for Major Projects | 120 | 124 |
| 25. EROSION AND SEDIMENT CONTROL TRAINING CERTIFICATION SESSION FEE | 66/session, per participant | 79/session, per participant |
| 26. CHARGE FOR PHOTOCOPIES OF WSSC DOCUMENTS (per copied page, single side) | | |
| Readily Available Source Material | .25/page | .30/page |
| Certified Copy of Readily Available Source Material | .50/page | .60/page |
| Scanning Documents | .25/page | .30/page |
| (A reasonable fee may be charged for time in excess of two hours expended by WSSC in searching for requested records or preparing such records for inspection and copying.) | | |
| 27. DISHONORED CHECK FEE & ELECTRONIC PAYMENT FEE (applies to all dishonored checks and dishonored electronic payments) | 38 | 46 |
| 28. FIRE HYDRANT FLOW TEST FEE | | |
| No Current Test | 645 | 693 |
| Current Test | 78 | 83 |
| 29. SHUT DOWN/CHARGE WATER MAIN FEE | | |
| Shut Down/Complex Water Main Fee | 995 | 1,144 |
| | 1,864 | 2,144 |
| 30. RIGHT-OF-WAY RELEASE REVIEW FEE | 995/document | 1,144/document |
| 31. FEE FOR REVIEW AND INSPECTION OF SITE WORK POTENTIALLY IMPACTING WSSC PIPELINES | | |
| Simple Review | 363 | 399 |
| Complex Review | 1,895 | 2,179 |
| Inspection | 242/inspection | 266/inspection |

* No charge to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> |
|--|---|---|
| 32. CHLORINATION CONFIRMATION TEST FEE Re-Test or Additional Tests | \$237/first test 150/hour | \$247/first test 157/hour |
| 33. METER REINSTALLATION CORRECTION FEE | 374 | 388 |
| 34. SEWER METER MAINTENANCE FEE Quarterly Calibrations | 10,912/year 2,728/quarter | 12,003/year 3,001/quarter |
| 35. DISCHARGE AUTHORIZATION PERMIT FEE Significant Industrial User – Initial Permit Significant Industrial User – Renewal Initial zero-discharge CIU Permit Reissued zero-discharge CIU Permit Temporary Discharge Permit (Non – SIU) | 4,779/4 years 2,343/4 years 1,815/4 years 1,210/4 years 4,779 | 5,496/4 years 2,694/4 years 2,087/4 years 1,392/4 years 5,496 |
| 36. SALE OF WSSD LAWS Bound Volume Supplements | 75 36 | 83 42 |
| 37. PROPERTY INSPECTION FEE | 93 | 107 |
| 38. CONSTRUCTION SERVICES FEE Re-Test or Additional Tests or Inspector Overtime | 12% of construction bond less design review fee 190/hour | 9.3% of WSSC unit cost estimate or 12.0% of contractor's cost estimate 206/hour |
| 39. SYSTEMS INSPECTION GROUP REVIEW FEE FOR ADDITIONAL REVIEWS OF CONTRACT DOCUMENTS AND AS-BUILTS | 190/hour | 206/hour |
| 40. EXTRA REVIEW FEE Minor Additional Reviews of Unsigned or Signed Plans (per review) Major/Spitting Additional Reviews of Unsigned or Signed Plans (per review) Per Site Utility/Minor Additional Signed or Unsigned Plan Review Site Utility Minor Utility | 1,045 2,133 1,268 330 | 1,202 2,453 1,458 379 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> |
|---|-------------------------------------|---|
| Per Hydraulic Planning Analysis/Systems Planning Forecast Application Additional Review of Required Data (per application) | \$715 | \$822 |
| 41. HYDRAULIC PLANNING ANALYSIS AND SYSTEM PLANNING FORECAST | | |
| Modeling and Re-Modeling Fee - Up to 3 parts | 1,391 | 1,600 |
| Modeling and Re-Modeling Fee - per part over 3 | 605/part | 696/part |
| Pressure Sewer System Review Fee (per system) | 319 | 367 |
| 42. ENVIRONMENTAL SITE REVIEW FEE | | |
| With Database Search Conducted By WSSC | 330 | 379 |
| With Database Search Submitted By Applicant | 250 | 288 |
| 43. PARTIAL RELEASE | 1,210 | 1,331 |
| 44. SERVICE CONNECTION APPLICATION AND INSPECTION FEE (per permit) | | |
| | 2,178/water and/or sewer connection | 2,434/water and/or sewer connection |
| 45. FACILITIES DESIGN GUIDELINES FEE | 30 | 35 |
| 46. DISCHARGE FEE – Food Service Establishment (FSE) | | |
| Full Permit FSE | 467 | 537 |
| Best Management Practices Permit FSE | 132 | 152 |
| 47. FEASIBILITY REVIEW FEE FOR ON-SITE TAKEOVER PROJECTS | 847 | 974 |
| 48. FEE FOR THE PREPARATION OF HOLD HARMLESS AGREEMENT | 929 | 1,068 |
| 49. GOVERNMENT REFERRED PLAN REVIEW FEE | | |
| Major Development – Over 10 Units | 1,513 | 1,583 |
| Minor Development – 10 or Less Units | 726 | 791 |
| Re-Review Fee for Major Development | 726 | 791 |
| Re-Review Fee for Minor Development | 363 | 396 |
| 50. RESIDENTIAL OUTSIDE METER HOUSING UPGRADE/PIPE ALTERATION | 5,687 | 6,540 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> |
|--|---------------------------|---|
| 51. PRE-SCREEN RE-SUBMISSION FEE | \$330 | \$338 |
| 52. CROSS CONNECTION FEE | | |
| Test Report Fee (per sheet) | 30 | 35 |
| Base Fee for High Hazard Commercial Water Customer (per month) | 13 | *13 |
| Base Fee for All Other Commercial Water Customer (per month) | 7 | *7 |
| 53. SITE UTILITY INSPECTION FEE | | |
| Base Fee | 1,100 | 1,133 |
| Pipeline (per foot) | 5.60 | 6 |
| 54. NAME/TRANSFER OF OWNERSHIP FEE | 198 | 228 |
| 55. PROTEST FILING FEE | 605 | 700 |
| 56. PLUMBING/FUEL GAS PLANS REVIEW PRE-SCREEN FEE | 0 | 255 |

* No change to this line item.

TABLE XI

Miscellaneous Fees and Charges – Proposed Changes
(Continued)

| <u>ITEM</u> | <u>CURRENT CHARGE</u> | <u>PROPOSED CHARGE EFFECTIVE JULY 1, 2018</u> | <u>CURRENT MAXIMUM ALLOWABLE CHARGE</u> | <u>PROPOSED MAXIMUM ALLOWABLE CHARGE</u> |
|---|-----------------------|---|---|--|
| 57. *** System Development Charge | | | | |
| Apartment | | | | |
| Water | \$896 | \$896 | \$1,289 | \$1,310 |
| Sewer | 1,140 | 1,140 | 1,643 | 1,669 |
| 1-2 toilets/residential | | | | |
| Water | 1,344 | 1,344 | 1,937 | 1,968 |
| Sewer | 1,710 | 1,710 | 2,461 | 2,500 |
| 3-4 toilets/residential | | | | |
| Water | 2,240 | 2,240 | 3,227 | 3,279 |
| Sewer | 2,850 | 2,850 | 4,105 | 4,171 |
| 5 toilets/residential | | | | |
| Water | 3,135 | 3,135 | 4,517 | 4,589 |
| Sewer | 3,991 | 3,991 | 5,749 | 5,841 |
| 6+ toilets/residential (per fixture unit) | | | | |
| Water | 88 | 88 | 128 | 130 |
| Sewer | 115 | 115 | 167 | 170 |
| Non-residential (per fixture unit) | | | | |
| Water | 88 | 88 | 128 | 130 |
| Sewer | 115 | 115 | 167 | 170 |

*** No increase is proposed for the System Development Charge for FY'19 in any category. The maximum allowable charge is being adjusted pursuant to Division II, Section 25-403(c) of the Public Utilities Article of the Annotated Code of Maryland, based on the 1.6% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers for all items in the Washington, D.C. metropolitan area from November 2016 to November 2017.

TABLE VIII

WSSC Water/Sewer Rate Schedules Effective July 1, 2017 & Proposed for Implementation July 1, 2018

(4.5% AVERAGE RATE INCREASE PROPOSED FOR FY'19)

| Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day) | Water Rates Per 1,000 Gallons | | Sewer Rates Per 1,000 Gallons | | Combined Water & Sewer Rates Per 1,000 Gallons | |
|---|----------------------------------|--------------|----------------------------------|--------------|--|--------------|
| | Effective | | Effective | | Effective | |
| | July 1, 2017 | July 1, 2018 | July 1, 2017 | July 1, 2018 | July 1, 2017 | July 1, 2018 |
| 0-49 | \$ 3.53 | \$ 3.61 | \$ 4.42 | \$ 4.70 | \$ 7.95 | \$ 8.31 |
| 50-99 | 3.95 | 4.04 | 5.17 | 5.49 | 9.12 | 9.53 |
| 100-149 | 4.37 | 4.47 | 6.01 | 6.38 | 10.38 | 10.85 |
| 150-199 | 4.88 | 4.98 | 6.95 | 7.37 | 11.83 | 12.35 |
| 200-249 | 5.71 | 5.83 | 7.56 | 8.03 | 13.27 | 13.86 |
| 250-299 | 6.19 | 6.32 | 8.19 | 8.70 | 14.38 | 15.02 |
| 300-349 | 6.55 | 6.70 | 8.74 | 9.27 | 15.29 | 15.97 |
| 350-399 | 6.83 | 6.97 | 9.16 | 9.73 | 15.99 | 16.70 |
| 400-449 | 7.09 | 7.24 | 9.37 | 9.95 | 16.46 | 17.19 |
| 450-499 | 7.29 | 7.46 | 9.66 | 10.25 | 16.95 | 17.71 |
| 500-749 | 7.42 | 7.59 | 9.86 | 10.47 | 17.28 | 18.06 |
| 750-999 | 7.60 | 7.77 | 10.08 | 10.71 | 17.68 | 18.48 |
| 1,000-3,999 | 7.75 | 7.91 | 10.51 | 11.16 | 18.26 | 19.07 |
| 4,000-6,999 | 7.92 | 8.10 | 10.75 | 11.41 | 18.67 | 19.51 |
| 7,000-8,999 | 8.03 | 8.20 | 10.91 | 11.58 | 18.94 | 19.78 |
| 9,000 & Greater | 8.16 | 8.34 | 11.20 | 11.89 | 19.36 | 20.23 |

Current Flat Rate Sewer Charge - \$108.00 per quarter
Proposed Flat Rate Sewer Charge - \$115.00 per quarter

TABLE VII

Annual Customer Bills At Various Consumption Levels

| Average Daily Consumption (ADC) Gallons Per Day | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|-----------|-----------|-----------|-----------|-----------|
| 100 (36,500 GAL/YR) 3/4" Residential Meter | \$ 395.86 | \$ 443.51 | \$ 478.10 | \$ 490.87 | \$ 508.03 |
| 143 (52,195 GAL/YR) 3/4" Residential Meter | 547.16 | 596.38 | 635.52 | 653.78 | 678.32 |
| 500 (182,500 GAL/YR) 3/4" Residential Meter | 2,973.13 | 3,046.33 | 3,159.75 | 3,265.60 | 3,407.95 |
| 1,000 (365,000 GAL/YR) 2" Meter | 6,394.40 | 6,730.45 | 7,286.60 | 7,512.90 | 7,808.55 |
| 5,000 (1,825,000 GAL/YR) 3" Meter | 32,031.75 | 33,408.00 | 35,527.00 | 36,676.75 | 38,209.75 |
| 10,000 (3,650,000 GAL/YR) 6" Meter | 66,611.50 | 69,466.50 | 73,967.60 | 76,340.00 | 79,515.50 |

Annual customer bills include the Account Maintenance Fee shown on page 20 and the Infrastructure Investment Fee shown on page 21.

SYSTEM DEVELOPMENT CHARGE ACCOUNT
(\$ In Thousands)

| | |
|--|-----------------|
| ACCOUNT BALANCE, JULY 1, 2016 | <u>\$31,073</u> |
| ACCOUNT ADDITIONS: | |
| SDC Revenue, Net | 28,875 |
| Interest Income | <u>200</u> |
| | <u>29,075</u> |
| FUNDS AVAILABLE | <u>60,148</u> |
| Less SDC Credit Reimbursement | (1,489) |
| Less Amounts Billed But Not Yet Collected | (0) |
| Less Reserve for SDC Related Reimbursements | <u>(4,000)</u> |
| | <u>(5,489)</u> |
| TRANSFERRED TO OPERATING FUNDS: * | |
| Water Operating - Debt Service | (446) |
| Sewer Operating - Debt Service | <u>(2,163)</u> |
| | <u>(2,609)</u> |
| FUNDS AVAILABLE AFTER RESERVES AND TRANSFERS | <u>52,050</u> |
| TRANSFERRED TO BOND FUNDS: | |
| Water Supply Bond | (11,334) |
| Sewage Disposal Bond | <u>(25,432)</u> |
| | <u>(36,766)</u> |
| AVAILABLE ACCOUNT BALANCE, JUNE 30, 2017 | <u>\$15,284</u> |

* Transfers to Operating Funds service FY'98 & FY'16 debt.

SYSTEM DEVELOPMENT CHARGE
FY'17 ELIGIBLE EXPENDITURES

| PROJECT NUMBER | PROJECT TITLE | ELIGIBLE AMOUNTS |
|---------------------------|--|---------------------|
| 34.02 | Old Branch Avenue Water Main | \$ 132,404 |
| 34.03 | Water Transmission Improvements 385 Pressure Zone | 381,870 |
| 34.04 | Branch Avenue Water Transmission Improvements | 1,292,999 |
| 46.15 | Clarksburg Elevated Water Storage Facility | 1,385,782 |
| 46.24 | Clarksburg Area Stage 3 Water Main, Part 4 | 23,910 |
| 62.05 | Clinton Zone Water Storage Facility Implementation | 133,387 |
| 65.10 | St. Barnabas Elevated Tank Replacement | 1,426,798 |
| 84.02 | Ritchie Marlboro Road Transmission Main & PRV | 53,578 |
| 93.01 | Konterra Town Center East Water Main | 66,877 |
| 111.05 | Hillmeade Road Water Main | 20,281 |
| 119.01 | John Hanson Highway Water Main, Part 1 | 3,337,864 |
| 120.14 | Lakeview at Brandywine Water Main, Part 1 | 22,218 |
| 123.14 | Old Marlboro Pike Water Main | 3,746 |
| 123.20 | Oak Grove/Leeland Roads Water Main, Part 2 | 243,756 |
| 127.01 | Bi-County Water Tunnel | 350,383 |
| 137.02 | South Potomac Supply Improvement | 2,335,012 |
| 147.00 | Collington Elevated Water Storage Facility | 123,580 |
| SUB-TOTAL WATER | | \$ 11,334,445 |
| 25.05 | Mid-Pike Plaza Sewer Main, Phase 2 | \$ 6,784 |
| 27.08 | Westphalia Town Center Sewer | 25,647 |
| 28.18 | Konterra Town Center East Sewer | 173,162 |
| 43.02 | Broad Creek WWPS Augmentation | 24,752,526 |
| 53.22 | Seneca WWTP Expansion, Part 2 | 53,916 |
| 84.60 | Cabin Branch Wastewater Pumping Station | 41,981 |
| 84.65 | Tapestry Wastewater Pumping Station | 59,963 |
| 84.66 | Tapestry WWPS Force Main | 54,490 |
| 85.21 | Shady Grove Station Sewer Augmentation | 4,465 |
| 86.19 | Karington Subdivision Sewer | 371 |
| 87.16 | Rodenhauser WWPS Force Main | 2,877 |
| 103.16 | Cabin John Trunk Sewer Relief | 256,021 |
| 131.09 | Preserves of Piscataway WWPS Force Main | 81 |
| SUB-TOTAL SEWER | | \$ 25,432,284 |
| FY'17 TOTAL WATER & SEWER | | \$ 36,766,729 |

FY'19 PROPOSED BUDGET

(How Each Dollar of a Water and Sewer Bill is Spent)

