



WSSC Water
PROPOSED BUDGET

FY 2024
JULY 1, 2023 - JUNE 30, 2024



FISCAL YEAR 2024 PROPOSED BUDGET

Fausto R. Bayonet, Chair
Regina Y. Speed-Bost, Vice Chair
Howard A. Denis, Commissioner
Lynette D. Espy-Williams, Commissioner
T. Eloise Foster, Commissioner
Mark J. Smith, Commissioner

Kishia L. Powell, General Manager/CEO

ATTEST: Julianne Montes De Oca, Corporate Secretary

BUDGET - LEGAL STATUS

Section 17-202 of the Public Utilities Article, Annotated Code of Maryland: "The Commission: (1) before January 15 of each year, shall prepare capital and operating budgets for the next fiscal year that shall include projects and contracts authorized under SS17-204 and 17-205 of this subtitle; (2) shall make available to the public, on request, copies of the budgets described in item (1) of this subsection; (3) before February 15 of each year, shall hold a public hearing on the proposed capital and operating budgets after giving at least 21 days' notice of the hearing by publication in at least two newspapers of general circulation in Montgomery County and two newspapers of general circulation in Prince George's County."

TIME SCHEDULE FOR THE FY 2024 PROPOSED BUDGET

Public Hearings by the Commission (held as scheduled)	January 31 and February 2, 2023
Submission to County Executives	March 1, 2023
Approval by the County Councils	June 1, 2023
Adopted for the Fiscal Year	July 1, 2023

THIS BUDGET WILL NOT BE ADOPTED BY THE COMMISSIONERS UNTIL ALL HEARINGS HAVE BEEN COMPLETED.

PROGRAM CONTACT

Contact the Budget Division at 301-206-8110 or email at BudgetGroup@wsscwater.com for more information regarding this budget document.

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Some totals and percentages in this budget may not add due to rounding.

GOVERNMENT FINANCE OFFICERS ASSOCIATION



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Washington Suburban Sanitary Commission
Maryland**

For the Fiscal Year Beginning

July 01, 2022

Christopher P. Morill

Executive Director

The Government Finance Officers Association (GFOA) of the United States and Canada presented an award of Distinguished Budget Presentation to WSSC Water for its annual budget for the fiscal year beginning July 1, 2022. This is the 28th consecutive year that WSSC Water has received this award.



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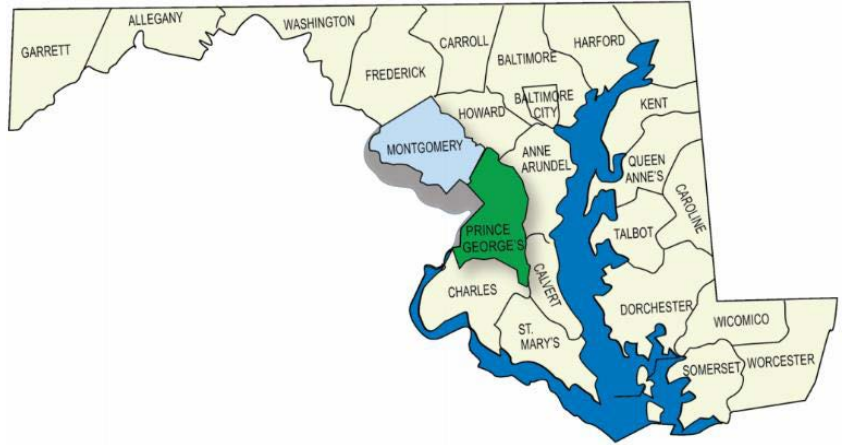
SECTION I
WSSC WATER OVERVIEW, CHAIR'S LETTER
AND BUDGET SUMMARIES

WSSC WATER OVERVIEW

WSSC Water provides water and sewer services to approximately 1.9 million residents of Maryland’s Montgomery and Prince George’s Counties, which border Washington, D.C. Established by the Maryland General Assembly in 1918 as a regional (Bi-County) agency under Article 29, it was later re-codified into Division II of the Public Utilities Article of the Annotated Code of Maryland. The agency ranks among the largest water and sewer utilities in the country, encompassing a service area of nearly 1,000 square miles.

GENERAL INFORMATION

To fulfill its primary mission of providing safe and reliable water and returning clean water to the environment, WSSC Water operates and maintains an extensive array of highly automated facilities. The agency’s two water filtration plants (WFPs), drawing raw water from the Potomac and Patuxent rivers, are projected to produce an average of 162 million gallons of water per day in Fiscal Year (FY) 2024 and deliver that water to homes and businesses in Montgomery and Prince George’s Counties, serving over 477,000 customer accounts through a system of over 6,000 miles of water mains. To ensure a reliable water supply for all seasons and conditions, WSSC Water operates three reservoirs with a total capacity exceeding 14 billion gallons.



How long is 11,700 miles of water and sewer pipeline



Sewage treatment is provided by six water resource recovery facilities (WRRFs) operated by the agency, and the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains) operated by DC Water. In FY 2024, it is projected that an average of 198 million gallons of wastewater per day from Montgomery and Prince George’s Counties will move to these facilities through 5,700 miles of sewer lines maintained by WSSC Water. The six WRRFs owned by the agency have a combined capacity of 95 million gallons per day (MGD). Blue Plains is a regional facility that serves the District of Columbia and several northern Virginia jurisdictions, as well as WSSC Water. Under the Inter-Municipal Agreement that

governs the agency’s arrangement with DC Water, WSSC Water is allocated 169 MGD of Blue Plains’ 370 MGD capacity. The agency, in turn, pays a proportionate share of Blue Plains’ operating and capital expenses. All but one of these facilities (the Hyattstown plant) go beyond conventional wastewater treatment to provide "tertiary treatment" - advanced treatment processes which ensure that the quality of the treated wastewater is better than the quality of the natural water to which it is returned.

The agency also reviews preliminary subdivision plats as to suitability of water and sewer design; reviews street grades where there are agency facilities; formulates regulations, issues permits and inspects all plumbing and gas-fitting installations; and conducts examinations for master and journeyman plumbers and gas-fitters and issues licenses to those qualified to perform plumbing and gas-fitting work.



Our Mission

We are entrusted by our community to provide safe and reliable water, life's most precious resource, and return clean water to our environment, all in an ethical, sustainable and financially responsible manner.



Our Vision

To be THE world-class water utility, where excellent products and services are always on tap.

Our Values



Accountability

We are responsible employees who act ethically, are accountable and conduct ourselves with integrity and transparency.



Collaboration

We work as a team across the agency to fulfill the needs of our customers.



Environmental Stewardship

We continuously enhance and protect natural resources and the environment for the health of future generations.



Excellence

We achieve the highest level of quality, safety, productivity and cost-effectiveness, demonstrating world-class service to everyone.



Innovation

We promote creativity to develop new products, streamline processes and enhance services.



Our Strategic Priorities



Enhance Customer Experience

- Deliver safe, reliable and consistent service
- Provide timely response to customer queries
- Be a good citizen within our communities



Spend Customer Dollars Wisely

- Improve operating efficiency
- Improve fixed asset use
- Improve financial process efficiency and fiscal sustainability



Optimize Infrastructure

- Achieve industry-leading reliability and asset integrity
- Expand resilience and balance risk



Protect Our Resources

- Resolve and learn from past incidents
- Maintain best-in-class operating environment safety for employees
- Plan proactively with community stakeholders
- Secure the agency's critical infrastructure



Transform Employee Engagement

- Acquire the best people
- Retain top performers
- Develop and grow talent
- Communicate effectively

Journey to World Class

WSSC Water's FYs 2023-2025 Strategic Initiatives

WSSC Water employees work 24/7/365 to fulfill our clean water mission. Throughout FYs 2023-2025, we will work with our customers, neighbors, stakeholders and each other to deliver these strategic initiatives:



Enhance Customer Experience

- Continue to exceed U.S. Environmental Protection Agency water quality requirements and implement actions to ensure compliance with future regulations such as the Lead and Copper Rule Revisions, Unregulated Contaminant Monitoring Rule and Polyfluoroalkyl Substances (PFAS) proposed regulations
- Begin implementation of Advanced Metering Infrastructure (AMI) to provide accurate monthly billing and near real-time water usage data that increases revenues and allows customers to monitor usage and avoid high bills due to leaks
- Enhance and expand WSSC Water's financial assistance programs and educate the public on the value of WSSC Water's services and how to access our programs



Spend Customer Dollars Wisely

- Maintain AAA bond rating through strong financial policies and planning
- Improve contract lifecycle management to ensure deliverables and materials are provided on time, on budget and within scope
- Identify opportunities to reduce costs across WSSC Water



Optimize Infrastructure

- Continually implement the Capital Improvements Program (CIP)
- Continue to invest in innovative technology, processes and ideas
- Prioritize investments to improve the condition of facilities and seek opportunities for public private partnership



Protect Our Resources

- Assess and adapt to the impacts of climate change on WSSC Water infrastructure and continue to invest in projects that reduce greenhouse gas
- Develop and implement the biosolids/water residuals master plan and business plan
- Enhance WSSC Water's comprehensive cybersecurity framework to ensure protection of critical assets
- Ensure resiliency of WSSC Water's water supply and delivery



Transform Employee Engagement

- Develop and implement workforce strategies to plan for current and future workforce needs, including acquiring and developing talent
- Evaluate Human Resources management policies, procedures and practices to retain a high quality and diverse workforce
- Advance achievement of WSSC Water's Strategic Plan by facilitating organizational development activities to enable data and risk informed decisions that optimize business processes

STRATEGIC PLAN

WSSC Water’s strategic plan guides us as we journey toward our world-class vision. The plan serves as a dynamic tool to govern daily operations and keep stakeholders informed about our progress. The strategic planning process is iterative as we consider emerging trends and identify risks and opportunities that we can leverage to sustain our core mission and improve our service to customers.

The strategic plan, the mission, vision, strategic priorities and core values WSSC Water has held since 2019 is relevant to the current strategic planning cycle. However, the strategic initiatives needed to be revisited and revised to maintain relevance throughout the FYs 2023-2025 Strategic Plan. The revised initiatives reflect updates initiated in Fall 2021 following an analysis of emerging trends and feedback provided in surveys and workshops with employees, the Customer Feedback Community and WSSC Water’s Commissioners. The Commissioners formally endorsed the plan in April 2022.

In 2021, WSSC Water introduced a Strategic Roadmap, which describes the specific strategic initiatives WSSC Water is pursuing to make progress toward the strategic priorities. A detailed Strategic Plan Report provides the rationale behind each strategic initiative and ensuring visibility of action plans. The diagram below illustrates WSSC Water’s strategic planning cycle. Additional information can be found on our website at <https://www.wsscwater.com/strategicplan>.



The FYs 2023-2025 strategic initiatives incorporate emerging trends such as new and updated legislation, climate change, rising customer expectations and feedback from stakeholders. The Commissioners suggested proactively being in touch with our partners and creating opportunities to educate customers on what WSSC Water is all about. Leadership expressed a need to help customers understand the value of water.

We support accountability, a core value of WSSC Water, by publishing this plan on <https://www.wsscwater.com/strategicplan> and noting Senior Leadership Team (SLT) members who serve as Executive Sponsors for each initiative. The Executive Sponsors champion their initiative and accept responsibility for its success. Also shown are the SLT members that the Executive Sponsor relies upon for support in achieving the initiative. We report on these initiatives via regular management meetings and communication with our employees and customers. We will continue to bring updates on progress to the public at the monthly Commission meeting through the General Manager’s Report and the Commission Performance Report. Each quarter, we publish an appendix to this plan called “What’s Our Progress” to <https://www.wsscwater.com/strategicplan> that provides our stakeholders with tangible examples of key supporting tasks, task status, next steps and overall action status.

STRATEGIC PLAN TIMELINE



WSSC Water Performance Report

WSSC Water's Commission Performance Report contains Key Performance Indicators that are aligned to the Strategic Plan Priorities and Objectives. The report demonstrates WSSC Water's commitment to accountability, which is a Core Value in the Strategic Plan.

Mission

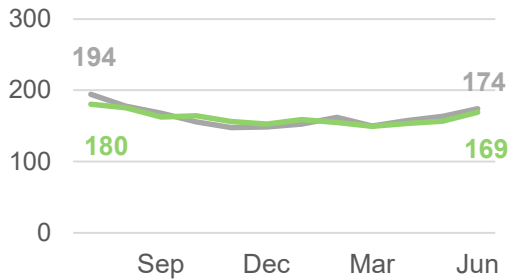
— FY 2021
— FY 2022

Provide Safe and Reliable Water

Return Clean Water to Our Environment

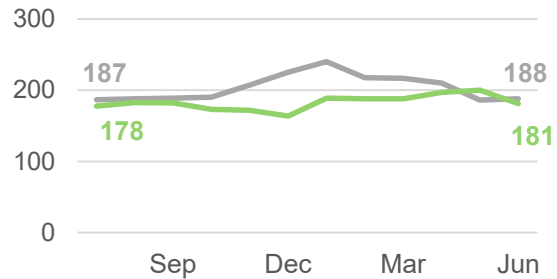
Water Production

Average gallons of water produced in millions per day



Wastewater Treatment

Average gallons of wastewater treated in millions per day



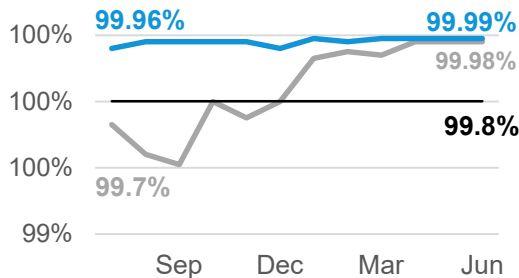
Enhance Customer Experience

— FY 2021
— FY 2022
— Expected Target

Deliver Safe, Reliable and Consistent Service

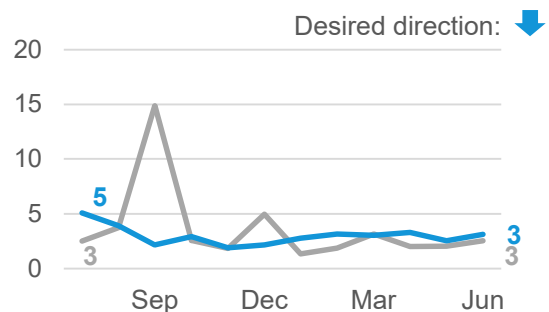
Accounts Billed On-Time

% of accounts billed on-time, within 15 calendar days after billing window closes



Water Service Restoration Time

of outage hours / # of housing units impacted



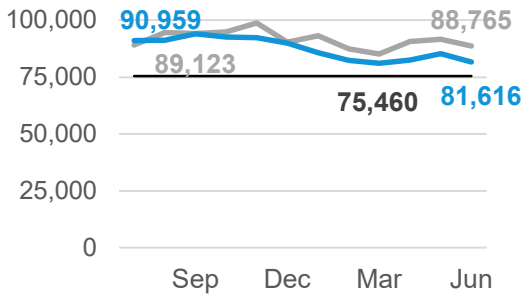
WSSC Water Performance Report

Enhance Customer Experience

— FY 2021
— FY 2022
— Expected Target

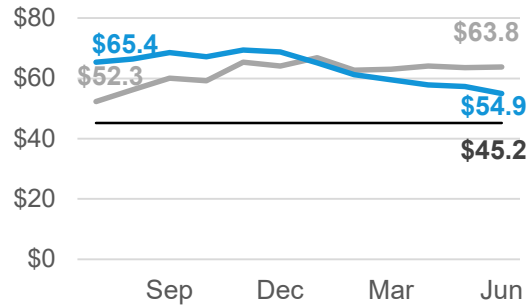
Past Due Accounts

of accounts more than 30 days past the bill date



Past Due Amount

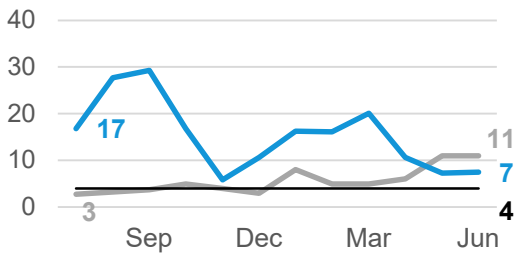
\$ of accounts (millions) more than 30 days past the bill date



Provide Timely Response to Customer Queries

Average Answer Speed

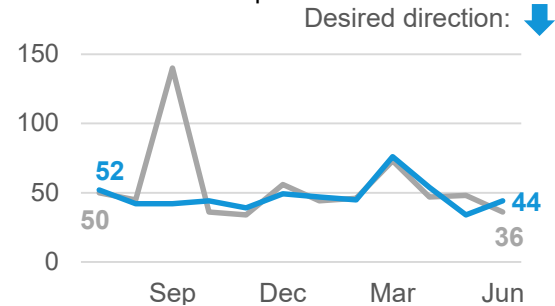
Average minutes customer waits for customer care call center agent



Be a Good Citizen within Our Community

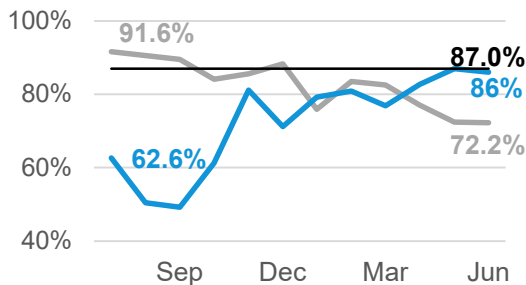
Basement Backups

of basement backups



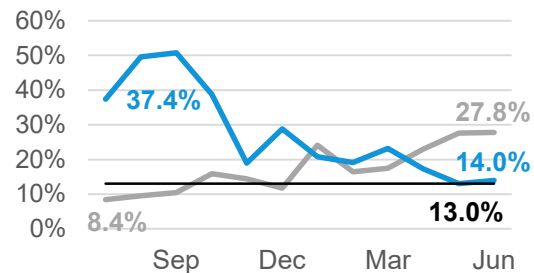
Calls Answered

of calls answered by a customer care agent / total calls



Calls Not Answered

of calls not answered by a customer care agent / total calls



WSSC Water Performance Report

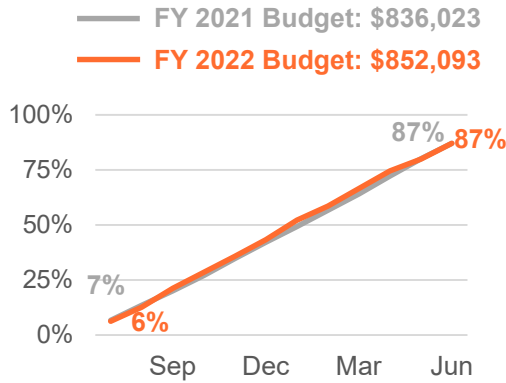
Optimize Infrastructure

Under the Optimize Infrastructure Strategic Priority, capital improvement projects are highlighted to demonstrate how WSSC Water is working to achieve industry-leading reliability and asset integrity, expanding resilience and balancing risk. See Section 8 for highlighted projects.

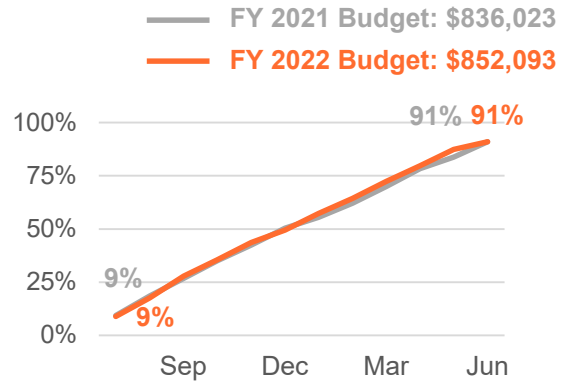
Spend Customer Dollars Wisely

Improve Financial Process Efficiency and Fiscal Sustainability

Water and Sewer Expenses



Water and Sewer Revenue



WSSC Water Performance Report

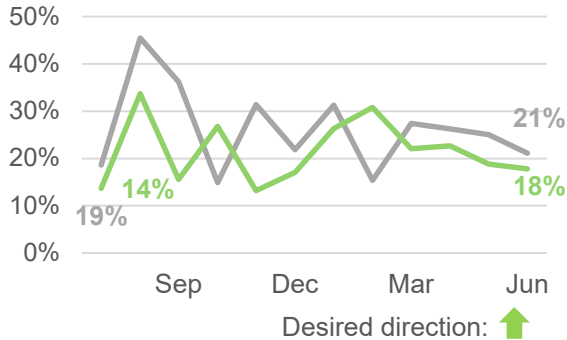
Transform Employee Engagement

— FY 2021
— FY 2022

Acquire the Best People

Monthly Positions Filled

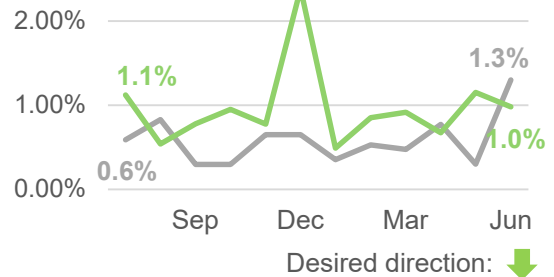
of positions filled / # of actively recruited positions



Retain Top Performers

Monthly Turnover Rate

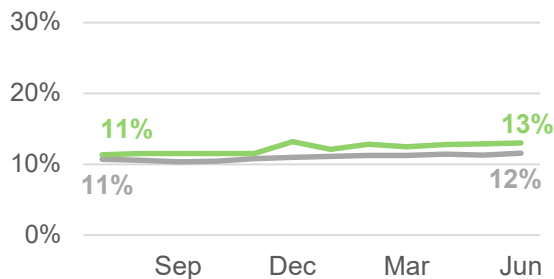
of employee separations / # of FTEs



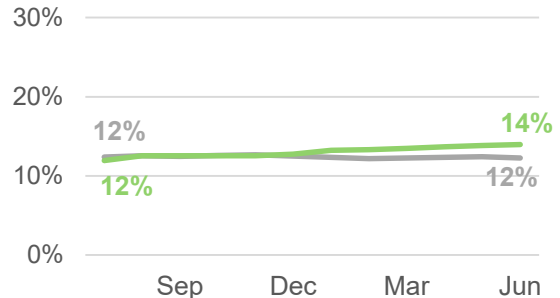
Develop and Grow Talent

of regular employees eligible for retirement within next x years / total # of FTEs

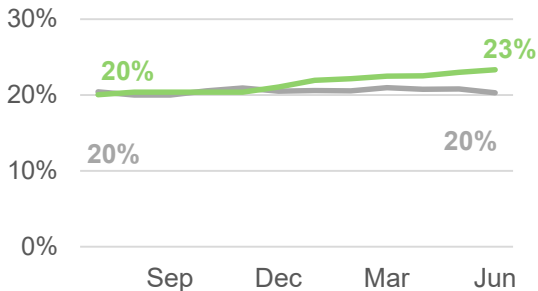
Retirement Eligibility (Full) Eligible Now



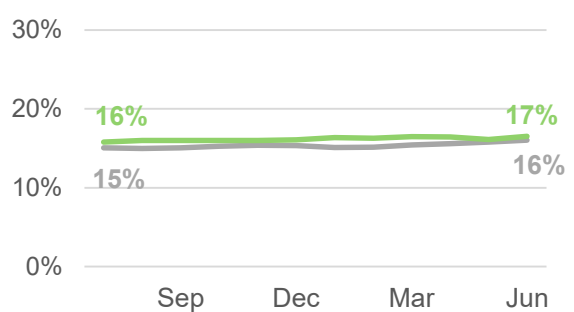
Retirement Eligibility (Early) Eligible Now



Retirement Eligibility (Full) Eligible Within 5 Years



Retirement Eligibility (Early) Eligible Within 5 Years



WSSC Water Performance Report

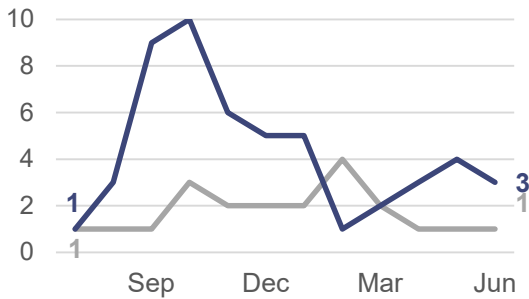
Protect Our Resources

— FY 2021
— FY 2022

Plan Proactively with Community Stakeholders and Resolve and Learn from Past Incidents

Emergency & Coordinated Responses

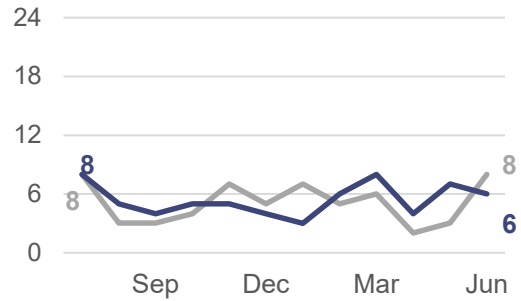
of cross-departmental coordinated responses, exercises and drills



Maintain Best in Class Operating Environment Safety for Employees

Occupational Injuries

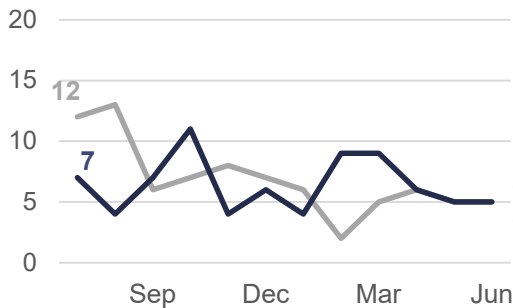
of occupational injuries



Secure Commission's Critical Infrastructure

Sanitary Sewer Overflows

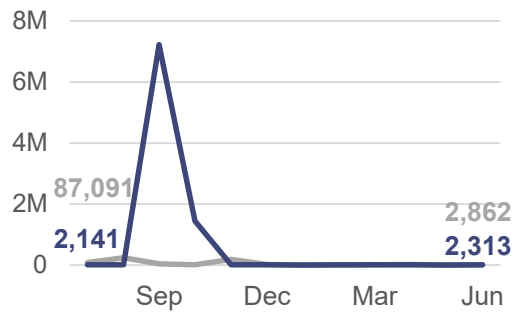
of sanitary sewer overflows



Desired direction: ↓

Sanitary Sewer Overflow Volume

Total gallons of sanitary sewer overflows in millions per month



Desired direction: ↓



WSSC WATER GOVERNANCE

A six-member Commission governs WSSC Water - three members from each County. The Commissioners are appointed to four-year terms by their respective County Executives and confirmed by their County Councils. The agency's powers and responsibilities are set forth in Division II of the Public Utilities Article of the Annotated Code of Maryland and in any subsequent legislative amendments. The Maryland General Assembly conferred these powers upon WSSC Water to enable it to fulfill its principal functions:

- To provide for the construction, operation and maintenance of water supply and sanitary sewerage systems in Montgomery and Prince George's Counties
- To provide for the construction of water and sewer house connection lines from the agency's mains to abutting property lines
- To approve the locations of, and issue permits for, utilities installed in public ways
- To establish water consumption rates, sewer usage rates, connection charges, Front Foot Benefit Charges and permit fees and, if required, to cause appropriate ad valorem taxes to be levied



Montgomery County Commissioners



Fausto R. Bayonet
Chair



Howard A. Denis
Commissioner



T. Eloise Foster
Commissioner



Prince George's County Commissioners



Regina Y. Speed-Bost
Vice Chair



Lynnette D. Espy-Williams
Commissioner



Mark J. Smith
Commissioner

OUR LEADERSHIP AND ORGANIZATION



The flowchart above is an interim organizational structure. Future changes may occur. Section II – Organizational Budgets and Measures in the upcoming FY 2024 Approved Budget book will be updated in the event the organizational structure is revised

CHAIR'S LETTER



COMMISSIONERS
Fausto R. Bayonet, Chair
Regina Y. Speed-Bost, Vice Chair
Howard A. Denis
Lynette D. Espy-Williams
T. Eloise Foster
Mark J. Smith

GENERAL MANAGER
Kishia L. Powell

March 1, 2023

The Honorable Angela D. Alsobrooks, Prince George's County Executive
The Honorable Marc Elrich, Montgomery County Executive
The Honorable Thomas E. Dernoga, Chair, Prince George's County Council
The Honorable Evan Glass, President, Montgomery County Council

Dear Ms. Alsobrooks, Mr. Elrich, Mr. Dernoga, and Mr. Glass:

On behalf of WSSC Water, I hereby transmit the Proposed Fiscal Year 2024 (FY 2024) Capital and Operating Budget. This budget is released and distributed for review by interested customers, citizens and elected officials.

Budget Overview

The proposed budget for FY 2024 for all operating and capital funds totals \$1.614 billion or \$144.9 million (9.9%) more than the FY 2023 Approved Budget. The proposed operating budget of \$931.2 million represents an increase of \$66.6 million (7.7%) over the FY 2023 Approved Operating Budget of \$864.6 million. The proposed capital budget of \$683.1 million represents an increase of \$78.3 million (12.9%) from the FY 2023 Approved Capital Budget of \$604.8 million. This increase is primarily due to recent inflationary trends and the restoration of reductions totaling \$110.5 million that were made to the FY 2023 Approved Capital Budget.

The proposed budget funds several essential priorities for compliance and infrastructure improvements including:

- Compliance with the revised Lead & Copper Rule
- Water tank painting to prevent metal corrosion
- Maintaining Information Technology (IT) investments in cybersecurity and new and upgraded IT applications
- Inspecting large diameter pipes and valve exercising
- Acoustic fiber optic monitoring of pre-stressed concrete cylinder pipes (PCCP)
- Maintenance and repairs at facilities
- Removal of sediment at the Little Seneca Forebays

Rebounding from COVID-19 and Financial Challenges

The Proposed FY 2024 Budget also includes a 7.0% average water and sewer rate increase and a 7.0% increase to the Account Maintenance Fee (AMF) and the Infrastructure Investment Fee (IIF). While WSSC Water understands the difficulties associated with a rate increase in the current economic climate, we continue to experience COVID-19 pandemic-related challenges. We are experiencing lower revenue due to shifting consumption patterns and we are confronting historic inflation throughout the supply chain. These challenges make the rate increase vital to fulfilling our mission to provide safe, clean and reliable water, life's most precious resource, to our customers and to recover the full cost of these services.

Unfortunately, as of December 2022, WSSC Water also continues to have about 82,000 accounts that are past due, totaling about \$56 million, which continues to significantly impact revenue. To-date, no direct federal or state assistance has been received during the pandemic, despite our quick and unprecedented waiving of late fees and turn-offs from March 2020 through the late summer of 2021. WSSC Water has been fortunate to receive about \$634,000 of indirect assistance through housing/rental assistance programs and about \$2.5 million through the temporary Low Income Household Water Assistance Program.

Due to the recent and ongoing revenue challenges, Fitch Ratings placed WSSC Water on a Negative Outlook last year. On February 3, 2023, they again affirmed our AAA rating but maintained the Negative Outlook. WSSC Water undertook significant reductions to our FY 2023 operating and capital budgets to maintain our AAA bond rating and remains committed to taking all actions necessary to preserve our AAA rating to ensure we have the lowest interest costs to finance our capital investments.

Rate Increase: Lower than Requested

To keep pace with rising costs and service demands and to help offset revenue losses, our long-term plan showed that an 8.0% rate increase is required to fund the six-year Capital Improvement Program as proposed and fully fund operations; however, both County Councils approved a spending affordability rate increase limit of 7.0%. The approval of a lower than needed rate increase is a recurring trend that results in continued budget reductions that significantly impact our ability to improve service delivery. The impact is a revenue strain that is compounded each year.

Budget Reduction Impacts: FY 2024 Preliminary Proposed Budget

Limiting the rate increase to a 7.0% average rate increase required WSSC Water to make \$13.4 million in reductions. Some of the reductions and related impacts of these cuts are summarized by department below:

- \$4.4 million in Production: Delays in maintenance and repairs at facilities that support customers, evaluation of the safety of facility electrical systems, reservoir dredging, and innovation research projects
- \$4.3 million in IT: Delays in various projects including enhancements and development of applications; and a reduction in services to include business analysis, quality assurance support, quality resources and tool functionality
- \$1.6 million in Utility Services: Reduction in critical fire flow testing services to meet American Water Works Association (AWWA) industry standards and inspections in the mains condition assessment program
- \$1.0 million Human Resources: Reduction in benefits and wellness programs
- \$792,000 in Engineering & Construction: Shifting focus of manhole rehabilitation from operating to capital projects
- \$600,000 in General Services: Reduction in fleet vehicle replacement purchases and delays in energy management and special studies
- \$451,000 in Asset Management: Delays in data analytics, condition assessment and business cases

Spending Affordability Guidelines

WSSC Water, in cooperation with the Montgomery and Prince George’s County governments, continues to participate in the spending affordability process. This process focuses debate, analysis and evaluation on balancing affordability considerations against the provision of resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates, maintain affordable rates and maintain operating and capital budgets and debt service at prudent and sustainable levels. Last fall, the Montgomery County Council and Prince George’s County Council approved resolutions establishing four limits on WSSC Water’s FY 2024 budget. As indicated in the following table, the proposed budget meets the spending affordability limits for New Water and Sewer Debt, Debt Service and Average Water and Sewer Rate Increase.

WSSC Water FY 2024 Proposed Budget vs. Spending Affordability Limits
(\$ In Millions)

	Prince George's County	Montgomery County	FY 2024 Proposed Budget
New Water and Sewer Debt	\$380.0	\$380.0	\$380.0
Total Water and Sewer Debt Service	\$328.5	\$328.5	\$328.5
Total Water and Sewer Operating Expenses	\$915.3	\$915.3	\$924.4*
Water & Sewer Rate Increase	7.0%	7.0%	7.0%

* The exceedance is covered by offsetting funding sources

In addition to reviewing expenses and revenues for water and sewer services, we have analyzed the cost and current fee levels for other WSSC Water services. Based upon these analyses, and to better align fees with program costs, adjustments to current fees are recommended (Section 2).

Customer Impacts and Affordability

The 7.0% rate increase will add approximately \$16.43 per quarter to the bill of a customer using 150 gallons per day (GPD), the average per person consumption of 50 GPD for a 3-person household. Per person consumption was reduced from 55 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption. Even with the rate increase, WSSC Water rates continue to compare favorably to many other comparable, regional water and sewer utilities. The average residential bill is 1.0% of the median household income, which is well below the 4.5% U.S. Environmental Protection Agency affordability benchmark.

Like many utilities across the country, WSSC Water continues to face the challenge of balancing increasing costs for infrastructure and operations with affordability considerations for our customers. While the average costs to ensure access to clean, safe drinking water and efficient wastewater treatment compares favorably to other household utilities and expenses, more residents are struggling to meet their monthly expenses especially with rising inflation which is severely pressuring household budgets. However, it is essential to price water at the cost of safely producing and delivering this essential resource and to offer assistance programs for our most vulnerable customers.

The 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 has already reached thousands of our customers in the current fiscal year. The CAP will continue in FY 2024 and the proposed budget estimates the revenue offset at \$2.2 million. Note that CAP customers are automatically enrolled in the Bay Restoration Fund exemption, which waives the state-mandated Bay Restoration Fund fee of up to \$60 per year. In addition, CAP customers are also eligible for 100% waiver of late fee charges, free annual plumbing inspections for leaks, payment plan arrangements for up to 48 months, receive high bill adjustment removing 100% of excess water & sewer usage for one billing cycle in any three-year period, and fees to resume service after turn-off for nonpayment are reduced by 50 percent.

The Water Fund is another program that aids eligible customers in need of assistance. Customers can make multiple requests for assistance with water and sewer bills up to \$500 per year. Also, in accordance with House Bill 408 enacted in the FY 2018 legislative session, the proposed budget includes \$100,000 to continue the Connection Pipe Emergency Replacement Loan Program, which will provide affordable financing of up to \$5,000 per eligible customer.

Infrastructure Reliability

The budget proposes the rehabilitation of 27 miles of smaller water mains (<16 inches in diameter), as WSSC Water begins to ramp back up towards our asset management plan goal of 55 miles per year; continued development of our enhanced pipe condition assessment program; and evaluation of new water main rehabilitation technologies to help control costs while also minimizing disruption for our customers.

For large diameter water mains, the PCCP Program provides for the ongoing acoustic fiber optic monitoring of over 118 miles of pipe, ongoing inspection and rehabilitation and replacement of large diameter pipes. Inspection, rehabilitation and replacement of large valves continues at two per year. The PCCP program will continue building toward a goal of replacing two miles per year on average, with several projects in the planning and design phases. Replacement of large transmission mains is projected at six miles. Funding is also included for the continued compliance with all requirements of the WSSC Water Sanitary Sewer Overflow and Potomac Water Filtration Plant Consent Decrees.

Information Technology Investments

In addition to our ongoing investments in WSSC Water's physical infrastructure, the FY 2024 budget invests in our information technology and cybersecurity infrastructure. Funding is included to continue enhancing our cybersecurity program to mitigate cybersecurity risks efficiently and effectively by ensuring our electronic data and computer systems and networks are protected from theft, attack or unauthorized access. Cybersecurity program initiatives include artificial intelligence threat detection, new end-user security awareness training and risk reduction of identity theft through two-step authentication.

System Development Charge

State law provides that the System Development Charge (SDC), a charge to new applicants for WSSC Water service, which is intended to recover growth costs, may be adjusted annually by the change in the Consumer Price Index for the Urban Wage Earners and Clerical Workers (CPI-W) in the Washington, D.C. metropolitan area. Historically, we have adjusted the maximum allowable charge based on the change in the November CPI-W. We plan to do the same this year. An increase to the SDC for FY 2025 is currently being evaluated by the Bi-County SDC Policy and Rates Workgroup.

Budget Review Process

The Proposed Budget is subject to the Counties' hearings, procedures and decisions, as provided under Section 17-202 of the Public Utilities Article, of the Annotated Code of Maryland, before the final budget is adopted for the fiscal year beginning July 1, 2023.

Sincerely,



Fausto R. Bayonet
Commission, Chair

cc:
Members of Prince George's County Council
Members of Montgomery County Council
Members of the Maryland General Assembly

BUDGET SUMMARIES

COMPARATIVE EXPENSES

Comparative Expenses by Fund

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed	FY 2024 Over/(Under) FY 2023	% Change
Operating Funds							
Water Operating	\$ 338,471	\$ 335,324	\$ 339,252	\$ 379,808	\$ 421,293	\$ 41,485	10.9 %
Sewer Operating	413,421	401,300	423,829	476,137	503,059	26,922	5.7 %
General Bond Debt Service	14,292	12,006	10,720	8,661	6,830	(1,831)	(21.1)%
Total Operating	\$ 766,184	\$ 748,630	\$ 773,801	\$ 864,606	\$ 931,182	\$ 66,576	7.7 %
Capital Funds							
Water Supply Bond	\$ 162,378	\$ 142,441	\$ 138,613	\$ 239,027	\$ 315,582	\$ 76,555	32.0 %
Sewer Disposal Bond	211,729	265,865	238,063	343,081	333,298	(9,783)	(2.9)%
General Construction	20,278	18,587	21,131	22,674	34,189	11,515	50.8 %
Total Capital	\$ 394,385	\$ 426,893	\$ 397,807	\$ 604,782	\$ 683,069	\$ 78,287	12.9 %
Grand Total	\$ 1,160,569	\$ 1,175,523	\$ 1,171,608	\$ 1,469,388	\$ 1,614,251	\$ 144,863	9.9 %

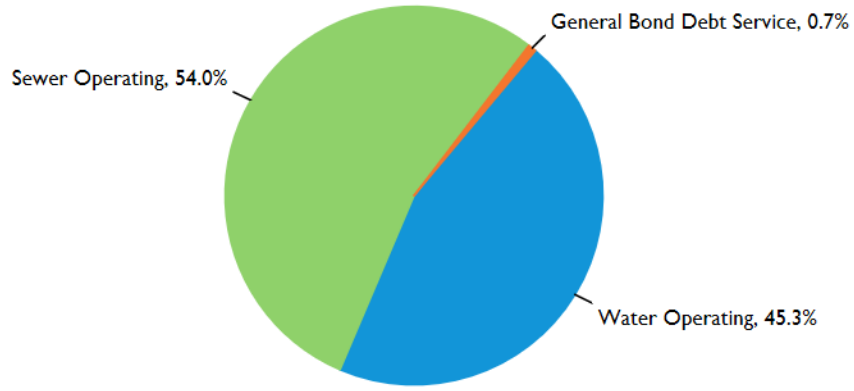
Comparative Expenses by Major Expense Category

(\$ in thousands)	FY 2022 Actual			FY 2023 Approved			FY 2024 Proposed		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Expense Categories									
Salaries & Wages	\$ 27,647	\$ 126,682	\$ 154,329	\$ 27,547	\$ 134,461	\$ 162,008	\$ 28,193	\$ 141,927	\$ 170,120
Heat, Light & Power	-	21,014	21,014	230	18,829	19,059	247	27,384	27,631
Regional Sewage Disposal	-	60,751	60,751	-	60,343	60,343	-	64,201	64,201
Contract Work	251,913	-	251,913	351,478	-	351,478	384,209	-	384,209
Consulting Engineers	42,322	-	42,322	72,122	-	72,122	84,116	-	84,116
Debt Service	-	289,214	289,214	-	328,524	328,524	-	333,201	333,201
All Other	75,925	276,140	352,065	153,405	322,449	475,854	186,304	364,469	550,773
Grand Total	\$ 397,807	\$ 773,801	\$ 1,171,608	\$ 604,782	\$ 864,606	\$ 1,469,388	\$ 683,069	\$ 931,182	\$ 1,614,251

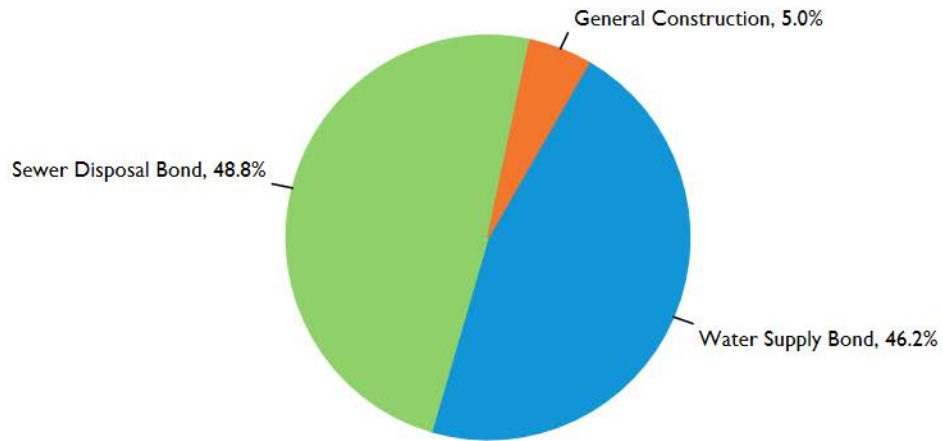
FY 2024 PROPOSED BUDGET BY FUND

Grand Total = \$1,614,251

\$ in thousands

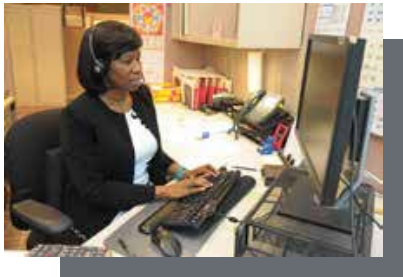


Operating Funds = \$931,182



Capital Funds = \$683,069

HOW EACH OPERATING DOLLAR IS SPENT

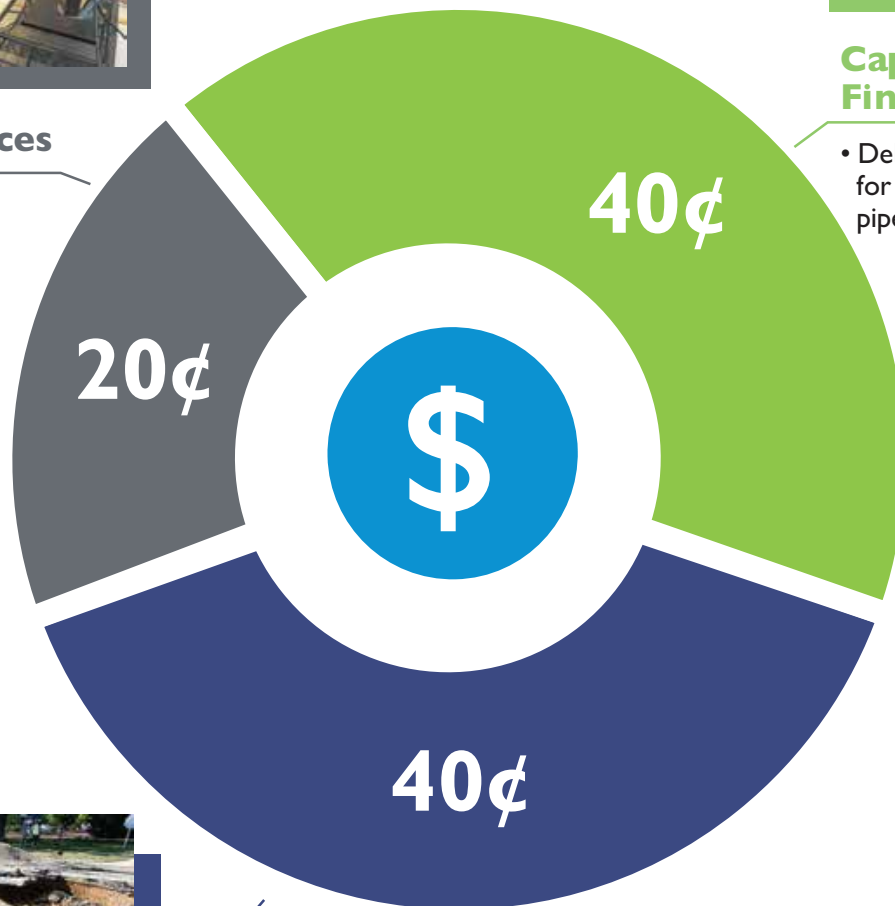


Support Services

- Governance and management of organization
- Customer service
- Corporate finance
- Employee benefits
- IT Services

Capital Project Financing

- Debt payments and cash for the construction of pipes and facilities



Operations & Maintenance

- Operations and maintenance for facilities (including share of Blue Plains)
- Fixing broken or leaking pipes and repairing roads
- Heat, light, and power for facilities
- Maintaining vehicles and equipment

REVENUE AND EXPENSE TRENDS

Water & Sewer Operating Funds - Combined

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Revenues					
Water Consumption Charges	\$ 271,173	\$ 275,019	\$ 316,386	\$ 334,564	\$ 355,139
Sewer Use Charges	346,985	353,536	392,648	411,886	435,003
Account Maintenance Fees	35,922	32,346	30,597	33,887	36,259
Infrastructure Investment Fees	42,781	39,886	37,726	41,290	44,180
Plumbing and Inspection Fees	14,425	16,882	19,491	16,780	20,380
Rockville Sewer Use	3,147	3,147	3,289	3,100	3,100
Miscellaneous	21,053	16,948	27,272	19,000	28,722
Interest Income	4,881	392	1,120	2,800	8,000
Uncollectible	-	-	-	(6,000)	(7,901)
Cost Sharing Reimbursement	-	-	-	635	743
Total Operating Revenues	\$ 740,367	\$ 738,156	\$ 828,529	\$ 857,942	\$ 923,625
Other Credits and Transfers					
Use of Fund Balance	11,341	8,000	-	-	-
Reconstruction Debt Service Offset	11,600	9,500	6,000	4,000	-
SDC Debt Service Offset	6,695	5,772	5,772	5,772	5,772
Premium Transfer	7,904	7,151	-	2,500	-
Underwriters Discount Transfer	-	2,000	2,000	2,000	2,000
Miscellaneous Offset	-	-	-	-	1,200
Total Funds Available	\$ 777,907	\$ 770,579	\$ 842,301	\$ 872,214	\$ 932,597
Expenses					
Salaries & Wages	131,711	130,884	125,788	133,765	141,179
Heat, Light & Power	15,534	18,234	21,014	18,817	27,373
Regional Sewage Disposal	56,414	58,658	60,751	60,343	64,201
Debt Service					
Principal Payments	154,238	151,398	155,358	180,349	182,127
Interest Payments	125,507	130,446	124,899	141,495	146,340
PAYGO	-	-	27,585	31,016	44,000
All Other	268,488	247,004	247,686	290,160	319,132
Total Expenses	\$ 751,892	\$ 736,624	\$ 763,081	\$ 855,945	\$ 924,352

Note: In the FY 2024 Proposed Budget, WSSC Water revenues appear higher than the expenditures as there is a budgeted \$8.3 million increase in reserves to improve the Leverage Ratio and Days Cash-on-Hand metric. See page 4-4.

REVENUE AND EXPENSE TRENDS (Continued)

General Bond Debt Service Fund

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Operating Revenues					
Front Foot Benefit & House Connection	\$ 12,824	\$ 10,664	\$ 8,674	\$ 6,744	\$ 5,321
Interest Income	483	20	51	90	-
Miscellaneous	174	189	219	160	190
Total Operating Revenues	\$ 13,481	\$ 10,873	\$ 8,944	\$ 6,994	\$ 5,511
Other Credits and Transfers					
Reconstruction Debt Service Offset	11,600	9,500	6,000	4,000	-
Use of Fund Balance	(11,600)	(9,500)	(6,000)	(4,000)	-
Total Funds Available	\$ 13,481	\$ 10,873	\$ 8,944	\$ 6,994	\$ 5,511
Expenses					
Salaries & Wages	863	915	894	696	748
Heat, Light & Power	-	7	-	12	11
All Other	852	948	869	1,274	1,337
Subtotal	\$ 1,715	\$ 1,870	\$ 1,763	\$ 1,982	\$ 2,096
Debt Service					
Principal Payments	9,445	7,985	4,721	5,332	3,172
Interest Payments	3,132	2,151	4,236	1,347	1,562
Subtotal	\$ 12,577	\$ 10,136	\$ 8,957	\$ 6,679	\$ 4,734
Total Expenses	\$ 14,292	\$ 12,006	\$ 10,720	\$ 8,661	\$ 6,830

REVENUE AND EXPENSE TRENDS (Continued)

Capital Funds

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Funds Provided					
Bonds and Notes Issues/Cash on Hand	\$ 289,097	\$ 402,261	\$ 407,182	\$ 499,417	\$ 555,354
PAYGO	-	-	19,933	31,016	44,000
Federal & State Grants	1,589	4,392	16,974	25,244	25,142
System Development Charge	14,077	8,393	3,402	29,606	36,945
Other Contributions	12,451	14,192	7,614	19,499	21,628
Total Capital Funds	\$ 317,214	\$ 429,238	\$ 455,105	\$ 604,782	\$ 683,069
Expenses					
Salaries & Wages	\$ 26,388	\$ 25,911	\$ 27,647	\$ 27,547	\$ 28,193
Heat, Light & Power	155	-	-	230	247
Contract Work	211,404	217,590	251,913	351,478	384,209
Consulting Engineers	44,478	42,349	42,322	72,122	84,116
All Other	111,960	141,043	75,925	153,405	186,304
Total Capital Expenses	\$ 394,385	\$ 426,893	\$ 397,807	\$ 604,782	\$ 683,069

SECTION 2
PROPOSED RATES, FEES AND CHARGES

PROPOSED RATES, FEES AND CHARGES

Presented in this section are the Fiscal Year (FY) 2024 proposed variable and fixed rates, as well as fees and charges that will be effective July 1, 2023. The majority of WSSC Water’s revenue is derived from user charges for high-quality water and sewer services provided to customers. WSSC Water assessed these rates through an in-depth process ensuring revenue stability, cost recovery, conservation management and affordability.

COMBINED WATER AND SEWER OPERATING FUNDS - PROPOSED RATE IMPACT

7.0% Average Water and Sewer Rate Increase

	FY 2024 Proposed (\$ in thousands)
FUNDING SOURCES	
Revenues	
Consumption Charges (at Current Rates)	\$ 738,450
Account Maintenance Fees (AMF)	36,259
Infrastructure Investment Fees (IIF)	44,180
Uncollectible	(7,901)
Miscellaneous Revenues	60,945
Subtotal	\$ 871,933
Other Credits and Transfers	
Systems Development Charges (SDC) Debt Service Offset	5,772
Underwriters Discount Transfer	2,000
Miscellaneous Offset	1,200
Total Funding Sources	\$ 880,905
EXPENSES	
Operating, Maintenance & Support Services Expenses	551,885
Debt Service	328,467
Pay-As-You-GO (PAYGO)	44,000
Additional Cash Balance Reserve	8,245
Total Expenses	\$ 932,597
Shortfall to be Covered by Rate Increase	<u>\$ (51,692)</u>
Proposed Average Water and Sewer Rate Increase (Shortfall divided by Consumption Charges)	<u>7.0 %</u>

The FY 2024 Proposed Budget calls for a combined 7.0% average increase in water consumption and sewer use revenues, AMF and IIF. This proposed increase meets the 7.0% Spending Affordability Guidelines (SAG) limit recommended by both Prince George’s and Montgomery Counties. Even with this rate increase, WSSC Water rates remain favorable when compared to many other comparable water and sewer utilities as shown on page 3-21.

WATER AND SEWER RATE SCHEDULES

Proposed Rate Schedule Effective July 1, 2023

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2024 July 1, 2023 Proposed		Total
	Water Rates	Sewer Rates	Combined
	Per 1,000 Gallons		
0 - 80.9999	\$ 6.53	\$ 8.67	\$ 15.20
81 - 165.9999	7.38	9.63	17.01
166 - 275.9999	8.50	12.09	20.59
276 & Greater	9.96	15.97	25.93

Proposed Flat Rate Sewer Charge - \$152.00 per quarter

Current Rate Schedule

Average Daily Consumption by Customer Unit During Billing Period (Gallons Per Day)	FY 2023 July 1, 2022 Approved		Total
	Water Rates	Sewer Rates	Combined
	Per 1,000 Gallons		
0 - 80.9999	\$ 6.10	\$ 8.11	\$ 14.21
81 - 165.9999	6.89	9.01	15.90
166 - 275.9999	7.94	11.30	19.24
276 & Greater	9.30	14.93	24.23

Approved Flat Rate Sewer Charge - \$142.00 per quarter

QUARTERLY CUSTOMER BILLS AT VARIOUS CONSUMPTION LEVELS

Meter Size	Average Daily Consumption (Gallons Per Quarter)	Approved FY 2020	Approved FY 2021	Approved FY 2022	Approved FY 2023	Proposed FY 2024
3/4" Residential Meter	100 (9,125 gal/qtr)	\$ 138.94	\$ 145.58	\$ 152.48	\$ 162.42	\$ 173.77
3/4" Residential Meter	150 (13,688 gal/qtr)	199.62	209.91	220.60	234.96	251.39
3/4" Residential Meter	500 (45,625 gal/qtr)	794.66	840.78	888.79	946.56	1,012.72
2" Meter	1,000 (91,250 gal/qtr)	1,903.02	2,004.81	2,110.76	2,248.01	2,405.15
3" Meter	5,000 (456,250 gal/qtr)	9,736.92	10,284.01	10,853.51	11,559.50	12,367.29
6" Meter	10,000 (912,500 gal/qtr)	19,748.55	20,852.26	22,001.19	23,432.35	25,069.80

Amounts include the Account Maintenance Fees and Infrastructure Investment Fees shown on pages 2-4 and 2-5.

ACCOUNT MAINTENANCE FEES

Proposed For Implementation July 1, 2023

Meter Size	FY 2023 Current Quarterly Charges	FY 2024 Proposed Quarterly Charges
<u>Small Meters</u>		
5/8" to 1"	\$ 17.04	\$ 18.23
<u>Large Meters</u>		
1-1/2"	17.04	18.23
2"	28.76	30.77
3"	70.29	75.21
4"	151.23	161.82
6"	164.01	175.49
8"	213.00	227.91
10"	261.99	280.33
<u>Detector Check Meters</u>		
2"	35.15	37.61
4"	188.51	201.71
6"	271.58	290.59
8"	490.97	525.34
10"	674.15	721.34
<u>Fire Service Meters</u>		
4"	193.83	207.40
6"	312.05	333.89
8"	481.38	515.08
10"	726.33	777.17
12"	1,053.29	1,127.02

This quarterly fee is prorated based on the number of days in the billing cycle

INFRASTRUCTURE INVESTMENT FEES

Proposed For Implementation July 1, 2023

Meter Size	FY 2023 Current Quarterly Charges	FY 2024 Proposed Quarterly Charges
<u>Small Meters</u>		
5/8"	\$ 11.72	\$ 12.54
3/4"	12.78	13.67
1"	14.91	15.95
<u>Large Meters</u>		
1-1/2"	95.85	102.56
2"	197.03	210.82
3"	623.03	666.64
4"	865.85	926.46
6"	1,347.23	1,441.54
8"	3,029.93	3,242.03
10"	4,712.63	5,042.51
<u>Fire Service Meters</u>		
4"	531.44	568.64
6"	656.04	701.96
8"	2,688.06	2,876.22
10"	2,890.41	3,092.74
12"	5,552.91	5,941.61

This quarterly fee is prorated based on the number of days in the billing cycle

SYSTEM DEVELOPMENT CHARGES

Proposed For Implementation July 1, 2023

SDC Category	FY 2023 Current Charges	FY 2024 Proposed Charges	Current Maximum Allowable	Proposed Maximum Allowable
Apartment				
Water	\$ 896	\$ 896	\$ 1,456	\$ 1,536
Sewer	1,140	1,140	1,852	1,954
1-2 toilets/residential				
Water	1,344	1,344	2,185	2,305
Sewer	1,710	1,710	2,776	2,929
3-4 toilets/residential				
Water	2,240	2,240	3,641	3,841
Sewer	2,850	2,850	4,633	4,888
5 toilets/residential				
Water	3,135	3,135	5,095	5,375
Sewer	3,991	3,991	6,486	6,843
6+ toilets/residential (per fixture unit)				
Water	88	88	145	153
Sewer	115	115	189	199
Non-residential (per fixture unit)				
Water	88	88	145	153
Sewer	115	115	189	199

No increase is proposed for the System Development Charges for FY 2024 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 5.5% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for all items in the Washington, D.C. metropolitan area from November 2021 to November 2022.

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

WSSC Water 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, 2023.

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
INSPECTIONS, LICENSES AND PERMITS			
I Inspection Fees - Water/Sewer Connection Hookup, Well/Septic Hookup, Plumbing and Gas-fitting Inspections			
<u>Plumbing and Gas-fitting Inspections</u>			
New Single Family Detached Dwellings and Townhouses	\$ 1,225	\$ 1,350	Yes
New Attached Dwellings (townhouses/multiplex excluding apartments)	1,225	1,350	Yes
<u>All Other Residential</u>			
Water/Well Hookup	150	150	-
Meter Yoke Inspection (meter only installation)	150	150	-
Water Hookup Converting from Well (includes 2 inspections)	300	300	-
Sewer/Septic Hookup	150	150	-
First Plumbing Fixture	150	150	-
Each Additional Fixture	70	80	Yes
SDC Credit Fixture Inspection (per fixture)	60	65	Yes
Minimum Permit Fee	265	265	-
Permit Reprocessing Fee	75	75	-
Long Form Permit Refund Fee	265	265	-
Long Form Permit Re-Issue Fee	265	265	-
<u>All Non-Residential</u>			
<u>Plan Review without Permit Application</u>			
25 Fixtures or Less	535	590	Yes
26-200 Fixtures	2,670	2,935	Yes
Over 200 Fixtures	5,370	6,175	Yes
<u>2nd or 3rd Review (with or without permit application)</u>			
25 Fixtures or Less	215	235	Yes
26-200 Fixtures	605	665	Yes
Over 200 Fixtures	1,285	1,480	Yes
Water/Well Hookup	270	275	Yes
Meter Yoke Inspection (meter only installation)	270	275	Yes
Sewer/Septic Hookup	270	275	Yes
FOG Interceptor	270	275	Yes
First Plumbing Fixture	270	275	Yes
Each Additional Fixture	70	75	Yes
SDC Credit Fixture Inspection (per fixture)	60	65	Yes
Minimum Permit Fee	385	390	Yes
Permit Reprocessing Fee	75	75	-
<u>Other Services</u>			
Permit Consultation Fee	-	150	Yes
IB Long Form Permit Refund Fees			
Long Form Permit Refund Fee	385	390	Yes
Long Form Permit Re-Issue Fee	385	390	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
INSPECTIONS, LICENSES AND PERMITS (Continued)			
2 License Fees for the Regulated Trades			
<u>Reciprocal Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 2 years)	\$ 140	\$ 140	-
Registration Renewal all types (for 2 years)	115	115	-
Late Registration Renewal	70	70	-
<u>Examined Master Plumber, Gas-fitter</u>			
Initial Registration per type (for 4 years)	150	150	-
Registration Renewal all types (for 4 years)	150	150	-
Late Registration Renewal	70	70	-
Cross-connection Technician Registration	35	35	-
Sewer and Drain Registration and Renewal (for 2 years)	60	60	-
Sewer and Drain Late Renewal Fee	30	30	-
<u>Journeyman License Registration</u>			
Initial Registration per type (for 2 years)	45	50	Yes
Registration Renewal (for 2 years)	45	50	Yes
Late Registration Renewal	30	30	-
License Transfer Fee	30	30	-
License Replacement Fee	20	20	-
Apprentice License Registration Renewal	15	15	-
3 Short Form Permit Fee for Initial, Reinspection, and Reactivation Types (Up to 3 fixtures and Non-Refundable)			
	135	150	Yes
4 Long Form Permit Transfer Fee (with inspection)			
	220	220	-
5 Tapper License Fees			
Permit Fee	360	360	-
Duplicate	35	40	Yes
6 Watershed Use Permit Fees			
<u>Boat Removal and Impoundment Fees</u>			
Boat/Craft Removal and Impoundment Fee	105	105	-
Removed Boat/Craft Storage Fee (Monthly)	80	80	-
<u>Watershed Use Permit Fees</u>			
Watershed Use Permit (January 1-December 31)	70	70	-
Watershed Use Permit (Single Day)	5	5	-
Open Season Boat Mooring (March 15 - November 30)	80	80	-
Winter Boat Mooring (December 1 - March 14)	60	60	-
Azalea Garden Rental (4 hours)	75	75	-
Bio-Brick Pavilion Rental (4 hours)	90	100	Yes
Boarding Stable Entrance Permit (Single Day)	260	260	-
Adjacent Landowner Entrance Permit (Single Day)	80	80	-
<u>Picnic Permit</u>			
Picnic Permit - Groups of 1-5 Persons (Single Day)	5	5	-
Picnic Permit - Groups of 6-10 Persons (Single Day)	10	10	-
Picnic Permit - Groups of 11-15 Persons (Single Day)	15	15	-
7 Site Utility Inspection Fees (Non-Minor)			
Base Fee	1,780	2,795	Yes
Pipeline (per foot)	9.30	9.40	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
DISCHARGE AND WATER PROTECTION			
8 Septic Hauler Discharge Permit Fees			
<u>Category I - Residential & Septic Waste & Grease</u>			
1-49 gallons (per vehicle)	\$ 255	\$ 255	-
50-799 gallons (per vehicle)	6,750	7,425	Yes
800-2,999 gallons (per vehicle)	19,250	21,175	Yes
3,000 gallons & up (per vehicle)	42,050	42,050	-
January thru June (50% of fee)	50% of fee	50% of fee	-
Transfer and/or Replacement Permit Sticker	155	170	Yes
Industrial/Special Waste Disposal Fee (per 1,000 gallons)	380	400	Yes
Zero Discharge Permit Fee	155	170	Yes
Temporary Discharge Permit Fee <u>plus</u> sewer rate per 1,000 gallons	185	220	Yes
Sewer Rate - Hauled Waste (1,000 gallons of truck capacity)	50	50	-
9 Industrial Discharge Control Program Fees By Category			
<u>Industrial Users Subject to Categorical Pretreatment Standards</u>			
Less than 5,000 gpd (double visit)	6,770	7,445	Yes
Greater than 5,000 gpd (double visit)	10,370	11,405	Yes
Non-Discharging Categorical Industries (zero discharge)	1,825	2,010	Yes
<u>Significant Industrial Users</u>			
Less than 25,000 gpd (single visit - priority pollutant sampling)	6,770	7,445	Yes
Greater than 25,000 gpd (double visit - priority pollutant sampling)	10,370	11,405	Yes
Penalty Charge for Late Fee Payment	5% of fee	5% of fee	-
10 Discharge Authorization Permit Fees			
Significant Industrial User - Initial Permit (for 4 years)	8,050	8,855	Yes
Significant Industrial User - Renewal (for 4 years)	3,945	4,340	Yes
Initial Zero-Discharge CIU Permit (for 4 years)	3,055	3,360	Yes
Reissued Zero-Discharge CIU Permit (for 4 years)	2,035	2,240	Yes
Temporary Discharge Permit (non-SIU)	8,050	8,855	Yes
11 Discharge Fees - Food Service Establishment			
Full Permit FSE	535	590	Yes
BMP Permit FSE	155	170	Yes
12 Cross Connection Fees			
Test Report Fee (per report)	55	55	-
Base Fee for High Hazard Commercial Water Customer (per month)	25	25	-
Base Fee for All Other Commercial Water Customer (per month)	12.50	12.50	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
METERS AND RELATED SERVICES			
13 Small Meter Replacement Fee (at Customer Request)	\$ 215	\$ 215	-
14 Meter Replacement Fees (Damaged or Stolen Meter)			
5/8" w/ touch pad (inside w/remote)	135	135	-
5/8" w/ pit pad (outside w/o remote)	140	140	-
5/8 Meter - pad encoder	135	135	-
5/8" x 3/4" w/ touch pad (inside w/ remote)	135	135	-
3/4" w/ touch pad (inside w/ remote)	160	160	-
3/4" w/ pit pad (outside w/o remote)	165	165	-
1" w/ touch pad (inside w/ remote)	205	205	-
1" w/ pit pad (outside w/o remote)	210	210	-
1" Kamstrup Meter, UT	370	370	-
1 1/2" Badger Flanged Meter	570	570	-
1 1/2" Flanged Meter	630	630	-
1 1/2" Nipple Meter	740	740	-
2" Flanged Meter	960	960	-
2" 15 1/4 Flanged Meter	1,210	1,210	-
3" Compound Meter	2,200	2,205	Yes
4" Compound Meter	3,240	3,250	Yes
6" Compound Meter	5,210	5,225	Yes
Turbine, Horizontal 3" Neptune w/ pit pad	1,475	1,480	Yes
Turbine, Horizontal 4" Neptune w/ pit pad	1,975	1,980	Yes
2" Hersey MVR Turbine	990	1,000	Yes
3" Hersey MVR Turbine	2,300	2,805	Yes
4" Hersey MVR Turbine	3,130	3,920	Yes
6" Hersey MVR Turbine	4,800	4,815	Yes
2" Detector Check	4,620	4,620	-
4" Detector Check	3,275	3,300	Yes
6" Detector Check	3,850	3,880	Yes
8" Detector Check	4,990	5,020	Yes
10" Detector Check	6,350	6,385	Yes
12" Detector Check	22,210	22,250	Yes
4" Fire Service Meter	8,160	8,190	Yes
6" Fire Service Meter	10,040	10,075	Yes
8" Fire Service Meter	12,505	12,540	Yes
10" Fire Service Meter	14,390	14,430	Yes
12" Fire Service Meter	20,400	20,440	Yes
3" Octave UT L=24	3,100	3,105	Yes
4" Octave UT L=29/ L=33	4,100	4,110	Yes
6" Octave UT L=45	6,030	6,040	Yes
8" Octave UT L=53	9,680	9,710	Yes
10" Octave UT L=68	13,080	13,115	Yes
15 Meter Testing Fees			
5/8" to 1"	260	260	-
1-1/2"	420	420	-
2" and up	470	470	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
METERS AND RELATED SERVICES (Continued)			
16 Sub-Meter Installation Fees			
One-time Sub-Meter Charge - Small	\$ 260	\$ 260	-
One-time Sub-Meter Charge - Large	525	525	-
One-time Inspection Fee	85	100	Yes
Minimum Permit Inspection fee	265	Delete	Yes
17 Water Turn-Off, Turn-On Fees			
A. Customer Requested - Water Turn-Off, Turn-On Fees			
Small Meter Turn-Off	60	60	-
Small Meter Turn-On	90	90	-
Large Meter Turn-Off	200	200	-
Large Meter Turn-On	230	230	-
B. WSSC Water Scheduled Action - Water Turn-Off, Turn-On Fees			
Small Meter Turn-On	135	135	-
Large Meter Turn-On	405	405	-
18 Call Back Fee (small meters, plumbers)	90	90	-
19 Call Back Fee (large meters, plumbers)	355	355	-
20 Missed Appointment Fees			
First Missed Appointment or Restoration of Service Turn-On	95	95	-
Each Additional Missed Appointment	110	110	-
21 Meter Reinstallation Correction Fee	385	385	-
22 Sewer Meter Maintenance Fee (per year)	18,255	20,995	Yes
Quarterly Calibrations (per quarter)	4,565	5,250	Yes
23 Property Inspection Fee	120	120	-
24 Warehouse Restocking Fee	65	80	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
FIRE HYDRANT SERVICES			
25 Temporary Fire Hydrant Connection Fees			
<u>3/4" Meter - Deposit</u>			
3/4" Meter Deposit	\$ 380	\$ 380	-
<u>3" Meter - Deposit</u>			
3" Meter Deposit	2,420	2,420	-
<u>Service Charge</u>			
2 Weeks or Less (3/4" meter)	85	95	Yes
2 Weeks or Less (3" meter)	130	130	-
Over 2 Weeks (3/4" and 3" meters)	175	175	-
Water Consumption - 3/4" meter (Minimum charge or Tier 4 rate per 1,000 gallons flat rate)	35	35	-
Water Consumption - 3" meter (Minimum charge or Tier 4 rate per 1,000 gallons flat rate)	240	240	-
Late Fee for Return of Meter (per day)	10	10	-
Fee on Unpaid Temporary Fire Hydrant Billings	1.5% per month	1.5% per month	-
Loss/Destruction of Meter	Replacement cost	Replacement cost	-
Loss/Destruction of Wrench	40	40	-
26 Truck Inspection Fee with Attached Fire Hydrant Meter (for 2 years)	50	50	-
27 Fire Hydrant Flow Test Fees			
No Current Test	690	690	-
Current Test	80	80	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
DEVELOPMENT SERVICES			
28 Feasibility Review Fees (WSSC Water Built)			
Feasibility Submission Fee (non-refundable)	\$ 1,960	\$ 1,980	Yes
Feasibility Review & Report Fee Deposit (can be deferred as deficit when extension is completed)	15,790	17,370	Yes
29 Construction Services Fee	9.3% of WSSC Water's unit cost estimate or 12% of contractor's cost estimate	9.3% of WSSC Water's unit cost estimate or 12% of contractor's cost estimate	-
30 Design Review			
Development is More than 10 Residential Units or Commercial	8,645	11,500	Yes
Development is 10 Residential Units or Less	4,325	5,750	Yes
31 Hydraulic Planning Analysis and System Planning Forecast			
Modeling and Re-Modeling Fee - Up to 3 parts	3,235	Delete	Yes
Modeling and Re-Modeling Fee - per part over 3	1,080	Delete	Yes
Pressure Sewer System Review Fee (per system)	590	Delete	Yes
Basic Project Category (per Development Services Code)	-	5,430	Yes
Moderate Project Category (per Development Services Code)	-	7,570	Yes
Complex Project Category (per Development Services Code)	-	9,230	Yes
32 Extra Review Fees			
<u>Per SEP Plan Review</u>			
Minor Additional Reviews of Unsigned or Signed Plans (per review)	1,600	1,705	Yes
Major/Splitting Additional Reviews of Unsigned or Signed Plans (per review)	3,265	3,410	Yes
<u>Per Site Utility/Minor Utility Additional Unsigned or Signed Plan Review</u>			
Site Utility (per review)	1,940	2,135	Yes
Minor Site Utility (per review)	505	555	Yes
<u>Per Hydraulic Planning Analysis/Systems Planning Forecast</u>			
Additional Review of Required Data - HPA/SPF/Non-DR Developer (per review)	1,145	1,315	Yes
33 In-House Design Deposit	Deposit	Deposit	-
34 Partial Certificate of Substantial Completion Release Fee (up to 50% of construction)	1,620	1,640	Yes
35 Off-Property Service Connection Reimbursement	Reimbursement	Reimbursement	-
36 Service Connection Application and Inspection Fee (per permit)	2,430 water and/or sewer connection	2,430 water and/or sewer connection	-
37 Government Referred Plan Review			
Major Development - Over 10 Units	1,695	1,710	Yes
Minor Development - 10 or Less Units	790	790	-
Re-Review Fee for Major Development	790	790	-
Re-Review Fee for Minor Development	395	395	-
38 Pre-Screen Fee All Plan Types	405	410	Yes
39 Site Utility (On-site) Review Fees			
Base Fee	4,025	4,430	Yes
Additional Fee per 100 feet	390	430	Yes
Minor (Waived) Site Utility (On-Site) Fee	1,420	1,535	Yes
40 Name/Transfer of Ownership Change Fee	325	325	-
41 Variance Review Fee	1,500	1,500	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
PIPELINE, ENGINEERING AND ENVIRONMENTAL SERVICES			
42 Shutdown/Charge Simple Water Main Fee	\$ 1,180	\$ 1,180	-
Shutdown/Charge Complex Water Main Fee	2,145	2,145	-
43 Review and Inspection Fees for Site Work Potentially Impacting WSSC Water Pipelines			
Simple Review	400	400	-
Complex Review / Non-DR Developer Review	4,520	5,425	Yes
Inspection for Minor Adjustment / Non-DR Developer (per inspection)	270	270	-
44 Relocation Fee			
Inspection for MOU project (minimum charge up to 4 hours)	600	600	-
45 Connection Abandonment Fees			
County Roads (except Arterial Roads) - Water	1,470	1,470	-
County Roads (except Arterial Roads) - Sewer	1,870	1,870	-
State Roads and County Arterial Roads - Water	1,770	1,770	-
State Roads and County Arterial Roads- Sewer	2,200	2,200	-
46 Chlorination Confirmation Test Fee (per first test)	245	245	-
Re-Test or Additional Tests (per hour)	185	185	-
47 Re-Test or Additional Tests Chlorination and Pressure Test (per test)	185	185	-
Inspector Overtime (per hour)	205	205	-
48 Review Fee for Additional Reviews of Contract Documents As-Builts (per hour)	206	206	-
49 Residential Outside Meter Housing Upgrade/Pipe Alteration	6,805	6,810	Yes
50 Utility Erosion and Sediment Control Permit Fees (per linear foot)			
Minor Projects (<125 linear foot OR less than 42 inch deep and 20 inch width)	0.45	0.45	-
Major Projects	0.45	0.45	-
Minimum Charge for Major Projects	120	120	-
51 Right-of Way Release (or Subordination) Review Fee (per document)	1,500	1,575	Yes
52 Right-of Way Acquisition and Condemnation for SEP Projects	Reimbursement	Reimbursement	-
53 Environmental Site Review Fee			
With Database Search Submitted by Applicant	505	440	Yes
54 Feasibility Report and Committee Review Fee for On-Site Takeover Projects	1,705	1,960	Yes

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
PUBLICATIONS AND ADMINISTRATIVE			
55 Plans, Plats and 200' Reference Maps Copies			
Xerographic bond paper copy (per sheet)	\$ 5	\$ 5	-
56 WSSC Water Plumbing and Fuel Gas Code (Plumbing Code)			
Sale of Plumbing Regulation (per book)	55	55	-
57 Contract Specifications, Contract Specification Books, Drawings, Design Manuals, Standard Details and General Conditions			
<u>Construction Specifications/Drawings</u>			
Utility Contracts (up to \$20)	11 - 20	11 - 20	-
Facility Contracts (up to \$450)	40 - 450	40 - 450	-
Construction Standard Details	80	80	-
Construction General Conditions & Standard Specifications	80	85	Yes
SEP Construction General Conditions & Standard Specifications	80	85	Yes
<u>Procurement Specifications/Drawings/General Conditions</u>			
With Routine Specifications	No charge	No charge	-
With Complex/Voluminous Specifications (up to \$200)	40 - 200	40 - 200	-
58 Photocopies of WSSC Water Documents Charges			
Readily Available Source Material (per single sided page)	0.30	0.30	-
Certified Copy of Readily Available Source Material (per single sided page)	0.60	0.60	-
Scanning Documents (per single sided page)	0.30	0.30	-
(A reasonable fee may be charged for time in excess of two hours expended by WSSC Water in searching for requested records or preparing such records for inspection and copying)			
59 WSSC Water Pipeline Design Manual Fee	90	90	-
60 WSSD Laws			
Bound Volume	85	85	-
Supplements	45	45	-
61 Transcribed Tape of a Hearing or Meeting Fee	Prevailing fee charged by vendor	Prevailing fee charged by vendor	-

MISCELLANEOUS FEES AND CHARGES - PROPOSED FOR IMPLEMENTATION JULY 1, 2023

Fee/Charge Number and Name	Current	FY 2024 Proposed	Charge Change
OTHER FEES AND CHARGES			
62 Patuxent Watershed Civil Citation Fines (State Mandated)			
First Offense	\$ 150	\$ 150	-
Each Additional Offense within Calendar Year	300	300	-
63 Sediment Control, Theft of Service, and Plumbing Civil Citation Fines (State Mandated)			
First Offense	250	250	-
Second Offense	500	500	-
Third Offense	750	750	-
Each Violation in Excess of Three	1,000	1,000	-
64 Lobbyist Registration Fee (Code of Ethics)	125	125	-
65 Dishonored Check Fee & Electronic Payment Fee (applies to all dishonored checks and dishonored electronic payments)	35	35	-
66 Credit Card Surcharge (Applies to customer payment of the Point-of-Sale fee/charge by credit card other than water and sewer billing)	2% of amount charged	2% of amount charged	-
67 Protest Filing Fee	857	857	-
68 Preparation of Hold Harmless Agreement Fee	1,635	1,800	Yes
69 Connection Redemption Fee	16	16	-
70 Financial Disclosure Filer Late Fee (per day/\$500 max)	5	5	-

SECTION 3
RACIAL EQUITY AND SOCIAL JUSTICE

RACIAL EQUITY AND SOCIAL JUSTICE

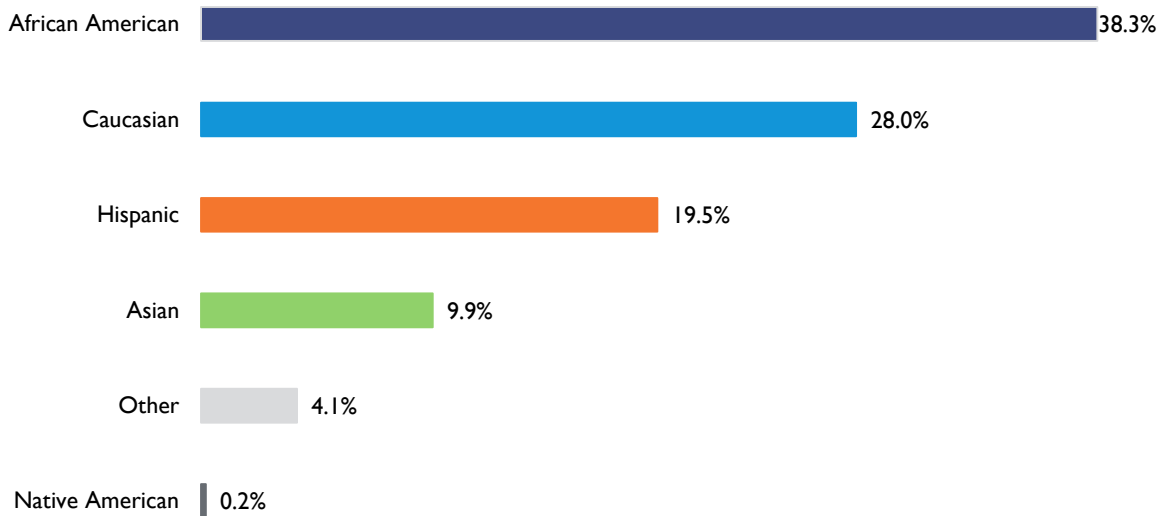
This section discusses racial equity and social justice (RESJ) topics related to WSSC Water’s operations, including demographics about our customer base, equity issues in the provision of water and sewer services, supplier diversity, workforce diversity and customer affordability. In addition, this section highlights future and existing RESJ programs supported by the Fiscal Year (FY) 2024 Proposed Budget and data related to these focus areas.

CUSTOMER DEMOGRAPHICS

WSSC Water provides water and sewer services to a diverse customer base of approximately 1.9 million residents across Montgomery and Prince George’s Counties. The demographic data presented in this section is based on combined 5-year data for Montgomery and Prince George’s Counties from the U.S. Census Bureau’s American Community Survey (www.census.gov). The data represents estimates for calendar year 2021, which is the latest year for which data is available, but is based on sampling data for calendar years 2017 through 2021 in order to improve the accuracy of the estimates. The water and sewer services provided by WSSC Water include most areas, but not all, of the two Counties. Therefore, the demographics of the population served may vary slightly from those reported for the Counties as a whole.

The chart below shows the ethnic and racial makeup of the Montgomery and Prince George’s residents. The two Counties have a diverse and majority-minority population. The residents are 38.3% African American, 28.0% Caucasian, 19.5% Hispanic, 9.9% Asian, 0.2% Native American, and 4.1% Other.

Population by Race/Ethnicity



CUSTOMER DEMOGRAPHICS (Continued)

The table below shows the breakdown of the population of Montgomery and Prince George’s Counties by age. There is a relatively even distribution between the age brackets for those under 65 years of age. Summarizing the data further, 31.4% of the population is under 25 years of age, 40.8% is between the ages of 25 and 54, and 27.8% is 55 years of age or older.

Age Bracket	Share of Population (%)
Under 5 Years	6.2%
5 to 14 Years	12.8%
15 to 24 Years	12.4%
25 to 34 Years	13.3%
35 to 44 Years	13.7%
45 to 54 Years	13.8%
55 to 64 Years	13.3%
65 to 74 Years	8.8%
75 to 84 Years	4.0%
85 Years and Over	1.7%
Total	100.0%

As shown in the table below, the median household income for Montgomery and Prince George’s Counties was \$105,070 in calendar year 2021. This compares favorably to the state-wide median household income of \$91,431 and the national median household income of \$69,021. This means that the median household income in the two Counties is approximately 14.9% higher than the state-wide figure and 52.2% higher than the national figure.

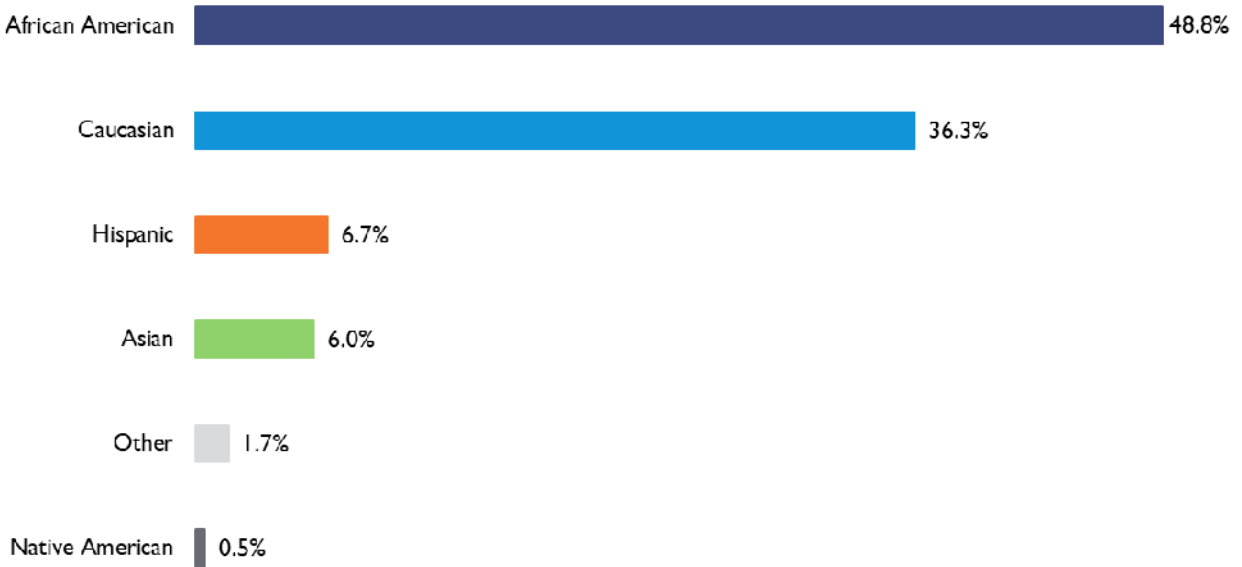
The table below also shows the percent of the population that is below the poverty level in Montgomery and Prince George’s Counties combined, the State of Maryland, and the United States. In Montgomery and Prince George’s Counties, approximately 8.1% of the population is below the poverty level. This is lower than the 9.2% figure for the State of Maryland and well below the national figure of 12.8%.

Region	Median Household Income	Population Below Poverty Level (%)
Montgomery & Prince George's Counties	\$ 105,070	8.1%
Maryland	\$ 91,431	9.2%
United States	\$ 69,021	12.8%

WSSC WATER WORKFORCE DIVERSITY

WSSC Water employs a diverse, majority-minority workforce. As shown in the chart below, as of June 30, 2022, the workforce is 48.8% African American, 36.3% Caucasian, 6.7% Hispanic, 6.0% Asian, 0.5% Native American and 1.7% Other. Compared to the ethnic and racial makeup of Montgomery and Prince George's Counties, the WSSC Water workforce is generally overrepresented in the African American and Caucasian groups and underrepresented in the Hispanic and Asian groups. WSSC Water promotes a diverse workplace that is free of discrimination and harassment based upon race, color, religion, gender, sexual orientation, national origin, age, disability, genetic information and retaliation or reprisal through the Equity, Engagement and Inclusion Division within the Human Resources Office.

Workforce by Race/Ethnicity



OFFICE OF SUPPLIER DIVERSITY & INCLUSION

The Office of Supplier Diversity & Inclusion (OSDI) is responsible for carrying out WSSC Water's commitment to ensure that our vendor base is reflective of the community that we serve. OSDI is dedicated to creating an inclusive purchasing environment and adding value to the organization and community by building sustainable relationships, expanding opportunities and cultivating growth with small, local and minority businesses. OSDI helps the organization achieve these goals through its management of the Minority Business Enterprise (MBE) Program and the Small Local Business Enterprise (SLBE) Program. The key components that OSDI uses to support these programs are supplier advocacy, compliance, outreach and development.

OSDI is also responsible for ensuring that the MBE and SLBE programs conform to all legal requirements. As part of these duties, OSDI prepares annual performance reports on the MBE and SLBE programs and conducts a disparity study that is typically done once every five years. The annual performance reports are required under state law to be sent to the elected officials from Montgomery and Prince George's Counties in the Maryland General Assembly by October 31st of each year. The performance reports provide details on the implementation and administration of the MBE and SLBE programs during the prior fiscal year and provide any appropriate recommendations regarding the programs. The disparity studies determine the following:

- The extent to which MBEs participate in the procurement of construction services, architectural and engineering services, goods and general services and professional services with WSSC Water
- If MBE participation is representative of the availability of MBE firms that are ready, willing and able to participate in WSSC Water contracts
- If discrimination exists, and is found, identifies the race, ethnicity and gender of the affected individuals
- Best practices to assist in administering the MBE Program and the establishment of an overall aspirational goal

In 2022 WSSC Water completed a Disparity Study which reviewed WSSC Water's minority business enterprise program and analyzed its activity with minority and women-owned businesses. The 2022 Disparity Study had reached the following conclusions:

- Evidence exists to show the presence of business discrimination of M/WBEs in both the private and public sector within the WSSC Water's marketplace. Business discrimination continues to be a barrier to M/WBE business opportunities. Statistical evidence also finds discriminatory experiences of vendors in the marketplace. WSSC Water should tailor its M/WBE and SLBE programs participation policies to remedy the disparities
- WSSC Water should be commended for its extensive set of incentives for M/WBE and SLBE participation, including SLBE bid incentives, funds for management and technical assistance, sheltered markets, subcontractor goals, mentor-protégé program and small contracts rotation
- WSSC Water should be commended for its extensive outreach activities, which include widespread coverage of the program on the WSSC Water website, partnerships with numerous business organizations, participation in numerous events, monthly training and other activities
- One solution to the issues with size standards is to adopt a two-tier standard MBE and SLBE certification in which contracts can be set aside for small and very small firms and goals that include very large MBEs and SLBEs can be established on large projects
- WSSC Water should work to improve prime contractor compliance with entering non-MBE subcontractor data into the system of record

OFFICE OF SUPPLIER DIVERSITY & INCLUSION (Continued)

MBE Program

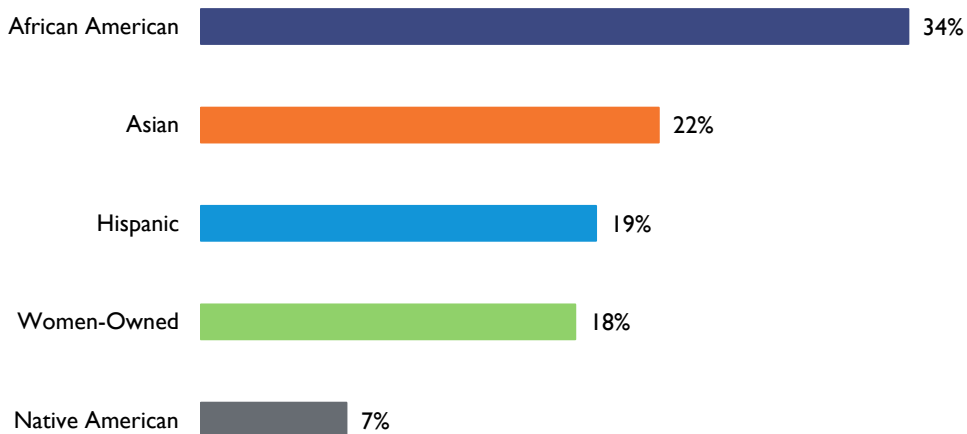
WSSC Water’s MBE Program was originally developed in 1978. For more than 40 years, the MBE Program has sought to promote fair and inclusive contract participation, provide greater access for diverse firms and produce educational content to further develop diverse businesses. The program seeks to eliminate barriers to success in the public marketplace for both prime contractors and subcontractors. The MBE Program recognizes certifications for minority-owned companies, women-owned companies and disadvantaged companies from five local and national entities.

Since 2012, the MBE Program has resulted in more than \$1.4 billion in payments to diverse businesses. In FY 2022, WSSC Water spent more than \$140.4 million with MBE firms. This represents 28% of the total contract payments in FY 2022 for architectural and engineering services, construction services, goods and general services and professional services. Approximately 84% of the payments to MBE firms in FY 2022 went to firms located in the State of Maryland or Washington D.C. The table below summarizes the contract payments performance of WSSC Water’s MBE Program over the last five years.

Fiscal Year	MBE Contract Payments	Total Contract Payments	MBE Share (%)
2012	102,281,071	365,680,655	28%
2013	92,137,148	465,068,695	20%
2014	99,965,604	491,360,333	20%
2015	134,409,006	542,740,015	25%
2016	114,832,166	587,498,789	20%
2017	156,900,804	588,775,203	27%
2018	146,562,712	518,434,501	28%
2019	152,510,264	517,153,557	29%
2020	136,209,781	481,475,872	28%
2021	154,826,411	474,978,466	33%
2022	140,418,391	506,532,398	28%
Total	\$ 1,431,053,358	\$ 5,539,698,484	26%

The chart below shows the breakdown of the FY 2022 contract payments by the type of MBE firm that received the payments. As shown in the chart, African American firms received the largest share of the MBE contract payments with a 34% share.

Share of Contract Payments



OFFICE OF SUPPLIER DIVERSITY & INCLUSION (Continued)

MBE Program (Continued)

The MBE Program also tracks contract awards as they are a leading indicator of future contract payments to MBE firms. In FY 2022, WSSC Water awarded approximately \$358.9 million in contracts to MBE firms in the architectural and engineering services, construction services, goods and general services and professional services contracting areas. This equates to 28% of the approximately \$1.3 billion of total contract awards issued in these four contracting areas.

SLBE Program

WSSC Water's SLBE Program was created in 2001 to provide race and gender-neutral contracting opportunities for small businesses principally located in Montgomery and Prince George's Counties. To qualify for the SLBE Program, firms must meet several eligibility criteria. Some examples of the eligibility criteria include the firm being principally located within or having a significant employment presence (at least 25% of the firm's total number of employees) in Montgomery County or Prince George's County, the firm not being a subsidiary of another business and the firm meeting size eligibility requirements. In FY 2022, approximately \$38.5 million was spent with SLBE firms for architectural and engineering services, construction services, goods and general services and professional services. Another approximately \$102.4 million was awarded in contracts to SLBE firms in these four contracting areas in FY 2022.

Additional information on the WSSC Water MBE and SLBE programs, including copies of the most recent performance report and disparity study, can be found on our website at <https://www.wsscwater.com/supplierdiversity>.

OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES

WSSC Water also has several other RESJ initiatives that are currently underway. Three examples of these initiatives are the effort to address the public health, equity and environmental justice concerns with unserved and underserved communities, the effort to incorporate RESJ criteria into the capital project prioritization process, and efforts to obtain external funding for projects located in disadvantaged communities throughout Montgomery and Prince George's Counties in alignment with the U.S. government's Justice40 Initiative. The following sections describe these three initiatives in further detail, including the current status of each.

Unserved and Underserved Communities

An unserved community is defined as an area within the sewer service envelope where a new sewer main greater than 1,500 feet is required to extend sewer service to the homes within the community. An underserved community is defined as an area within the sewer service envelope where public sewer service is available to some homes within the community, but one or more houses cannot access the service until a new sewer main greater than 200 feet in length is built.

Thousands of homes throughout Montgomery and Prince George's Counties have septic systems despite being in communities that were planned for public sewer service. Many of these homes have old septic systems that are beginning to fail and many of these failing systems cannot be easily repaired or replaced either because the lot is too small or the soil conditions are inadequate. These unserved and underserved communities cannot access sewer service from WSSC Water until sewer mains are extended into their community. Under current state statute, homeowners are responsible for the cost of any new water or sewer infrastructure that is required to extend service to their homes. A typical sewer extension can cost up to \$700 per foot and total project costs can range from \$100,000 to over \$1.0 million. Although the current application process provides for long-term financing and limited subsidies in cases where failing septic systems are causing a public health problem in the community, very few homeowners can afford to extend water or sewer service into their communities. Since 2005, only 16 sewer extension projects have been constructed to provide service to approximately 84 homes with septic systems.

WSSC Water, in conjunction with Montgomery and Prince George's Counties, formed a subset of the Bi-County Infrastructure Working Group to identify policy challenges and deficiencies of the current system and to build a roadmap for an improved system of extending water and sewer service to unserved and underserved communities. The workgroup identified the following key legal, financial and policy challenges:

- The current approach places all of the burden of project financing on the homeowner, which makes most sewer extension projects unaffordable for the majority of homeowners
- There is a lack of fairness and equity in the current approach to extending sewer service to unserved and underserved communities because only homeowners who are requesting service pay for the extension project deficit costs over and above the front foot benefits assessments
 - Homeowners who decide to take advantage of the availability of sewer service in the future get a "free ride" because they only pay a front foot benefit assessment after they connect
- The current sewer extension process, which is applicant driven, impedes the Counties' ability to address septic system problems and other potential community health hazards comprehensively
 - Sewer service is not being extended into communities where it is most needed
 - This is preventing the Counties from addressing the public and environmental health impacts of septic systems in a systematic, cost-effective manner

The workgroup believes that WSSC Water and the Counties must adopt a collaborative approach to address the needs of homeowners in unserved and underserved communities and reached consensus on eight discrete recommendations that lay the groundwork for a comprehensive, programmatic solution to the problems facing residents in these communities. The recommendations are as follow:

- Public subsidies for sewer extension projects in unserved and underserved communities should be increased
- A uniform, affordable fee for sewer service for homeowners in unserved and underserved communities should be implemented

OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

Unserved and Underserved Communities (Continued)

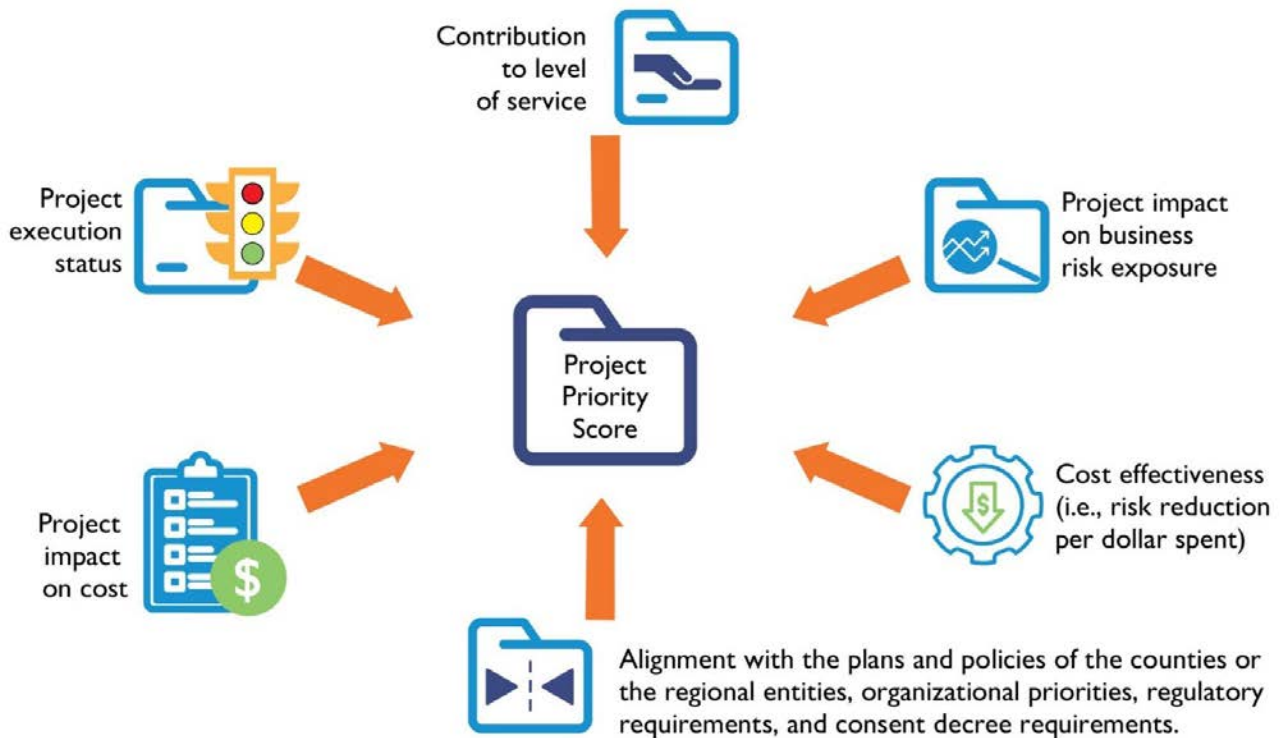
- Additional assistance with up-front costs for homeowners who are experiencing other financial hardship should be provided
- A Pay-As-You-GO (PAYGO) funded Capital Improvements Program (CIP) project for sewer extensions to unserved and underserved communities should be established
- Program funding should be equitably allocated between Montgomery and Prince George's Counties
- The Counties and WSSC Water should aggressively pursue funding from the State of Maryland's Bay Restoration Fund for sewer extension projects in unserved and underserved communities
- A subdistrict process to secure support within unserved and underserved communities for sewer connection projects should be established
- Each County should develop an approach to identify and prioritize communities with the greatest need for sewer extensions

The workgroup's eight policy recommendations provide a starting point for further discussions between WSSC Water and the Counties on the development of an effective, long-term program to address the lack of water and sewer service in unserved and underserved communities.

In January 2023, WSSC Water submitted an application to the Maryland Water Infrastructure Financing Administration seeking funding for an Onsite Septic Conversion Program to extend sewer service to unserved and underserved communities. The application covers several state grant and federal grant/loan programs. The state typically sends out award notification letters 10-15 months after the application period closes in January, depending on the program from which funds have been awarded.

Capital Project Prioritization Criteria

As part of the CIP process each year, the Asset Management Division prioritizes the projects in the CIP based on a predetermined set of criteria. The graphic below shows the six elements that make up the CIP prioritization criteria.



OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

Capital Project Prioritization Criteria (Continued)

The Asset Management Division undertook a pilot project in FY 2022 to examine ways to incorporate RESJ considerations into the CIP prioritization criteria shown on the prior page. The division identified the element concerning alignment with the plans and policies of the Counties as a potential way to incorporate RESJ factors into the criteria. Both Montgomery and Prince George's Counties have identified parts of their respective jurisdictions as focus areas based on RESJ or related criteria. Montgomery County has designated portions of the County as equity focus areas based on factors such as high concentrations of minorities, low-income households and people age 5 or older with lower levels of English language proficiency. Prince George's County has established revitalization tax credit districts throughout the County based on factors such as median household income, residential density of an area, land use in an area, economic factors and unemployment rates.

For the pilot, the Asset Management Division reviewed the geographic locations of the projects included in the CIP and identified those that either provided widespread benefits that impacted one of the areas designated by either County or that provided benefits to a specific location within one of the areas. The projects were then given a prioritization score that reflected their designation as a project that aligned with the plans and policies of the Counties based on the RESJ factors. All of the CIP projects were then re-ranked based on the new priority scores that incorporated RESJ considerations. The results of the pilot were then presented to other departments throughout WSSC Water. Based on the results of the pilot project, the Asset Management Division incorporated the RESJ factors, utilizing the identified methodology, into the CIP prioritization criteria for the FYs 2024-2029 CIP. The Asset Management Division is also continuing to research other methods for incorporating RESJ factors into the prioritization criteria in the future.

External Funding for Disadvantaged Communities

The federal government, through the Justice40 Initiative created by President Biden in Executive Order 14008, has made it a goal that 40% of the overall benefits of certain federal investments flow to disadvantaged communities that are marginalized, underserved and overburdened by pollution. There are seven categories of investments that fall within the Justice40 initiative, which are as follows: i) climate change; ii) clean energy and energy efficiency; iii) clean transit; iv) affordable and sustainable housing; v) training and workforce development; vi) remediation and reduction of legacy pollution; and vii) the development of critical clean water and wastewater infrastructure. The Justice40 Pilot Program identified 21 existing federal programs to serve as pilots for the Justice40 Initiative by undergoing rapid changes to accelerate the implementation of the Justice40 Initiative and create a roadmap for all covered programs to meet the goals of the initiative by providing lessons and best practices that could be applied to other programs. The Clean Water State Revolving Fund (SRF) and Drinking Water SRF programs, which are administered by the U.S. Environmental Protection Agency (EPA), were selected as part of the pilot program.

Federal funding to help provide low-cost financing for water and wastewater projects is provided to all 50 states, the District of Columbia and U.S. territories through the Clean Water SRF and the Drinking Water SRF programs. In Maryland, these funds are administered by the Maryland Water Infrastructure Financing Administration (MWIFA), which is part of the Maryland Department of the Environment. MWIFA is responsible for encouraging capital investment for drinking water and wastewater projects pursuant to the federal Clean Water Act of 1987 and the federal Safe Drinking Water Act and Amendments of 1996. The primary avenue through which MWIFA encourages capital investment in water and wastewater infrastructure is its administration of the Drinking Water Revolving Loan Fund (DWRLF), the Water Quality Revolving Loan Fund (WQRLF), the Bay Restoration Fund, the Supplemental Assistance Grant, the Water Supply Grant and the Comprehensive Flood Management Grant Program. The DWRLF and WQRLF programs are the state sponsored programs that receive the federal Clean Water SRF and Drinking Water SRF funding from the EPA, respectively, including supplemental funding through the Bipartisan Infrastructure Law.

MWIFA accepts applications for funding from the programs that it administers in December through January each year. WSSC Water submitted 10 applications for external funding to MWIFA as part of the latest funding round in January 2023. Out of the 10 applications, 8 align with the goal of the Justice40 Initiative to have 40% of the overall benefits of the federal investments flow to disadvantaged communities that are marginalized, underserved and overburdened by pollution.

OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

External Funding for Disadvantaged Communities (Continued)

The list below includes a brief description of the 10 projects/programs included in the applications submitted to MWIFA and additional information on how those projects/programs align with the Justice40 Initiative, if applicable.

- **Karla Lane Water Main Replacement**
 - Description: This project will replace approximately 1.47 miles of small diameter 4” and 8” water mains in the Fort Washington area.
 - Justice40 Initiative Alignment: Based on the MWIFA criteria for determining qualified disadvantaged communities, this project is wholly located within a disadvantaged community.
- **Newburg Drive Water Main Replacement**
 - Description: This project will replace approximately 1.62 miles of small diameter 4”, 8”, 10” and 12” water mains in the Lanham area.
 - Justice40 Initiative Alignment: This project is wholly located within a disadvantaged community.
- **Village in the Woods Water Main Replacement**
 - Description: This project will replace approximately 2.71 miles of small diameter 4”, 6”, 8”, 10” and 12” water mains in the Landover area.
 - Justice40 Initiative Alignment: This project is wholly located within a disadvantaged community.
- **Sanitary Sewer Reconstruction – Section 8**
 - Description: This project will rehabilitate 78.36 miles of 6” to 42” diameter sewer mains and 834 manholes throughout WSSC Water’s service area.
 - Justice40 Initiative Alignment: Based on the MWIFA criteria, it has been determined that 59.0% of the project costs will be spent on work within qualified disadvantaged communities.
- **Water Storage Facility Rehabilitation Program**
 - Description: This program will rehabilitate the Andrews Elevated Tank and Greenbelt Standpipe in Prince George’s County and the North Woodside Standpipe in Montgomery County, including structural, mechanical and electrical upgrades to the water storage facilities.
 - Justice40 Initiative Alignment: Based on the MWIFA criteria, it has been determined that 53.4% of the area inside the three water pressure zones served by these facilities are qualified disadvantaged communities.
- **Lead Service Line Inventory**
 - Description: While WSSC Water currently has no known publicly owned lead service lines (LSLs), we are preparing for continued compliance with EPA’s Lead and Copper Rule Revisions (LCRR), including expanded customer tap sampling, monitoring for schools and childcare facilities, and an LSL inventory, replacement plan and sampling plan. This project will categorize all service lines, regardless of ownership, as either lead, non-lead, galvanized requiring replacement (GRR), or unknown. This includes the need to evaluate existing plumbing records and field inspections of homes with potential LSLs. For more information on the LCRR and its requirements, please refer to Section 10.
 - Justice40 Initiative Alignment: Nationally, communities where LSLs have been found are disproportionately disadvantaged communities with underserved and marginalized populations.
- **Lead Service Line Replacement Program**
 - Description: While WSSC Water currently has no known publicly owned LSLs, we are preparing for continued compliance with EPA’s LCRR, including expanded customer tap sampling, monitoring for schools and childcare facilities, and an LSL inventory, replacement plan and sampling plan. If any service line is determined to be an LSL or GRR, WSSC Water will initiate a full service line replacement. This program covers the replacement work. For more information on the LCRR and its requirements, please refer to Section 10.
 - Justice40 Initiative Alignment: Nationally, communities where LSLs have been found are disproportionately disadvantaged communities with underserved and marginalized populations.

OTHER RACIAL EQUITY AND SOCIAL JUSTICE INITIATIVES (Continued)

External Funding for Disadvantaged Communities (Continued)

- Onsite Septic Conversion Program
 - Description: This program provides for the planning, design and construction of sewer extensions to convert approximately 3,800 properties that are currently on private onsite septic systems within the sewer service area to public sewer service.
 - Justice40 Initiative Alignment: While less than 40% of these properties are within qualified disadvantaged communities, the purpose of this program is to provide service to historically underserved communities.
- Piscataway Water Resource Recovery Facility (WRRF) Bioenergy
 - Description: This project provides for the engineering, design, construction, maintenance and monitoring and verification necessary to add sustainable energy equipment and systems to produce biogas and electricity at the Piscataway WRRF. The new bioenergy facility will handle waste from five existing WRRFs, employing innovative technologies to recover resources and produce green energy.
 - Justice40 Initiative Alignment: While the project will serve disadvantaged communities, it does not meet the 40% threshold.
- Parkwood Water Main Replacement Phase I
 - Description: This project will replace approximately 3.09 miles of small diameter 8” and 10” water mains in the Kensington area.
 - Justice40 Initiative Alignment: This project does not serve a disadvantaged community.

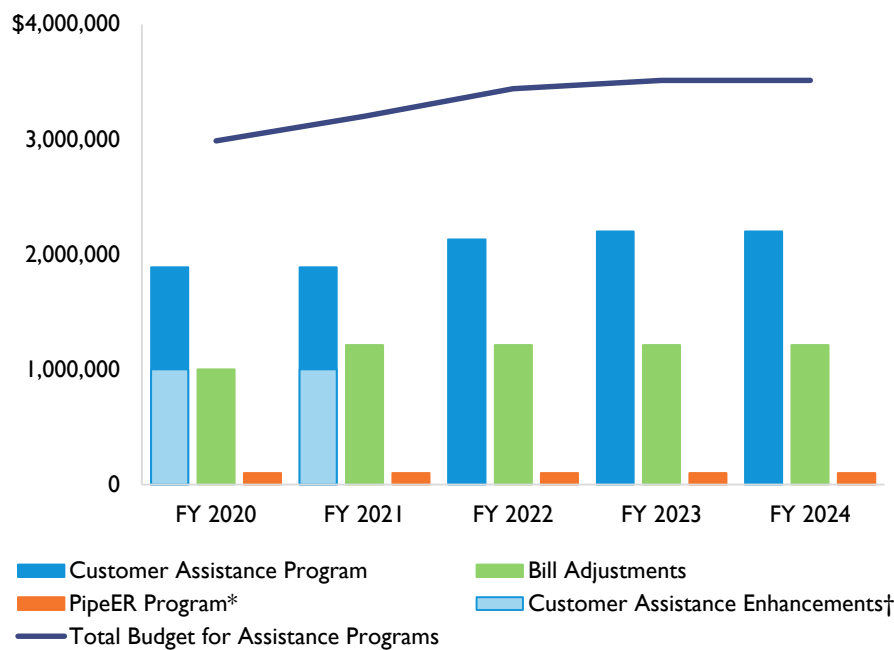
WSSC WATER FINANCIAL ASSISTANCE PROGRAMS

WSSC Water is committed to making water and sewer bills affordable for its customers, which is why the agency offers a multitude of financial assistance programs that are designed to address common affordability issues faced by its customers. The financial assistance programs offered by the agency include the following:

- Customer Assistance Program (CAP)
- Water Fund
- PipeER Program (also known as the Connection Pipe Emergency Replacement Loan Program)
- Bay Restoration Fund Exemption Program
- Bill adjustments
- Flexible payment options

These programs aim to tackle customer affordability from several different angles, depending on the specific needs of the customer. The CAP, PipeER Program, and bill adjustments are funded as part of WSSC Water’s annual budget process. The chart below shows the funding levels for these programs, individually and overall, from FY 2020 through FY 2024. As shown in the chart, WSSC Water has increased the funding for its financial assistance programs by approximately 18% over the last several years, from about \$3.0 million in FY 2020 to over \$3.5 million in FY 2024.

WSSC Water Financial Assistance Programs Budget



*The PipeER Program was established in FY 2020.

†Funding was included in the FY 2020 and 2021 budgets for customer assistance enhancements. This funding was folded into CAP in FY 2022.

The following sections describe each program in detail. Additional information, including guidance on how to enroll in each of the programs, can be found on our website at <https://www.wsscwater.com/assistance>.

WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

Customer Assistance Program

CAP provides financial assistance to approved residential customers via credits for WSSC Water’s fixed fees (the Account Maintenance Fee and the Infrastructure Investment Fee). The credits are capped for FY 2023 at \$29.82 per quarterly bill or \$119.28 per year, which is equivalent to the fees for a 3/4” meter. The cap will increase to \$31.90 per quarterly bill or \$127.60 per year in FY 2024. Eligibility for CAP is determined based on enrollment in the Maryland Office of Home Energy Programs’ (OHEP) energy assistance program. If a customer is enrolled in this state program, then they also qualify for WSSC Water’s CAP. Starting from FY 2023, the CAP participants will undergo a recertification process every year where those who were initially certified for this program will recertify with OHEP. The credit for the fixed fees will be applied retroactively to July 1 for the approved CAP participants. Customers are required to annually re-enroll with OHEP to continue their CAP enrollment. The current income eligibility criteria established by OHEP for its energy assistance program are outlined in the tables below.

Income Eligibility Limits		
Effective July 1, 2022 to June 30, 2023		
(Based on 175% of the Federal Poverty Level)		
For Households with NO Members 67 Years of Age or Older at the Time of Application		
Household Size	Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$ 1,982	\$ 23,783
2	2,670	32,043
3	3,359	40,303
4	4,047	48,563
5	4,735	56,823
6	5,424	65,083
7	6,112	73,343
8	6,800	81,603
For Each Additional Person, Add	688	8,260

Income Eligibility Limits		
Effective July 1, 2022 to June 30, 2023		
(Based on 200% of the Federal Poverty Level)		
For Households with ONE OR MORE Members 67 Years of Age or Older at the Time of Application		
Household Size	Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$ 2,265	\$ 27,180
2	3,052	36,620
3	3,838	46,060
4	4,625	55,500
5	5,412	64,940
6	6,198	74,380
7	6,985	83,820
8	7,772	93,260
For Each Additional Person, Add	787	9,440

WSSC Water was given the authority to establish CAP via legislation passed by the Maryland General Assembly and signed by the Governor in 2015. Per the enabling legislation, CAP is 100% funded via WSSC Water revenues. To date, WSSC Water’s CAP has assisted more than 17,000 customers, an increase of 11.0% CAP enrollment from last year.

Customers enrolled in CAP are automatically enrolled in the Bay Restoration Fund Exemption Program. This exemption waives the state-mandated Bay Restoration Fund of up to \$60.00 per year.

WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

Water Fund

The Water Fund was established in 1994 by WSSC Water employees to help residential customers in financial need pay their water and sewer bills. Eligible customers may receive up to \$500 in financial assistance per year toward their water and sewer bills. The Salvation Army administers the Water Fund and is responsible for determining whether applicants qualify for assistance. The eligibility criteria are primarily based on household income and size, as shown in the table below.

Income Eligibility Limits Effective July 1, 2022 to June 30, 2023 (Based on 200% of the Federal Poverty Level)		
Household Size	Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$ 2,265	\$ 27,180
2	3,052	36,620
3	3,838	46,060
4	4,625	55,500
5	5,412	64,940
6	6,198	74,380
7	6,985	83,820
8	7,772	93,260
For Each Additional Person, Add	787	9,440

The Water Fund is funded entirely by contributions from customers, employees and other sources. Customers can donate to the Water Fund via direct online donations, through lump sum donations added when paying their bill or through participation in the bill round up program. WSSC Water employees contribute to the Water Fund through the agency’s annual giving campaign and special events that support the Water Fund, like the annual Manhole Open golf tournament. WSSC Water pays the administrative and promotional fees while The Salvation Army assists participants and manages the fund, which ensures that 100% of all donations go directly to those in need. Since 1994, the Water Fund, in partnership with The Salvation Army, has distributed more than \$2.4 million to help more than 23,000 people throughout Montgomery and Prince George’s counties. In FY 2022, the Water Fund provided water bill assistance to 3,710 people by disbursing almost \$576,000 in aid.

PipeER Program



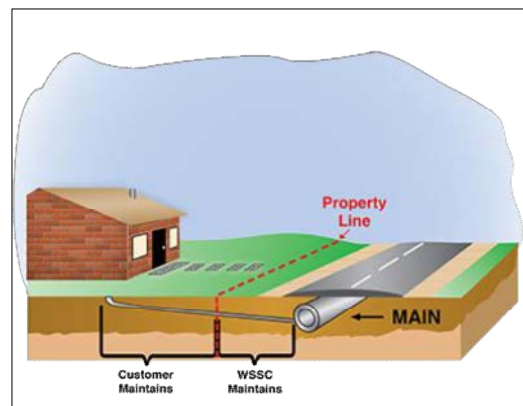
The PipeER Program, also known as the Connection Pipe Emergency Replacement Loan Program, provides loans to eligible residential customers to finance the replacement of their water service line, which is located on their property and connects WSSC Water’s main line to the home. The program makes available \$100,000 annually to customers in need. The funds are available on a first come, first served basis each FY until the fund is depleted. All loans must be used to replace a water service line, not for service line repairs. Once approved, customers are eligible to receive a loan up to \$5,000. The loan proceeds are disbursed directly to a WSSC Water licensed plumber and any additional cost over the loan amount must be paid by the customer.

WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

PipeER Program (Continued)

The PipeER Program is administered by the WSSC Federal Credit Union, which includes underwriting the loans. In order to qualify for the program, customers must meet the following criteria:

- The applicant must be a residential customer of WSSC Water and be the owner of the property upon which the pipe replacement will occur
- The customer must have received a WSSC Water 30-day leak letter or notification
- The customer must have received at least two quotes for the work from WSSC Water licensed plumbers
- The applicant must meet the WSSC Federal Credit Union's minimum underwriting standards

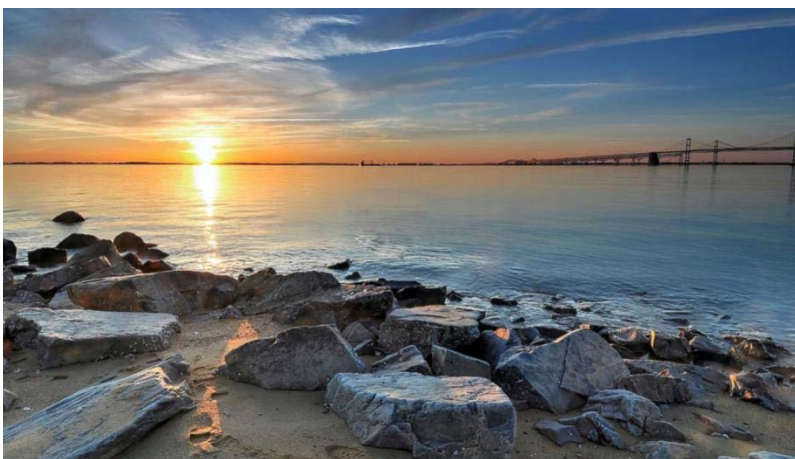


The Maryland General Assembly passed, and the Governor signed, legislation that enabled WSSC Water to create the PipeER Program in 2018. In accordance with the legislation establishing the PipeER Program, WSSC Water includes the program funding of \$100,000 in its annual budget. The legislation also limits the total outstanding amount for all loans under the program to \$1.0 million. WSSC Water has committed to transferring any unused funds from the \$100,000 annual budget to the Water Fund each year to further aid customers facing financial hardships.

Bay Restoration Fund Exemption Program

The Chesapeake Bay has experienced a decline in water quality due to over-enrichment of nutrients (mainly phosphorus and nitrogen). Effluent from water resource recovery facilities (WRRFs) is one of the top three major contributors of nutrients entering the bay. Therefore, the Maryland General Assembly established the Chesapeake Bay Watershed Restoration Fund (also known as the Bay Restoration Fund) via legislation that was signed by the Governor in 2004. The legislation also mandated an environmental surcharge, often referred to as the Bay Restoration Fund Fee, to provide a source of revenue for the fund. The fee is imposed upon WRRF users in order to finance enhanced nutrient removal upgrades at Maryland's WRRFs (there is also a similar fee for septic users). In 2012, a bill was passed to increase the fee to \$5.00 per month (or \$15.00 per quarter) for residential customers served by a WRRF that discharges to the Chesapeake Bay and Coastal Bay watersheds.

As part of the legislation establishing the Bay Restoration Fund, WSSC Water was tasked with billing and collecting the fee from its customers. The agency then turns the funds over to the Maryland Department of the Environment (MDE), which administers the fund. As part of the 2012 legislation, WSSC Water was given the authority to establish a Bay Restoration Fund Exemption Program for residential customers that demonstrate substantial financial hardship, subject to the approval of MDE.



WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

Bay Restoration Fund Exemption Program (Continued)

In order to qualify for the Bay Restoration Fund Exemption Program, residential customers must either be certified by OHEP or meet at least two of the following criteria:

- Have received assistance from the Water Fund within the last 12 months
- Have received public assistance or food stamps within the last 12 months
- Have received Veteran’s Disability or Social Security Disability benefits within the last 12 months
- Meet the income eligibility criteria based on the current year’s tax return

The current income eligibility criteria for the Bay Restoration Fund Exemption Program are outlined in the table below.

Income Eligibility Limits Effective July 1, 2022 to June 30, 2023 (Based on 175% of the Federal Poverty Level) For Households with NO Members 67 Years of Age or Older at the Time of Application		
Household Size	Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$ 1,982	\$ 23,783
2	2,670	32,043
3	3,359	40,303
4	4,047	48,563
5	4,735	56,823
6	5,424	65,083
7	6,112	73,343
8	6,800	81,603
For Each Additional Person, Add	688	8,260

Income Eligibility Limits Effective July 1, 2022 to June 30, 2023 (Based on 200% of the Federal Poverty Level) For Households with ONE OR MORE Members 67 Years of Age or Older at the Time of Application		
Household Size	Maximum Gross Monthly Income Standards	Maximum Gross Annual Income Standards
1	\$ 2,265	\$ 27,180
2	3,052	36,620
3	3,838	46,060
4	4,625	55,500
5	5,412	64,940
6	6,198	74,380
7	6,985	83,820
8	7,772	93,260
For Each Additional Person, Add	787	9,440

WSSC WATER FINANCIAL ASSISTANCE PROGRAMS (Continued)

Bill Adjustments

Leaks due to issues with the plumbing system within a building or from the underground service line can result in higher water bills, which can cause a financial hardship for the property owner. While property owners are responsible for maintaining their plumbing systems and service lines, WSSC Water does make bill adjustments available under certain circumstances in order to relieve the financial hardship caused by an undetected leak. In accordance with WSSC Water's Code of Regulations, the following types of bill adjustments are available:

- High bill adjustment (single-unit residential properties)
- One-time high bill adjustment (single-unit commercial properties)
- Leaks on property – underground leaks (residential or commercial, single or multi-unit)
- Underground leaks, off property (residential or commercial, single or multi-unit)
- Delayed collection action (single-unit residential and single-unit commercial)
- Charitable institutions
- Credits for customers with physical or mental impairment (single-unit residential)
- Fire or vandalism (residential or commercial, single or multi-unit)
- Public fountain use
- Discolored water or sod restoration (single/multi-unit residential)
- Unpaid previous owner charges (residential or commercial, single or multi-unit)
- Gasket leak on meter (residential or commercial, single or multi-unit)
- Illegal consumption (single-unit residential)
- Lining project (residential or commercial, single or multi-unit)

Detailed information on the qualification criteria for each type of bill adjustment can be found in WSSC Water's Code of Regulations, which is published online at <https://wssc.district.codes/code>.

Flexible Payment Options

WSSC Water offers flexible payment options, such as extended due dates and payment plans, to assist customers with unexpected financial hardships that cause them to have trouble paying their water and sewer bills. Customers that have been approved for CAP may also be eligible for a payment plan lasting up to 48 months. Additionally, there is a payment plan option for customers that are not enrolled in CAP. Effective January 4, 2021, this option offers a payment plan that may last up to 36 months. To learn more about the flexible payment options, customers can contact one of WSSC Water's customer service advisors by calling 301-206-4001.



WSSC WATER BILL AFFORDABILITY

Federal Affordability Standard

The U.S. Environmental Protection Agency (EPA) has established affordability criteria for residential water and wastewater services. The EPA criteria establishes an overall affordability standard of 4.5% of median household income. This overall standard is comprised of individual thresholds of 2.5% for potable water and 2.0% for wastewater and combined sewer overflow controls that were set by the EPA. Therefore, given the EPA’s role as the federal agency responsible for regulating drinking water systems, WSSC Water has adopted the EPA standard of 4.5% of median household income as the measure it uses to determine the affordability of its services for its customers.

Median Household Income

Based on 5-year data from the U.S. Census Bureau’s American Community Survey, the median household income for Montgomery and Prince George’s Counties was \$105,070 in calendar year 2021, which is the latest year for which data is available. Based on the FY 2024 proposed rates, WSSC Water’s average annual residential bill for water and sewer services at 150 gallons per day is approximately \$1,005. The consumption level of 150 gallons per day is used because it represents the average household in WSSC Water’s service area, a 3-person household using 50 gallons of water per person per day. Therefore, it is estimated that the annual cost of water and sewer services from WSSC Water for the average customer will be 1.0% of the median household income in FY 2024, absent any changes in household income between 2021 and 2024. This level is well below the 4.5% standard set by the EPA.

Median Household Income	Average WSSC Water Bill	Share of Median Income
\$ 105,070	\$ 1,005	1.0%

Median household income figures from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2017-2021.

The average per person consumption is adjusted from 55 GPD to 50 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption.

Looking more in-depth, the table below shows the share of median household income for the average WSSC Water bill by household size over the FY 2017 to FY 2021 time period. The average WSSC Water bill for each size household is based on consumption of 50 gallons of water per person per day. Over the five-year period analyzed, the share of WSSC Water’s bill to median household income remained fairly steady for all seven household sizes. This means that while WSSC Water’s rates have been going up, they have been increasing in proportion with the changes to median household incomes in Montgomery and Prince George’s Counties.

Household Size	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual
1-person Household	0.5%	0.5%	0.5%	0.6%	0.6%
2-person Household	0.5%	0.5%	0.5%	0.5%	0.5%
3-person Household	0.7%	0.7%	0.7%	0.6%	0.6%
4-person Household	0.8%	0.8%	0.8%	0.8%	0.8%
5-person Household	1.2%	1.2%	1.2%	1.1%	1.1%
6-person Household	1.6%	1.5%	1.5%	1.4%	1.4%
7-or-more Person Household [†]	1.8%	1.8%	1.8%	1.6%	1.6%

Median household income figures from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2013-2017, 2014-2018, 2015-2019, 2016-2020 and 2017-2021.

[†]The average WSSC Water bill for the 7-or-more person household size was calculated based on a 7-person household.

The average per person consumption is adjusted from 55 GPD to 50 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption.

WSSC WATER BILL AFFORDABILITY (Continued)

Household Income Quintiles

The table below compares the average household income by income quintile to the average WSSC Water bill for a three-person household. Each income quintile contains 20.0% of the population of Montgomery and Prince George’s Counties based on where their household income falls on the spectrum for all households. As shown in the table, the average household income for the first quintile is \$24,591 per year. At this level of income, a three-person household would spend about 4.1% of their annual income on water and sewer services, which is below the 4.5% EPA affordability threshold. Therefore, WSSC Water’s average bill for water and sewer services is affordable for the average customer at the lower end of the household income distribution in Montgomery and Prince George’s Counties.

Quintile	Average Household Income	Average WSSC Water Bill*	Share of Average Income
First	\$ 24,591	\$ 1,005	4.1%
Second	65,426	1,005	1.5%
Third	105,451	1,005	1.0%
Fourth	159,413	1,005	0.6%
Fifth	332,667	1,005	0.3%

Average household income figures from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2017-2021.

* The average per person consumption is adjusted from 55 GPD to 50 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption.

Household Income Brackets

The table below shows a more detailed breakdown of household incomes in Montgomery and Prince George’s Counties and how the average WSSC Water bill for a three-person household compares to each income level. Looking at this more detailed breakdown, the average WSSC Water bill begins to exceed the EPA affordability threshold towards the upper bound of the fourth income bracket (\$20,000-\$24,999 per year). The income at which the 4.5% threshold is crossed for a three-person household is about \$22,342 per year. The first through third income brackets contain approximately 7.6% of households and the fourth contains about 2.0%, so the average bill for a three-person household would exceed the EPA threshold for fewer than 9.6% of households in Montgomery and Prince George’s Counties without any financial assistance from the agency.

Income Bracket Lower Bound	Income Bracket Upper Bound	Number of Households	Share of Households	Average WSSC Water Bill*	Share of Lower Bound	Share of Upper Bound
\$ -	\$ 9,999	27,276	3.8%	\$ 1,005	N/A	10.1%
10,000	14,999	13,695	1.9%	1,005	10.1%	6.7%
15,000	19,999	13,761	1.9%	1,005	6.7%	5.0%
20,000	24,999	14,634	2.0%	1,005	5.0%	4.0%
25,000	29,999	16,966	2.4%	1,005	4.0%	3.4%
30,000	34,999	18,687	2.6%	1,005	3.4%	2.9%
35,000	39,999	16,924	2.3%	1,005	2.9%	2.5%
40,000	44,999	18,884	2.6%	1,005	2.5%	2.2%
45,000	49,999	17,874	2.5%	1,005	2.2%	2.0%
50,000	59,999	40,583	5.6%	1,005	2.0%	1.7%
60,000	74,999	59,609	8.3%	1,005	1.7%	1.3%
75,000	99,999	89,404	12.4%	1,005	1.3%	1.0%
100,000	124,999	81,317	11.3%	1,005	1.0%	0.8%
125,000	149,999	62,722	8.7%	1,005	0.8%	0.7%
150,000	199,999	88,831	12.3%	1,005	0.7%	0.5%
200,000	N/A	139,507	19.4%	1,005	0.5%	N/A
Total		720,674	100.0%			

Income bracket information from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2017-2021.

* The average per person consumption is adjusted from 55 GPD to 50 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption.

WSSC WATER BILL AFFORDABILITY (Continued)

Household Income Brackets (Continued)

WSSC Water’s income-based financial assistance programs, CAP and the Water Fund, would provide help to most of the customers in the four lowest income brackets, even if they are in single-person households. CAP provides assistance for single-person households with annual incomes of up to \$23,783 if under 67 years of age and \$27,180 if 67 years of age or older. For a three-person household, the income limits increase to \$40,303 if all household members are under 67 years of age and \$46,060 if one household member is 67 years of age or older. The Water Fund provides assistance to single-person households with up to \$27,180 in annual income. For a three-person household, the income limit increases to \$46,060. Therefore, WSSC Water’s financial assistance programs can help keep the costs of water and sewer services affordable for many of those who are most likely to struggle to pay their bills.

The table below shows how WSSC Water’s CAP can increase bill affordability for our lowest income customers. As previously mentioned, CAP provides financial assistance to approved residential customers via credits for WSSC Water’s fixed fees (the Account Maintenance Fee and the Infrastructure Investment Fee). It is anticipated that up to \$127.60 in assistance will be available in FY 2024 to match the fixed fees for a 3/4” meter. This would lower the average WSSC Water bill, which is based on a three-person household with a 3/4” meter, from approximately \$1,005 per year to \$878 per year. The income at which the 4.5% threshold is crossed for a three-person household would similarly decrease from about \$22,342 per year to \$19,506 per year. Consequently, the percentage of households for which the average three-person bill would exceed the EPA threshold would drop to about 7.6%, from the previous figure of less than 9.6%. The Water Fund, which provides up to \$500 in financial assistance per year for eligible residential customers, can further help those customers facing affordability concerns even after the CAP assistance is taken into account.

Income Bracket Lower Bound	Income Bracket Upper Bound	Number of Households	Share of Households	Average WSSC Water Bill (w/ CAP)*†	Share of Lower Bound	Share of Upper Bound
\$ -	\$ 9,999	27,276	3.8%	\$ 878	N/A	8.8%
10,000	14,999	13,695	1.9%	878	8.8%	5.9%
15,000	19,999	13,761	1.9%	878	5.9%	4.4%
20,000	24,999	14,634	2.0%	878	4.4%	3.5%
25,000	29,999	16,966	2.4%	878	3.5%	2.9%
30,000	34,999	18,687	2.6%	878	2.9%	2.5%
35,000	39,999	16,924	2.3%	878	2.5%	N/A

Income bracket information from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2017-2021.

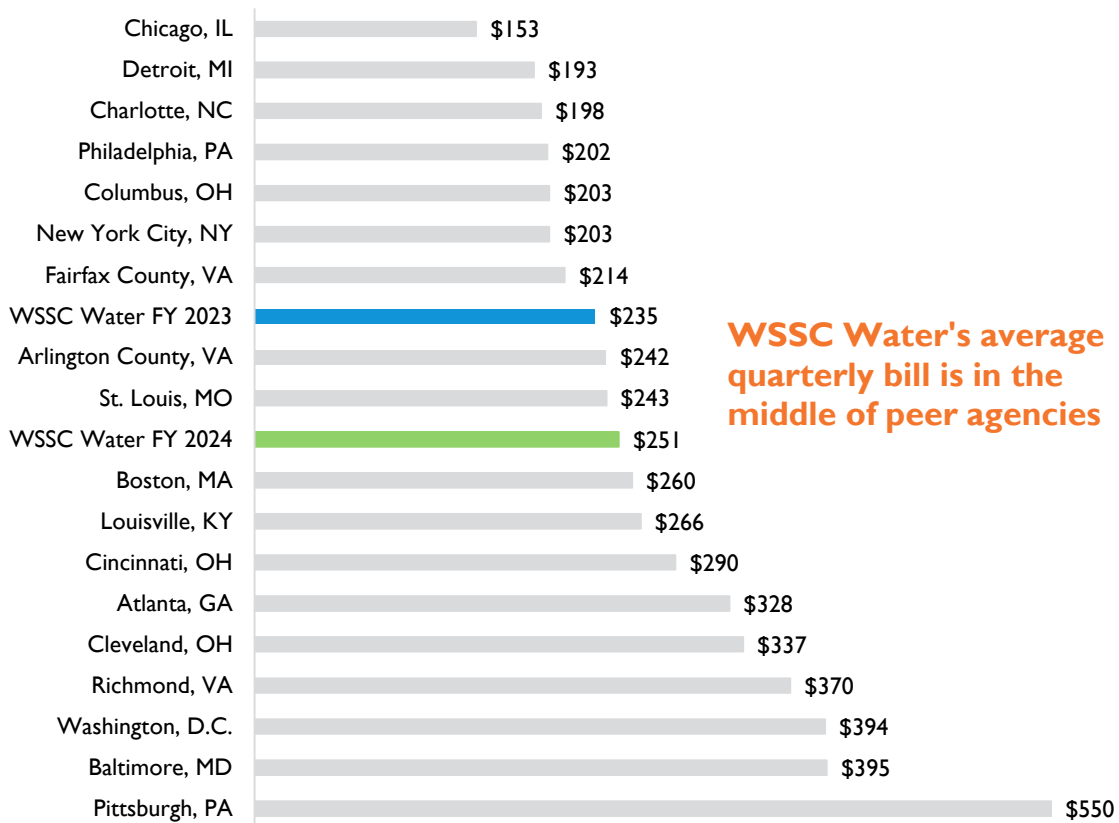
* The average per person consumption is adjusted from 55 GPD to 50 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption.

WATER AND SEWER BILL COMPARISONS

Quarterly Bill Comparison

Presented below is a comparison of WSSC Water’s average quarterly residential bill for water and sewer services at 150 gallons per day to the equivalent bill from 18 other cities and communities, both locally and nationally. The consumption level of 150 gallons per day represents the average household in WSSC Water’s service area, a 3-person household using 50 gallons of water per person per day. The rates and fees used in this comparison were in effect as of December 2022. The chart includes WSSC Water bills at FY 2023 approved and FY 2024 proposed rates. As shown in the chart, the quarterly bills in the other communities range from a low of \$153 in Chicago, Illinois to a high of \$550 in Pittsburgh, Pennsylvania. WSSC Water ranks in the middle of the peer agencies, with quarterly bills of \$235 in FY 2023 and \$251 in FY 2024. This shows that WSSC Water’s rates and fees are competitive both locally and nationally.

**Residential Quarterly Water/Sewer Bill Comparison
(150 Gallons per Day)**

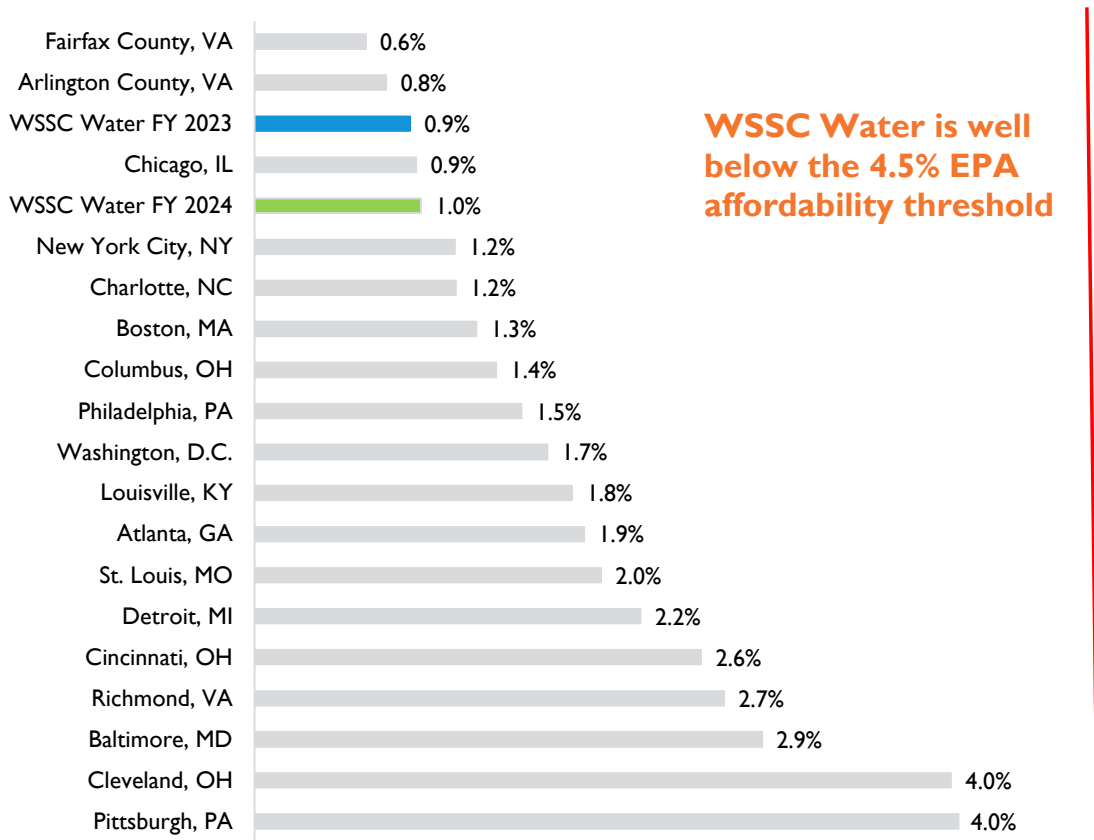


WATER AND SEWER BILL COMPARISONS (Continued)

Bill as a Percentage of Median Household Income Comparison

The chart below shows a comparison of the average residential bills as a percentage of median household income for WSSC Water and the 18 other cities and communities analyzed for customers using 150 gallons of water per day. The average annual bill from WSSC Water in FY 2024 is only 1.0% of the median household income of its customers, a slight increase from the 0.9% in FY 2023. This places WSSC Water among the most affordable of its peer agencies, with only two agencies (Fairfax County and Arlington County in Virginia) having lower percentages. Additionally, WSSC Water is well below the 4.5% threshold that the EPA considers to be affordable for customers.

**Average Residential Bill as a Percentage of Median Income
(150 Gallons per Day)**



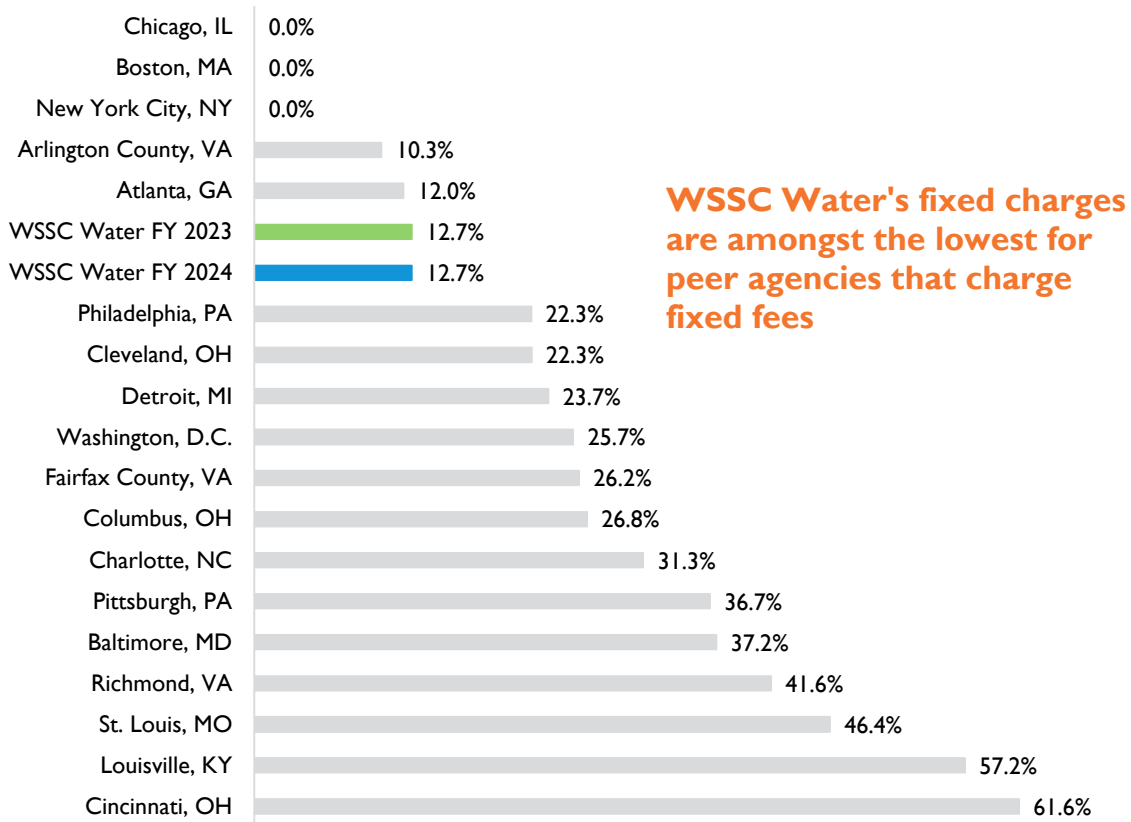
Median household income figures (in 2021 dollars) from the U.S. Census Bureau (www.census.gov), American Community Survey 5-Year Estimates for 2017-2021.

WATER AND SEWER BILL COMPARISONS (Continued)

Percentage of Bill from Fixed Charges Comparison

The chart below compares fixed charges as a portion of the average residential bill for WSSC Water and the 18 other cities and communities reviewed. Three of the peer agencies (Chicago, Illinois; Boston, Massachusetts; and New York City, New York) do not have any fixed fees as part of their water and sewer bills. Of the agencies that do charge fixed fees, WSSC Water's fixed charges are the third lowest as a percentage of the average bill. In FY 2023 and FY 2024, 12.7% of the average residential bill from WSSC Water is attributable to fixed fees. WSSC Water's CAP focuses on limiting the impact of these fixed fees on those who are most likely to struggle to pay their bills.

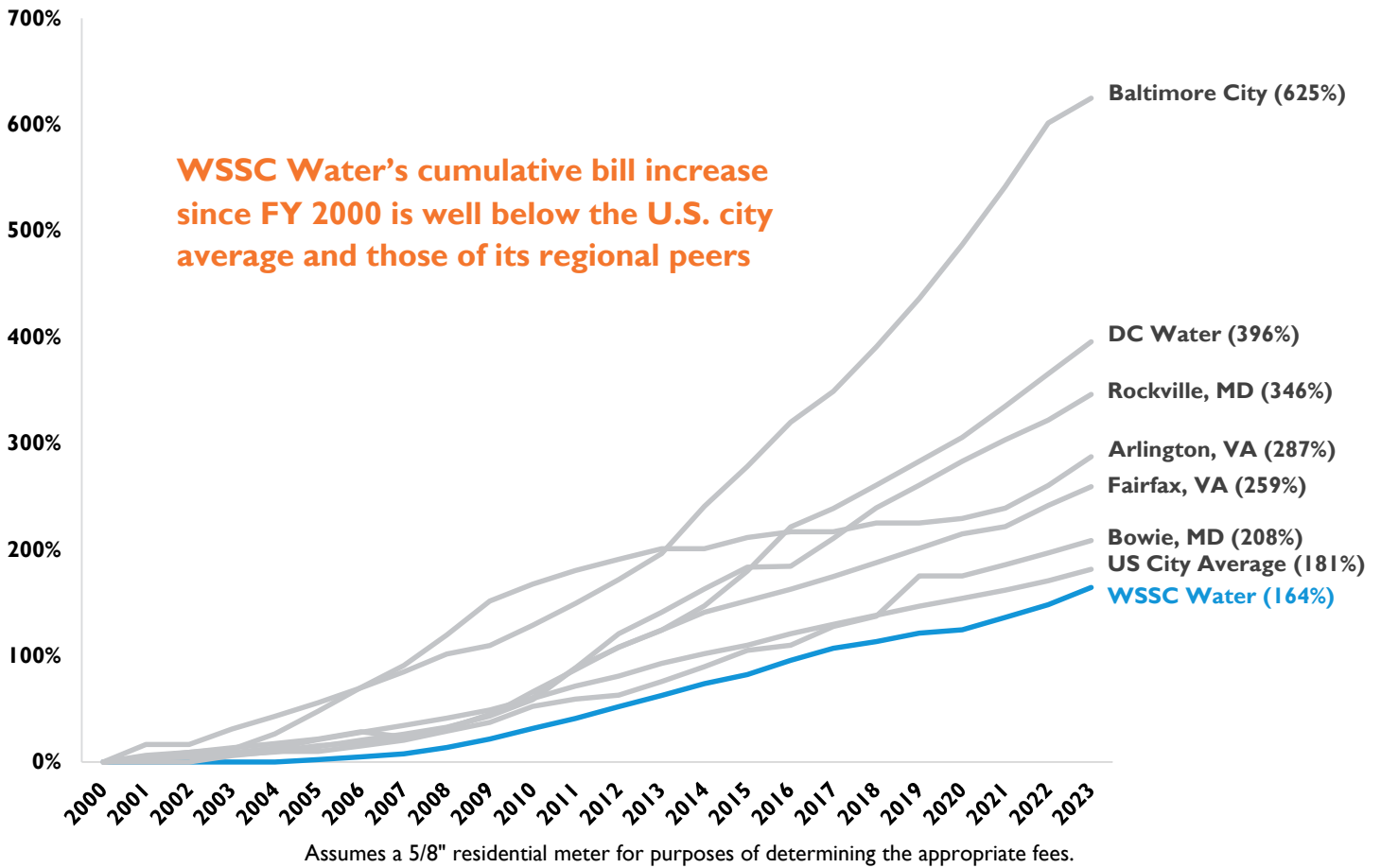
Percentage of Average Residential Bill from Fixed Charges
(150 Gallons per Day)



WATER AND SEWER BILL COMPARISONS (Continued)

Bill Increases Over Time Comparison

The chart below shows a comparison of the cumulative bill increases for comparable water and sewer providers in the greater Washington-Baltimore-Arlington combined statistical area and the U.S. city average for FYs 2000-2023. As with the previous comparisons, the consumption level used is 150 gallons per day to represent the average 3-person household using 50 gallons of water per person per day. The chart shows that the cumulative increase in the average WSSC Water bill was about 164% over the last 23 years, which is lower than the increases for all of the peer agencies and the U.S. city average over the same time period. The increases for the comparable regional providers range from a low of 208% for Bowie, Maryland to a high of 625% for Baltimore City, Maryland. The U.S. city average increased by 181% over the 23-year analysis period.



The U.S. city average is based on the water and sewerage maintenance component of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, from the U.S. Bureau of Labor Statistics (www.bls.gov). Values for July of each fiscal year (i.e., July 2022 = FY 2023).

WATER AND SEWER BILL COMPARISONS (Continued)

Electric and Cell Phone Service Bill Comparison

Another useful comparison is looking at the cost of other utility or utility-like services. Two such services for which there is readily available data from government sources are electric services and cell phone service. The most recent year for which data are available for all three services (electricity, cell phone and WSSC Water services) is 2021. The data shows that in 2021 the average cost of electricity from the two primary providers in Montgomery and Prince George's Counties, Baltimore Gas and Electric Company (BGE) and Potomac Electric Power Company (PEPCO), was approximately \$115 per month. For cell phone service, the 2021 data for the South Census Region, which includes the State of Maryland, has a monthly cost of about \$104. The average monthly cost of water and sewer services from WSSC Water, based on a three-person household using FY 2021 rates and fees, was only about \$70 in comparison. This means that the monthly cost of water and sewer was only around 61% of the cost of electricity and 67% of the cost of cell phone service in 2021.

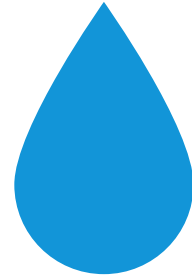
In 2021, the average household spent per month...



\$115
on electricity from
BGE and PEPCO



\$104
on cell phone
service



\$70
on water and sewer
services from WSSC
Water

Electric sales, revenue and average price data from the U.S. Energy Information Administration (www.eia.gov), 2021 Electricity Reports.

Cellular phone service expenditures from the U.S. Bureau of Labor Statistics (www.bls.gov), Consumer Expenditure Survey, September 2022.

The average WSSC Water bill is based on a three-person household with consumption of 50 gallons of water per person per day. The average per person consumption is adjusted from 55 GPD to 50 GPD due to a declining trend in water consumption based on the 2022 Cost of Service Study results that are consistent with recent historical consumption.

SECTION 4
SPENDING AFFORDABILITY AND LONG-RANGE
FINANCIAL PLAN

SPENDING AFFORDABILITY AND LONG-RANGE FINANCIAL PLAN

In May 1993, the Montgomery and Prince George's County Councils created the Bi-County Working Group on WSSC Spending Controls (Working Group) to review WSSC Water's finances and recommend spending control limits. The Working Group's January 1994 report recommended "the creation of a spending affordability process that requires the Counties to set annual ceilings on the WSSC's rates and debt (debt in this context means both bonded indebtedness and debt service), and then place corresponding limits on the size of the capital and operating budgets of the Commission."

Each year, the spending affordability process focuses debate, analysis and evaluation on balancing affordability considerations against the provision of resources necessary to serve existing customers (including infrastructure replacement/rehabilitation), meet environmental mandates and maintain operating and capital budgets and debt service at prudent and sustainable levels.

The FY 2024 Spending Affordability Guidelines (SAG) rate increase recommended by the two County Councils is 7.0% for both water and sewer volumetric and ready-to-serve charges. The agency prepared the proposed budget based on the 7.0% water and sewer rate increase meets the recommended limits established by both the Counties.

A long-range financial plan (the Plan) complements the spending affordability process by utilizing approved SAG limits to forecast outer year implications and strategize potential problems and opportunities which may impact WSSC Water's work program. The Plan is the agency's roadmap and reflects financial strategic intent, as well as imposing discipline by highlighting the cumulative effects of decisions. Addressing issues earlier not only protects WSSC Water's long-term financial condition, but also ensures that necessary actions and/or changes are properly communicated to our customers, County Councils and other stakeholders.

MAJOR ASSUMPTIONS, WORKLOAD INDICES AND DEMAND PROJECTIONS

Below is a summary of the budget outcomes from the FY 2024 SAG process.

- Fund Balance – It was assumed for the purpose of preparing the FY 2024 Proposed Budget that, at the end of FY 2023, accumulated net revenues for the water and sewer operating funds would total \$266.6 million. For FY 2024, the total water and sewer operating revenues are \$923.6 million; therefore, at least \$184.7 million will be held in accumulated net revenues in adherence to WSSC Water's 20% reserve policy (see Fiscal Guidelines page 6-1). The budgeted accumulated net revenue of \$274.8 million exceeds the reserve target and is 30.0% of the total operating revenues.
- Revenues – The estimated FY 2024 revenues from water consumption and sewer use charges are \$355.1 million and \$435.0 million, respectively. Water production is assumed to be 162.0 million gallons per day (MGD) in FY 2024 and water consumption is projected to slightly increase from 124.5 MGD in FY 2023 to 124.7 MGD in FY 2024.
- Capital Budget – The capital budget includes expenditure estimates for all projects for which work is reasonably expected to be accomplished. This provides management with maximum flexibility to proceed on the many and diverse projects approved each year in the budget. The FY 2024 Capital Budget is \$683.1 million.
- Debt Service – The debt service estimates for FY 2024 assume that \$191.4 million in Water Supply bonds and \$188.6 million in Sewage Disposal bonds will be issued in FY 2024, in addition to repayment of existing debt. The water and sewer issues will be 30-year bonds with an estimated 4.5% average interest rate.
- Reconstruction Debt Service Offset (REDO) – There will be no transfer in FY 2024 as the fund balance has been spent down as planned.
- Workforce and Compensation – Forty additional authorized workyears are included. A marker is included for salary enhancements in the FY 2024 budget.

MAJOR ASSUMPTIONS, WORKLOAD INDICES AND DEMAND PROJECTIONS (Continued)

The following table presents data used during the SAG process to develop the FY 2024 Proposed Budget.

Workload Data	Actual					Projected	
	FY	FY	FY	FY	FY	FY	FY
	2018	2019	2020	2021	2022	2023	2024
Water and Sewer Combined Rate Increase (%)	3.5	4.5	5.0	6.0	5.9	6.5	7.0
Population to be Served (000s)*	1,777	1,801	1,910	1,915	1,939	1,945	1,952
Customer Accounts (000s): **	460	461	464	467	469	475	477
Residential (%)	95.7	95.5	95.4	95.4	94.4	94.4	94.4
Commercial and Industrial (%)	3.7	3.7	3.8	3.7	4.7	4.7	4.7
Government and Other (%)	0.6	0.8	0.8	0.9	0.9	0.9	0.9
Water Program:							
Water Production (Average MGD)	163.9	161.7	162.6	162.8	161.2	163.0	162.0
Water Consumption (Average MGD)	126.6	123.2	128.6	126.4	127.2	124.5	124.7
Water Mains Maintained (Miles)	5,768	5,816	5,844	5,869	5,884	6,000	6,000
Water House Connections Maintained (000s)	465	469	471	473	476	479	482
Sewer Program:							
Sewage Treated (Average MGD)	172.8	218.7	188.3	204.1	184.3	196.9	194.4
Sewer Use (Average MGD)	116.3	113.3	116.0	114.6	114.6	112.7	112.3
Sewer Mains Maintained (Miles)	5,578	5,604	5,624	5,615	5,624	5,700	5,700
Sewer House Connections Maintained (000s)	438	441	443	445	446	449	451
House Connections added:							
Water	2,931	3,480	2,410	2,553	2,622	2,700	2,800
Sewer	2,500	3,152	1,868	1,869	1,869	2,100	2,100
New Water & Sewer Bond & Notes Debt Issues (\$ in millions)	459	390	234	350	327	359	380
Average Annual Interest Rate for New Bond Issuance (%)	3.3	3.6	2.6	2.0	2.3	4.0	4.5

* FY 2020 population served is based on the decennial census which is conducted by the U.S. Census Bureau every 10-years

** Beginning FY 2020, the data source for the customer accounts is based on the Customer-to-Meter (C2M) billing system

PENSION OBLIGATIONS AND OTHER UNFUNDED LIABILITY

WSSC Water makes continued funding contributions as part of its operating budget planning to remedy unfunded liabilities. While these liabilities will continue to persist over the long-term, WSSC Water's management is committed to making substantial forward progress in addressing these liabilities as part of our long-term financial plan, while balancing such need within the context of actuarial review, reasonableness, and affordability. If market and/or actuarial changes reflect a need for more strict and rapid progress in addressing these liabilities, WSSC Water management will consider appropriate action and make course changes as necessary.

Pension

Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension costs are impacted by fluctuations in the market affecting actual and projected investment income and related deferred outflows or inflows. Investment activities are reported as non-operating revenues, therefore pension costs are allocated amongst operating and non-operating costs and/or revenues.

WSSC Water's net pension liability as of December 2021 is \$24,681,000 and the net pension liability is 2.4% of the total pension liability. The actuarial assumptions for pension are: 2.5% inflation factor, 2.75%-7.5% salary increase, and 7.0% investment rate of return.

Other Post-Employment Benefits (OPEB)

WSSC Water employees are eligible to continue group insurance coverage after retirement provided that retiring employees have had coverage in effect for two years prior to retirement.

WSSC Water's net OPEB liability as of December 2021 is \$37,223,000 and net OPEB liability is 15.0% of the total OPEB liability. The actuarial assumptions for OPEB are: 2.5% inflation factor, a salary increase, and 7.0% investment rate of return.

More information can be found within WSSC Water's Annual Financial Report or on our website at the following <https://wsscwater.com/financereports>.

LONG-RANGE FINANCIAL PLAN FOR WATER AND SEWER OPERATING FUNDS

(\$ in thousands)	FY 2023 Approved	FY 2024 Proposed	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
New Water and Sewer Debt Issues	\$ 358,840	\$ 379,960	\$ 388,352	\$ 326,030	\$ 364,708	\$ 325,870	\$ 287,053
Water and Sewer Combined Rate Increase (Average)	6.5 %	7.0 %	8.0 %	8.0 %	6.5 %	6.5 %	6.5 %
Operating Revenues							
Consumption Charges	\$ 746,450	\$ 790,142	\$ 853,353	\$ 921,622	\$ 981,527	\$ 1,045,326	\$ 1,113,272
Account Maintenance Fees (AMF)	33,887	36,259	39,160	42,293	45,042	47,969	51,087
Infrastructure Investment Fees (IIF)	41,290	44,180	47,715	51,532	54,881	58,449	62,248
Plumbing and Inspection Fees	16,780	20,380	20,991	21,621	22,270	22,938	23,626
Rockville Sewer Use	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Miscellaneous	19,000	28,722	25,452	25,707	25,962	26,222	26,486
Interest Income	2,800	8,000	5,500	5,500	5,500	5,500	5,500
Uncollectible	(6,000)	(7,901)	(8,532)	(9,218)	(9,814)	(10,453)	(11,133)
Cost Sharing Reimbursement	635	743	7,013	12,860	12,860	7,158	7,004
Total Operating Revenues	\$ 857,942	\$ 923,625	\$ 993,752	\$ 1,075,017	\$ 1,141,328	\$ 1,206,209	\$ 1,281,190
Other Credits and Transfers							
Use of Fund Balance	-	-	-	39,936	6,644	-	-
Reconstruction Debt Service Offset	4,000	-	-	-	-	-	-
SDC Debt Service Offset	5,772	5,772	5,772	5,772	5,748	5,748	5,748
Premium Transfer	2,500	-	-	-	-	-	-
Underwriters Discount Transfer	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Miscellaneous Offset	-	1,200	-	-	-	-	-
Total Funds Available	\$ 872,214	\$ 932,597	\$ 1,001,524	\$ 1,122,725	\$ 1,155,720	\$ 1,213,957	\$ 1,288,938
Operating Expenses							
Salaries & Wages	133,765	141,179	148,238	154,908	161,879	169,164	176,776
Heat, Light & Power	18,817	27,373	26,263	25,198	26,382	27,305	28,261
Regional Sewage Disposal	60,343	64,201	65,485	66,794	68,130	69,493	70,883
All Other	290,160	319,132	331,589	341,537	351,783	362,336	373,206
Total Operating Expenses	\$ 503,085	\$ 551,885	\$ 571,575	\$ 588,437	\$ 608,174	\$ 628,298	\$ 649,126
Debt Service							
Bonds and Notes Principal and Interest	321,844	328,467	366,169	387,288	405,949	424,137	434,635
Other Transfers and Adjustments							
Additional and Reinstated	-	-	(1,220)	-	-	-	-
PAYGO	31,016	44,000	65,000	147,000	141,597	148,546	177,000
Total Expenses	\$ 855,945	\$ 924,352	\$ 1,001,524	\$ 1,122,725	\$ 1,155,720	\$ 1,200,981	\$ 1,260,761
Net Revenue (Loss)	\$ 16,269	\$ 8,245	\$ -	\$ -	\$ -	\$ 12,976	\$ 28,177
Beginning Fund Balance - July 1							
Net Increase (Decrease) in Fund Balance	16,269	8,245	-	-	-	12,976	28,177
Use of Fund Balance/Other Adjustments	7,778	-	-	(39,936)	(6,644)	-	-
Ending Fund Balance - June 30	\$ 266,601	\$ 274,846	\$ 274,846	\$ 234,910	\$ 228,266	\$ 241,242	\$ 269,419
Debt Service as a % of Total Expenses (< 40% Target)	37.6 %	35.5 %	36.6 %	34.5 %	35.1 %	35.3 %	34.5 %
Debt Service Coverage "Stress Case" (>=1.5 Target)	1.3	1.3	1.3	1.4	1.4	1.5	1.5
Leverage Ratio "Stress Case" (<10.0)	9.9	9.6	8.8	8.0	7.5	7.1	6.5
Days-Cash-on-Hand "Stress Case" (250 Days Target)	183	250	276	275	275	275	310
End Fund Balance as a % of Operating Revenue (min. 20%)	31.1 %	29.8 %	27.7 %	21.9 %	20.0 %	20.0 %	21.0 %
Total Workyears (All Funds)	1,796	1,836	1,836	1,836	1,836	1,836	1,836

1. The FYs 2025-2029 projections reflect WSSC Water's multi-year forecast and assumptions. The projected expenditures, revenues and fund balances for these years may be based on changes to rates, fees, usage, inflation, future labor agreements and other factors not assumed in the FY 2024 Proposed Budget. Data excludes General Bond Debt Service
2. Leverage ratio is calculated as net adjusted debt (debt outstanding less cash and cash equivalent) to adjusted funds available for debt service (Operating Revenues less Operating Expenses excluding depreciation plus adjustments for miscellaneous revenues and expenses)
3. Debt Service for bonds and notes includes Maryland Water Quality Bonds and interfund debt service transfers
4. Adjustments to Consumption Charges, AMF and IIF for Water and Sewer Combined Rate Increase assumes rate increase is in effect for 12 months
5. Debt Service Coverage is Funds Available for Debt Service divided by the Debt Service on bonds and notes. The target increased from 1.10-1.25 range in FY 2023 to >=1.5 in FY 2024
6. Days Cash-on-Hand is Unrestricted Cash and Investments times 365 days divided by Total Operating Expenses (excluding Depreciation). Starting in FY 2024, the metric is revised from Days Operating Reserve-on-Hand to Days Cash-on-Hand. The target also increased from 150 days in FY 2023 to 250 in FY 2024
7. The FY 2023 adjustments reflect the FY 2023 estimated increase in Net Revenue
8. The "Stress Case" assumes an increase in capital costs of 10%. This is consistent with how Fitch calculates the Leverage Ratio and Days-Cash-on-Hand

SECTION 5
EXPLANATION OF BUDGET AND SUMMARIES

EXPLANATION OF BUDGET AND SUMMARIES

Maryland state law requires that WSSC Water prepare capital and operating budgets each fiscal year. The FY 2024 Proposed Budget shows funding and staff requirements, organizational components and program and fund sources.

BUDGET FORMULATION

The budgets for all funds are prepared on a modified accrual basis. Expenses are recognized when goods and services are received, and revenues are recognized when water is delivered to the system. WSSC Water's annual audited financial statements are prepared according to Generally Accepted Accounting Principles (GAAP), whereas both the budget and internal financial statements are prepared on a debt service basis. The debt service basis recognizes certain cash expenses not recognized under GAAP (such as principal payments on debt and pension contributions based on a level percentage of payroll). Similarly, certain non-cash expenditures included under GAAP are not recognized under the debt service basis (such as depreciation on capital assets and pension expenses as defined by Governmental Accounting Standards Board Statement 68 – Accounting & Finance Reporting for Pensions).

The budget process begins with submission of requests by all organizational units following the guidance provided by the General Manager. Management reviews these requests before the General Manager presents recommendations to the Commissioners. The Commissioners review the budget and make recommendations before approving a proposed budget document for public hearings. A preliminary proposed budget document must be available to the public by January 15. Hearings on the WSSC Water budget are held in each County or virtually via livestream before February 15. The agency considers comments and testimony given at the public hearings before the proposed budget is transmitted to the Counties. The flow chart on page 5-3 depicts the budget and CIP process.

State law requires that WSSC Water transmit its proposed budget to the Counties by March 1 of each year. The County Councils, County Executives and their staffs review the budget and make recommendations. Both Counties must approve any amendments to the budget on or before June 1. Once the Counties' actions have been received, the agency adopts an approved budget and sets the levels for charges, fees and taxes to finance approved expenditures. The approved budget takes effect on July 1. Once the budget is adopted, total expenditures may not exceed the final total approved budget without an approved budget supplement. Budget supplements must be approved by the Montgomery and Prince George's County Councils and are transmitted to them through their respective County Executives.

Fiscal Year

The 12-month period used to account for revenues and expenditures commences on July 1 of each year and ends on June 30 of the following year.

Capital Budget & Capital Improvements Program

Preparation of the six-year Capital Improvements Program (CIP) spans 15 months, beginning in April of each year. After a preliminary staff-level review in May, the General Manager and key management personnel review all CIP project submissions in June to assess the justification for new projects, the criticality and priority of ongoing projects and the overall financial impacts of these projects on spending affordability.

Only the debt service requirements for bond funded capital expenditures in the first budget year of the six-year CIP are included in the operating budget. By July, the General Manager submits a draft CIP to WSSC Water's Commissioners for their consideration, and work sessions are conducted to solicit input from County governments, Maryland-National Capital Park and Planning Commission and local municipality representatives. A draft proposed document is made available to the public in August and public hearings on the CIP are held in September. WSSC Water is required by state law to transmit the Proposed CIP to both County governments by October 1 of each year.

The approved capital budget for a given budget year consists largely of spending for the first year of the six-year CIP, including those projects in the Information Only section. Projects shown in the Information Only section are not required to be in the CIP, but may be included to provide more comprehensive information on important programs or projects. Budget year expenditures in connection with relocations, house connections, new water meters and similar items constitute the remainder of the capital budget for a given year.

BUDGET FORMULATION (Continued)

Capital Budget & Capital Improvements Program (Continued)

Between January and May of the following year, each County approves, modifies or removes projects, and by mid-May the County Councils meet jointly to resolve any differences. By June 1, each Council must enact formal resolutions approving new projects and other program modifications. The agency then has 30 days to adopt these changes before the beginning of the fiscal year on July 1.

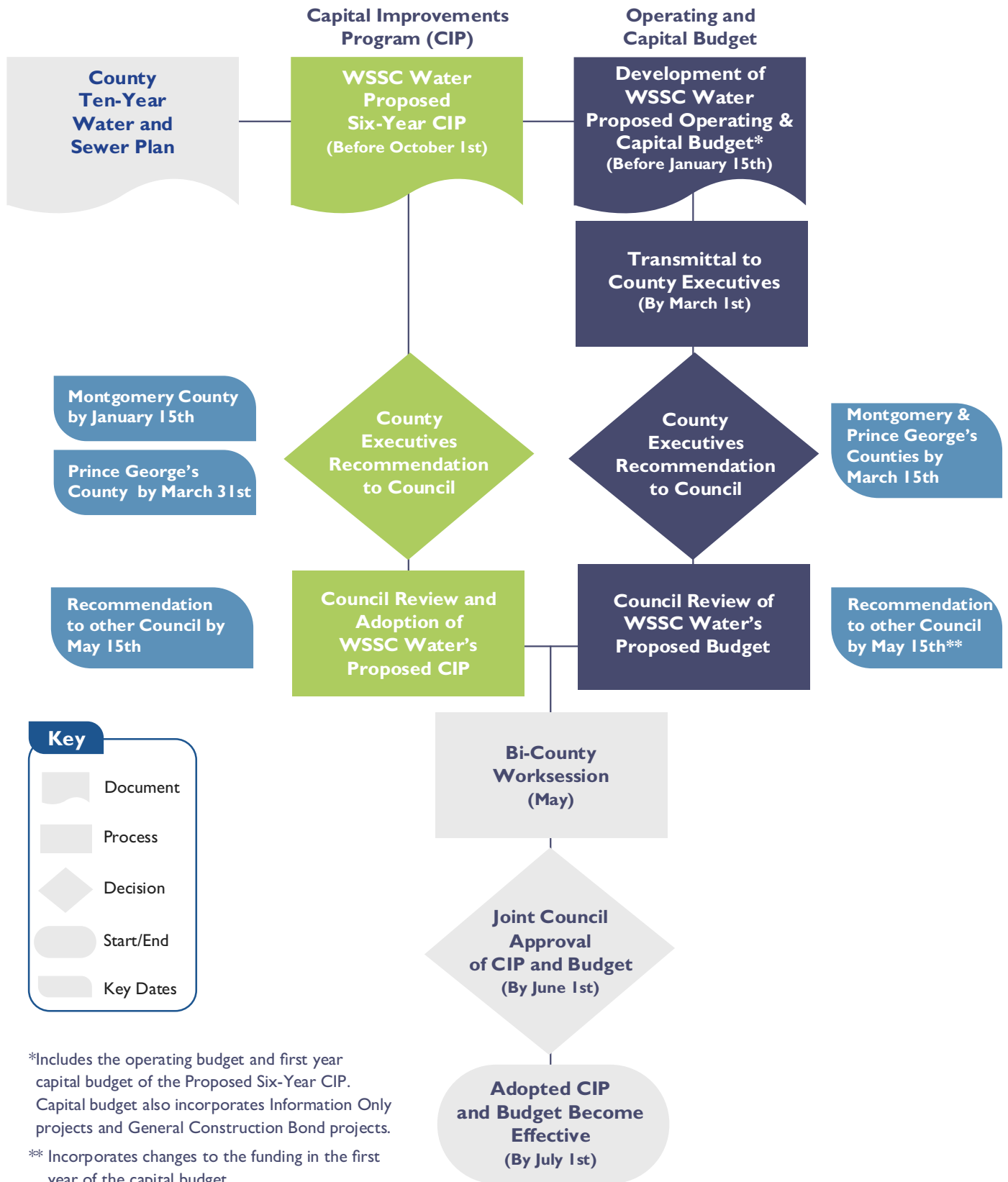
Operating Budget

Preparation of the proposed operating budget requires integrating several other planning efforts with the budget formulation process. The annual spending affordability review, undertaken jointly with Montgomery and Prince George's Counties, uses a six-year financial model to examine the impacts and affordability of various scenarios involving WSSC Water's future capital and operating needs. This analysis results in the development of recommended maximum affordable levels for rate increases, operating expenditures, debt service and new debt in the budget year. These limits, which are formally adopted by the Montgomery and Prince George's County Councils, play a key role in guiding the annual budget process.

Capital needs, developed independently in planning for the six-year CIP, also shape the operating budget by helping to determine debt service requirements and the operating impacts of projects expected to be completed during the budget year (additional operating costs, if present, as well as any expected efficiencies). The annual debt service on outstanding bonds is paid from the agency's operating funds, primarily through water consumption and sewer use charges paid by customers. Thus, the size of the CIP affects the size of the water and sewer bond issues needed in the budget year, which in turn affects customer water and sewer bills.

The CIP is, in turn, driven in part by the development planning and authorization processes of Montgomery and Prince George's Counties, especially as manifested in the Counties' ten-year water and sewer plans. These plans, which guide development activity within the Counties, are updated annually. In addition, since WSSC Water must contribute to the capital and operating expenses of the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains), budget planning by the District of Columbia Water and Sewer Authority (DC Water) - and the budget's subsequent review and approval by DC Water's multi-jurisdictional Board of Directors - can have important impacts on planning for WSSC Water's capital and operating budgets.

WSSC WATER BUDGET AND CAPITAL IMPROVEMENTS PROGRAM PROCESS



FUND STRUCTURE

The budget consists of six separate funds, three in the capital budget (Water Supply Bond, Sewage Disposal Bond and General Construction Bond Funds) and three in the operating budget (Water Operating, Sewer Operating and General Bond Debt Service Funds). The Water Operating and Sewer Operating Funds are the primary funds for operating purposes. The Water Operating Fund pays for water treatment and distribution, and the Sewer Operating Fund pays for sewage collection and treatment. The General Bond Debt Service Fund receives Front Foot Benefit Charges (FFBC) to underwrite the debt service on smaller lateral water and sewer lines.

The respective purpose and revenue source of each fund are described in the table below. Although each fund is essentially a separate entity authorized to expend funds for prescribed purposes and derive revenues from specific rates and charges as prescribed by state law, WSSC Water audited annual financial statements consider only a single operating budget without further fund delineation. Audited financial statements can be found at <https://www.wsscwater.com/financereports>.

Capital Fund	Major Purpose	Major Revenue Source
Water Supply Bond	Construct major water supply treatment and transmission facilities; Reconstruct water distribution system.	Water Supply Bonds and System Development Charges (SDC)
Sewage Disposal Bond	Construct major sewage treatment and transmission facilities; Reconstruct sewerage collection system.	Sewage Disposal Bonds, SDC and Grants
General Construction Bond	Construct minor water and sewer lines and support facilities.	General Construction Bonds and House Connection (H/C) Charges
Operating Fund	Major Purpose	Major Revenue Source
Water Operating	Operate and maintain water facilities and pay debt service on Water Supply Bonds.	Customer Water Bill
Sewer Operating	Operate and maintain sewerage facilities and pay debt service on Sewage Disposal Bonds.	Customer Sewer Bill
General Bond Debt Service	Pay debt service on General Construction Bonds.	FFBC and Deferred H/C Charges

Water

WSSC Water issues Water Supply Bonds (Capital Fund) and collects SDC to finance the planning, design and construction of major water treatment and transmission facilities and the reconstruction of the water distribution system. The facilities include dams, reservoirs, water filtration plants, water pumping stations, water storage facilities and water supply lines. Water operating revenues - customer payments for water bills - are used to pay for operating and maintaining these water facilities, and to pay the debt service (principal and interest that must be repaid) on Water Supply Bonds. Water consumption charges are based upon metered water use.

Sewer

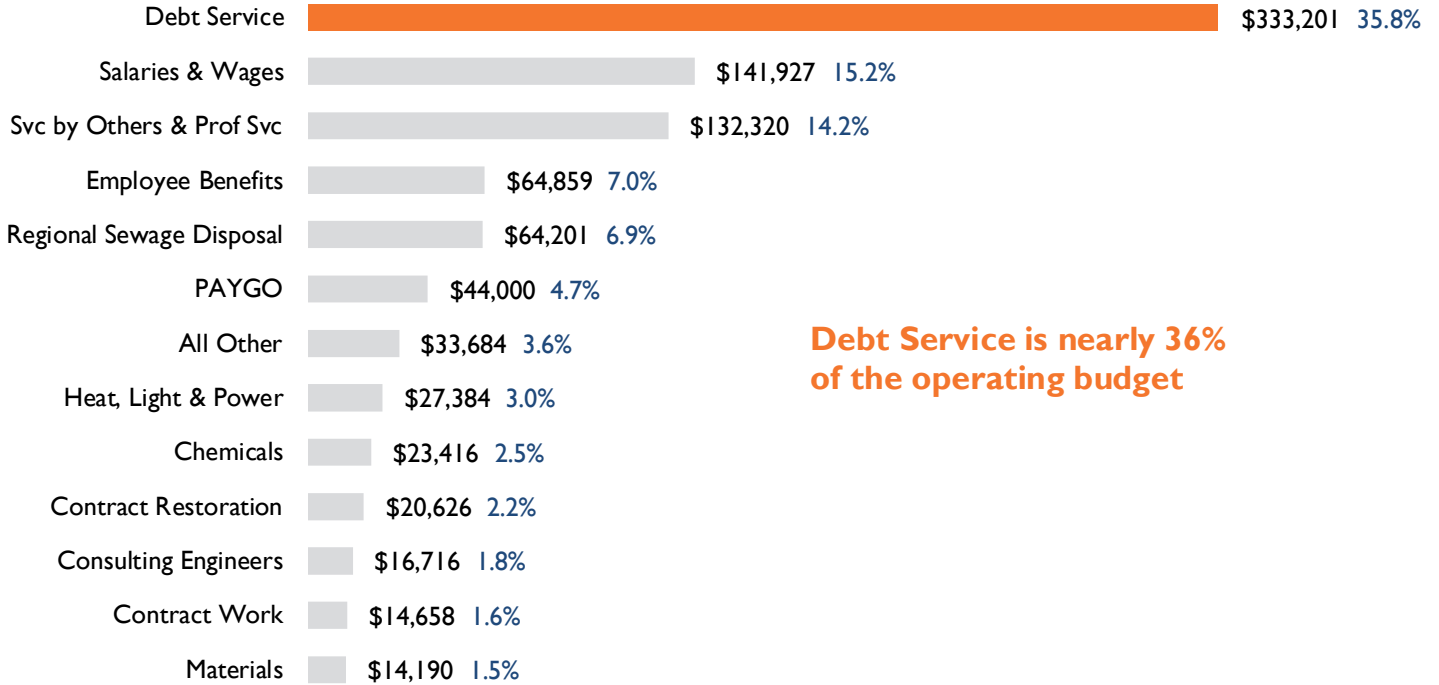
WSSC Water issues Sewage Disposal Bonds (Capital Fund), collects SDC, and receives grants to finance the planning, design and construction of major sewage disposal and treatment facilities and the reconstruction of the sewerage collection system. The facilities include sewage pumping stations and force mains, sewer lines, sewage treatment facilities (including reimbursement to DC Water for construction at Blue Plains) and improvements or modifications to these facilities. Sewer operating revenues - customer payments for sewer bills - are used to pay for operating and maintaining these facilities, and to pay the debt service on Sewage Disposal Bonds. Sewer use charges are generally based upon metered water use.

General Construction

WSSC Water issues General Construction Bonds (Capital Fund) to pay for the construction of minor water and sewer lines (water distribution lines less than 16” in diameter and sewer lines less than 15” in diameter) and support facilities. General Bond Debt Service Fund revenues - customer payments for FFBC - are used to pay the debt service on construction of minor water and sewer lines. House connection construction costs are underwritten by a direct charge to the applicant.

FY 2024 PROPOSED BUDGET – BY MAJOR EXPENSE CATEGORIES

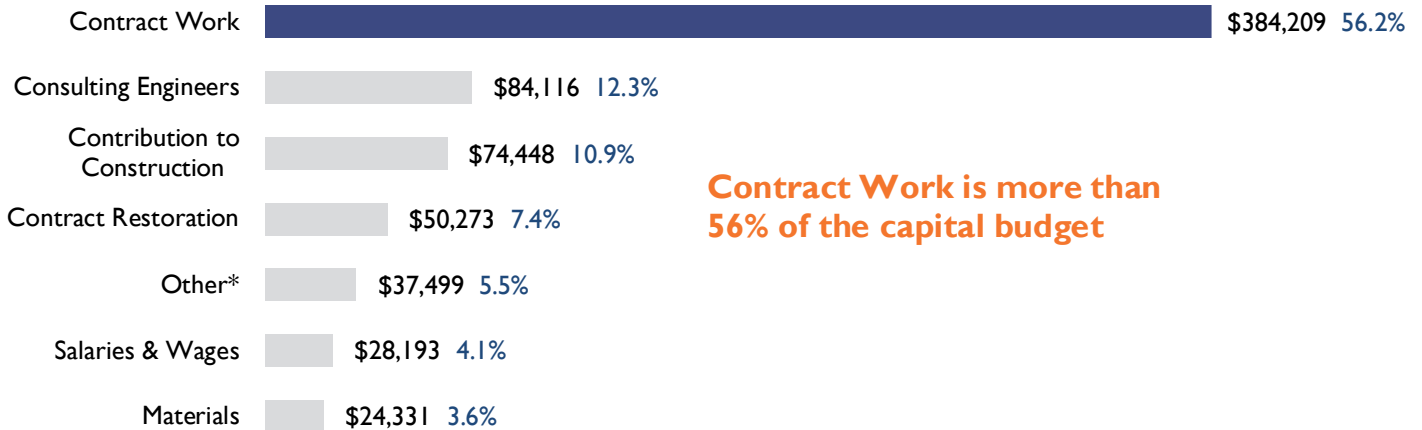
Total Operating Budget = \$931,182 (\$ in thousands)



Debt Service is nearly 36% of the operating budget

Includes Water Operating, Sewer Operating and General Bond Debt Service

Total Capital Budget = \$683,069 (\$ in thousands)

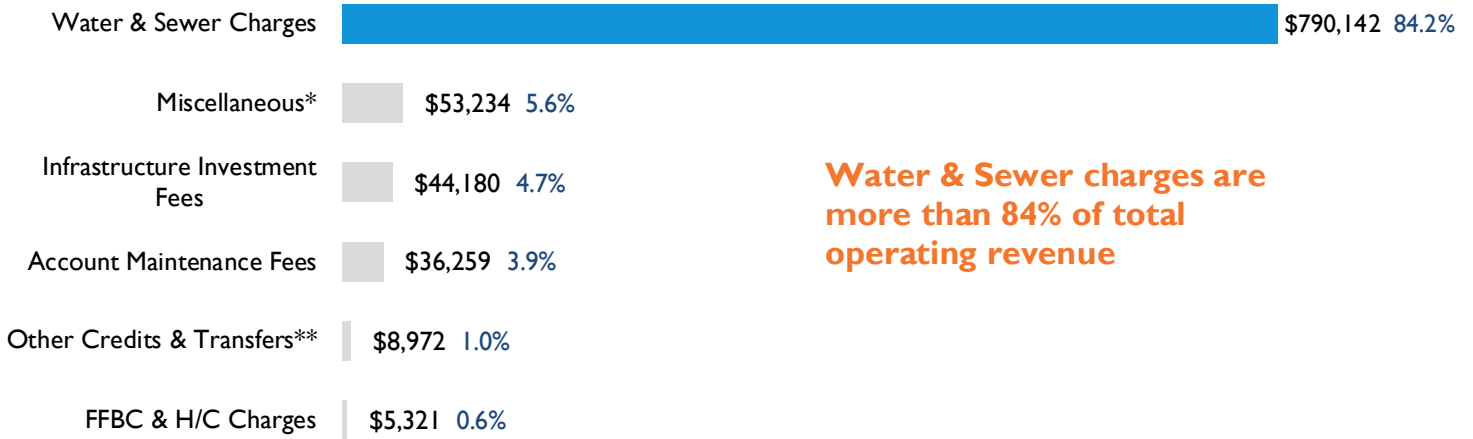


Contract Work is more than 56% of the capital budget

(*) Includes Land, Professional Services, Water Meters and Non-Departmental Accounts
Includes Water Supply, Sewage Disposal and General Construction Bond

FY 2024 PROPOSED BUDGET – BY SOURCES

Total Operating Revenue = \$938,108 (\$ in thousands)

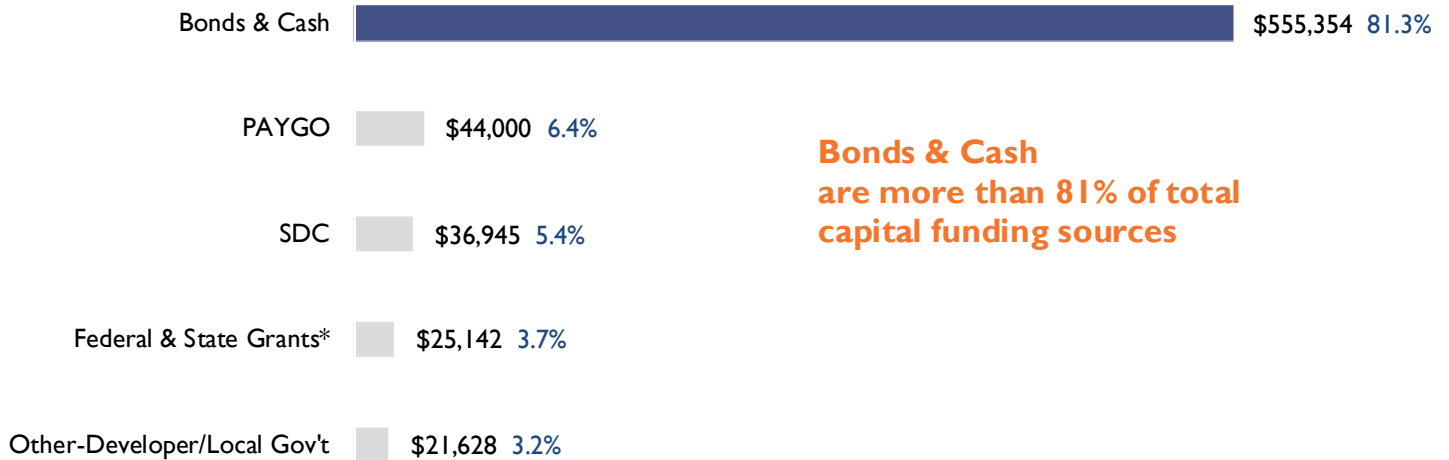


(*) Plumbing and inspection fees, Rockville sewer use, interest income and other miscellaneous fees and uncollectible revenue

(**) Includes SDC Debt Service Offset, Premium Transfer and Underwriters Discount

Includes Water Operating, Sewer Operating and General Bond Debt Service

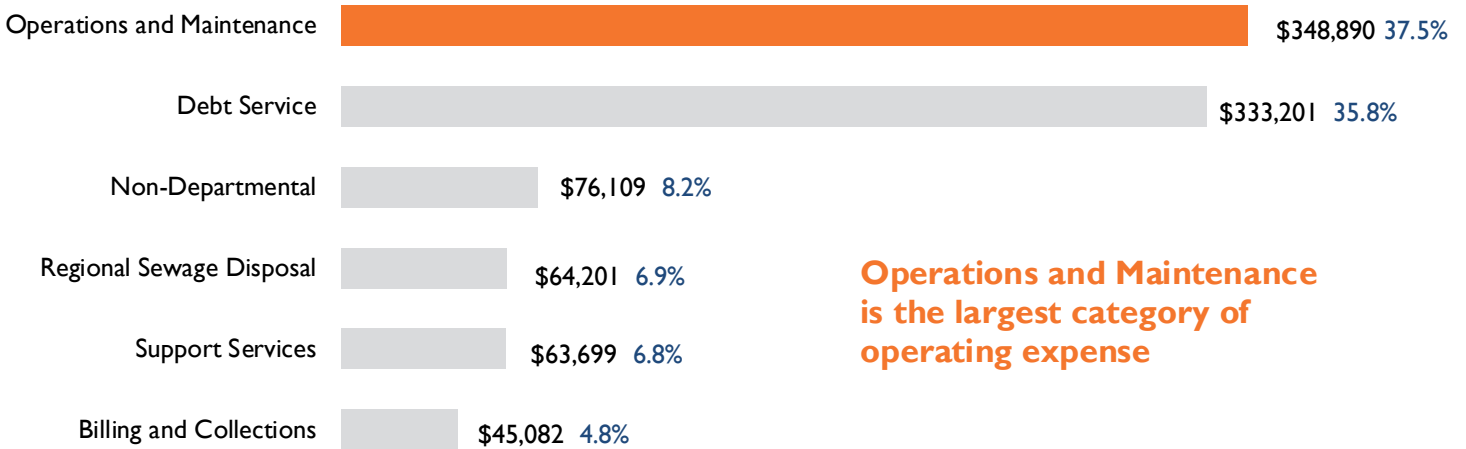
Total Capital Funding Sources = \$683,069 (\$ in thousands)



(*) Includes funding from Maryland's Bay Restoration Fund.

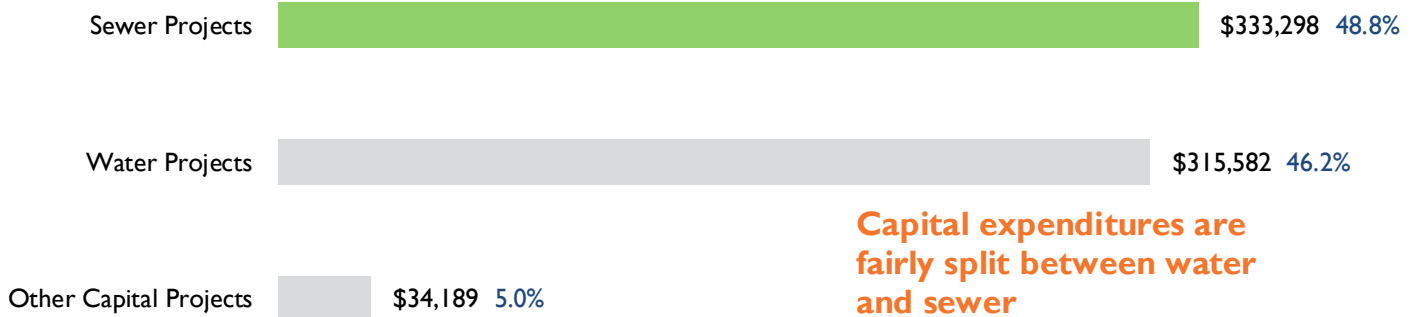
FY 2024 PROPOSED BUDGET – BY FUND USES

Total Operating Uses = \$931,182 (\$ in thousands)



Includes Water Operating, Sewer Operating and General Bond Debt Service

Total Capital Uses = \$683,069 (\$ in thousands)



Includes Water Supply, Sewage Disposal and General Construction Bond

OPERATING REVENUE & EXPENSE BY MAJOR SOURCE CATEGORY & FUND TYPE

(\$ in thousands)	Water Operating		Sewer Operating		General Bond Debt Service		Total		% Chg
	FY 2023 Approved	FY 2024 Proposed	FY 2023 Approved	FY 2024 Proposed	FY 2023 Approved	FY 2024 Proposed	FY 2023 Approved	FY 2024 Proposed	
Operating Revenues									
Water Consumption Charges	\$ 334,564	\$ 355,139	\$ -	\$ -	\$ -	\$ -	\$ 334,564	\$ 355,139	6.1 %
Sewer Use Charges	-	-	411,886	435,003	-	-	411,886	435,003	5.6 %
FFBC & H/C Charges	-	-	-	-	6,744	5,321	6,744	5,321	(21.1)%
Account Maintenance Fees	17,185	18,388	16,702	17,871	-	-	33,887	36,259	7.0 %
Infrastructure Investment Fees	20,939	22,405	20,351	21,775	-	-	41,290	44,180	7.0 %
Plumbing & Inspection Fees	9,900	11,600	6,880	8,780	-	-	16,780	20,380	21.5 %
Rockville Sewer Use	-	-	3,100	3,100	-	-	3,100	3,100	0.0 %
Miscellaneous	8,900	13,219	10,100	15,503	160	190	19,160	28,912	50.9 %
Interest Income	668	2,713	2,132	5,287	90	-	2,890	8,000	176.8 %
Uncollectible	(3,060)	(4,030)	(2,940)	(3,871)	-	-	(6,000)	(7,901)	31.7 %
Cost Sharing Reimbursement	635	743	-	-	-	-	635	743	17.0 %
Total Operating Revenues	\$ 389,731	\$ 420,177	\$ 468,211	\$ 503,448	\$ 6,994	\$ 5,511	\$ 864,936	\$ 929,136	7.4 %
Other Credits and Transfers									
Other	-	-	-	-	4,000	-	4,000	-	(100.0)%
REDO	2,040	-	1,960	-	(4,000)	-	-	-	0.0 %
SDC Debt Service Offset	2,731	2,731	3,041	3,041	-	-	5,772	5,772	0.0 %
Premium Transfer	703	-	1,797	-	-	-	2,500	-	(100.0)%
Underwriters Discount Transfer	872	888	1,128	1,112	-	-	2,000	2,000	0.0 %
Miscellaneous Offset	-	1,200	-	-	-	-	-	1,200	100.0 %
Total Funds Available	\$ 396,077	\$ 424,996	\$ 476,137	\$ 507,601	\$ 6,994	\$ 5,511	\$ 879,208	\$ 938,108	6.7 %
Operating Expenses									
Salaries & Wages	72,596	76,565	61,169	64,614	696	748	134,461	141,927	5.6 %
Heat, Light & Power	11,021	15,453	7,796	11,920	12	11	18,829	27,384	45.4 %
Regional Sewage Disposal	-	-	60,343	64,201	-	-	60,343	64,201	6.4 %
All Other	146,193	167,444	143,967	151,688	1,274	1,337	291,434	320,469	10.0 %
Total Operating Expenses	\$ 229,810	\$ 259,462	\$ 273,275	\$ 292,423	\$ 1,982	\$ 2,096	\$ 505,067	\$ 553,981	9.7 %
Debt Service									
Principal Payments	73,799	77,110	106,550	105,017	5,332	3,172	185,681	185,299	(0.2)%
Interest Payments	65,747	68,793	75,748	77,547	1,347	1,562	142,842	147,902	3.5 %
Total Debt Service	\$ 139,546	\$ 145,903	\$ 182,298	\$ 182,564	\$ 6,679	\$ 4,734	\$ 328,523	\$ 333,201	1.4 %
Other Transfers									
PAYGO	10,452	15,928	20,564	28,072	-	-	31,016	44,000	41.9 %
Total Expenses	\$ 379,808	\$ 421,293	\$ 476,137	\$ 503,059	\$ 8,661	\$ 6,830	\$ 864,606	\$ 931,182	7.7 %
Net Revenue (Loss)	\$ 16,269	\$ 3,703	\$ -	\$ 4,542	\$ (1,667)	\$ (1,319)	\$ 14,602	\$ 6,926	(52.6)%
Fund Balance - July 1									
	\$ 80,255	\$ 100,491	\$ 162,299	\$ 166,110	\$ 3,409	\$ 1,742			
Net Increase (Decrease) in Fund Balance									
	16,269	3,703	-	4,542	(1,667)	(1,319)			
Adjustments									
	3,967	-	3,811	-	-	-			
Fund Balance - June 30	\$ 100,491	\$ 104,194	\$ 166,110	\$ 170,652	\$ 1,742	\$ 423			

CAPITAL FUNDING & EXPENSE BY MAJOR SOURCE CATEGORY & FUND TYPE

(\$ in thousands)	Water Supply Bond		Sewer Disposal Bond		General Construction Bond		Total		% Chg
	FY 2023 Approved	FY 2024 Proposed	FY 2023 Approved	FY 2024 Proposed	FY 2023 Approved	FY 2024 Proposed	FY 2023 Approved	FY 2024 Proposed	
Funds Provided									
Bonds & Notes Issues/Cash on Hand	\$ 202,213	\$ 264,466	\$ 274,530	\$ 256,699	\$ 22,674	\$ 34,189	\$ 499,417	\$ 555,354	11.2 %
PAYGO	10,452	15,928	20,564	28,072	-	-	31,016	44,000	41.9 %
Anticipated Contributions:									
Federal & State Grants	4,285	4,542	20,959	20,600	-	-	25,244	25,142	(0.4) %
SDC	18,264	26,622	11,342	10,323	-	-	29,606	36,945	24.8 %
Other Contributions	3,813	4,024	15,686	17,604	-	-	19,499	21,628	10.9 %
Total Funds Provided	\$ 239,027	\$ 315,582	\$ 343,081	\$ 333,298	\$ 22,674	\$ 34,189	\$ 604,782	\$ 683,069	12.9 %
Construction Costs									
Salaries & Wages	\$ 15,694	\$ 15,555	\$ 8,606	\$ 9,448	\$ 3,247	\$ 3,190	\$ 27,547	\$ 28,193	2.3 %
Contract Work	133,685	179,706	214,590	197,666	3,203	6,837	351,478	384,209	9.3 %
Consulting Engineers	31,879	43,581	36,223	36,101	4,020	4,434	72,122	84,116	16.6 %
All Other	57,769	76,740	83,662	90,083	12,204	19,728	153,635	186,551	21.4 %
Total Construction Costs	\$ 239,027	\$ 315,582	\$ 343,081	\$ 333,298	\$ 22,674	\$ 34,189	\$ 604,782	\$ 683,069	12.9 %

PROJECTED CHANGE IN FUND BALANCE

Fund (\$ in thousands)	Fund Balance - July 1st	Operating Revenues	Operating Expenses	Other Credits and Transfers	Adjust.	Fund Balance - June 30th	Fund Balance	
							Increase/ (Decrease)	% Chg
Water Operating								
FY 2023	\$ 80,255	\$ 389,731	\$ (379,808)	\$ 6,346	\$ 3,967	\$ 100,491	\$ 20,236	25.2 %
FY 2024	100,491	420,177	(421,293)	4,819	-	104,194	3,703	3.7 %
Sewer Operating								
FY 2023	162,299	468,211	(476,137)	7,926	3,811	166,110	3,811	2.3 %
FY 2024	166,110	503,448	(503,059)	4,153	-	170,652	4,542	2.7 %
General Bond Debt Service								
FY 2023	3,409	6,994	(8,661)	-	-	1,742	(1,667)	(48.9) %
FY 2024	1,742	5,511	(6,830)	-	-	423	(1,319)	(75.7) %

Operating expenses include debt service.

Explanation of Significant Changes to Fund Balance

Water and Sewer Operating Funds

The FY 2024 Proposed Budget ending fund balance is higher than the projected FY 2023 ending balance for the Water Operating Fund and Sewer Operating Fund by 3.7% and 2.7% respectively due to the budgeted increase in the fund balance to build up cash reserves and improve the financial metrics.

General Bond Debt Service Fund

The FY 2024 Proposed Budget ending fund balance is 75.7% lower than the projected FY 2023 ending balance for the General Bond Debt Service Fund. Revenues for this fund are derived from FFBC and H/C charges. Developers now build these types of mains and lines that were previously built by WSSC Water for new development. As a result, property owners of newly developed sites do not pay FFBC to WSSC Water. Additionally, as the bonds associated with older sites expire, the impacted property owners cease paying WSSC Water the associated FFBC. Therefore, the revenues for this fund are expected to decrease further in the future. Surplus funds that accumulated in the General Bond Debt Service Fund were transferred to the Water and Sewer Operating Funds to benefit all ratepayers via the Reconstruction Debt Service Offset.

EXPENSE TRENDS BY FUND

Operating Budget

Water & Sewer Operating Funds - Combined

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Expenses					
Salaries & Wages	\$ 131,711	\$ 130,884	\$ 125,788	\$ 133,765	\$ 141,179
Heat, Light & Power	15,534	18,234	21,014	18,817	27,373
Regional Sewage Disposal	56,414	58,658	60,751	60,343	64,201
All Other	268,488	247,004	247,686	290,160	319,132
Subtotal	\$ 472,147	\$ 454,780	\$ 455,239	\$ 503,085	\$ 551,885
Debt Service					
Principal Payments	154,238	151,398	155,358	180,349	182,127
Interest Payments	125,507	130,446	124,899	141,495	146,340
Subtotal	\$ 279,745	\$ 281,844	\$ 280,257	\$ 321,844	\$ 328,467
Other Transfers					
PAYGO	-	-	27,585	31,016	44,000
Total Expenses	\$ 751,892	\$ 736,624	\$ 763,081	\$ 855,945	\$ 924,352

General Bond Debt Service Fund

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Expenses					
Salaries & Wages	\$ 863	\$ 915	\$ 894	\$ 696	\$ 748
Heat, Light & Power	-	7	-	12	11
All Other	852	948	869	1,274	1,337
Subtotal	\$ 1,715	\$ 1,870	\$ 1,763	\$ 1,982	\$ 2,096
Debt Service					
Principal Payments	9,445	7,985	4,721	5,332	3,172
Interest Payments	3,132	2,151	4,236	1,347	1,562
Subtotal	\$ 12,577	\$ 10,136	\$ 8,957	\$ 6,679	\$ 4,734
Total Expenses	\$ 14,292	\$ 12,006	\$ 10,720	\$ 8,661	\$ 6,830

Capital Budget

All Bond Funds – Water Supply, Sewer Disposal and General Construction

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Expenses					
Salaries & Wages	\$ 26,388	\$ 25,911	\$ 27,647	\$ 27,547	\$ 28,193
Heat, Light & Power	155	-	-	230	247
Contract Work	211,404	217,590	251,913	351,478	384,209
Consulting Engineers	44,478	42,349	42,322	72,122	84,116
All Other	111,960	141,043	75,925	153,405	186,304
Total Expenses	\$ 394,385	\$ 426,893	\$ 397,807	\$ 604,782	\$ 683,069

SECTION 6
FISCAL GUIDELINES

FISCAL GUIDELINES

This section discusses fiscal guidelines that correspond to the practices of WSSC Water with respect to revenues, expenditures and debt management. Fiscal planning, generally done within the context of the operating budget and the capital budget/Capital Improvements Program (CIP), reflects and helps shape fiscal guidelines.

FISCAL CONTROL

The budget process not only reflects those fiscal guidelines currently in force, but is itself a major vehicle for determining and implementing such guidelines. The fiscal guideline statements presented on the following pages are not static. They evolve as the economy and fiscal environment change and as WSSC Water's service population and requirements for services change.

Structurally Balanced Budget

WSSC Water prepares a structurally balanced budget. Budgeted expenditures equal projected revenues from water and sewer services inclusive of recurring net transfers and any mandatory contributions to reserves for that fiscal year. Recurring revenues should fund recurring expenses with minimal reliance on non-recurring (one-time) revenues or resources. Note that for the FY 2024 Proposed Budget, WSSC Water revenues appear higher than the expenditures as there is a budgeted \$8.3 million increase in reserves to improve the financial metrics.

Fund Balance Operating Reserves

WSSC Water maintains a combined unrestricted reserve from the water and sewer operating funds equal to at least 20% of the total water and sewer operating revenues to offset unanticipated variations in water and sewer services revenues that may occur in future years. Use of reserves is as directed by WSSC Water management.

Pay-As-You-GO (PAYGO)

In FY 2014, WSSC Water began to issue debt for 30 years as opposed to the prior practice of 20 years. This change included the introduction of PAYGO. WSSC Water had been budgeting for PAYGO each fiscal year to reduce the amount of planned debt issued for capital projects. The FY 2024 Proposed Budget assumes \$44.0 million in PAYGO.

Fiscal Plan

WSSC Water develops and publishes a fiscal plan and provides updated six-year projections of the operating and capital budgets - revenues and expenditures - to ensure that the agency has the best possible knowledge of the impacts of contemplated actions and emerging conditions.

Budgetary Control

Budgetary control over WSSC Water is exercised following a joint review by Montgomery County and Prince George's County governments through the annual review and approval of operating and capital budgets. WSSC Water's Budget Division administers and monitors operating and capital expenditures during the fiscal year.

Financial Management

The methodology utilized for budgetary purposes is the "debt service" method of accounting. All internal financial statements are recorded utilizing this method. Annual audited financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Comparisons between the debt service method and GAAP method require adjustments since there are differences in reporting.

Audits

WSSC Water will ensure the conduct of timely, effective and periodic audit coverage of all financial records and actions of WSSC Water, its officials and employees in compliance with local, state and federal regulations and laws.

EXPENDITURES AND ALLOCATION OF COSTS

Content of Budgets

WSSC Water will include in the operating budget all programs and facilities which are not included in the CIP. There are three major impacts of the CIP on the operating budget: debt service; PAYGO (revenues applied to the CIP for debt avoidance or for projects which are not debt-eligible); and presumed costs of operating new or expanded facilities. Details on the CIP can be found at <https://www.wsscwater.com/fin>.

Expenditure Growth

The Prince George's County Council adopted Resolution No. CR-12-1994 and the Montgomery County Council adopted Resolution No. 12-1558 requiring WSSC Water, to the extent possible, to conform with the County Councils' established spending affordability limits in preparing the capital and operating budgets.

Spending affordability guidelines are adopted each year and include recommended limits on the amount of water and sewer rate increases, operating budget expenditures, new debt issues and debt service that may be approved for expenditure for the first year of the CIP. WSSC Water's General Manager advises the County Councils on spending affordability limits and makes budget recommendations with realistic prospects for the served populations' ability to pay, both in the upcoming fiscal year and in the ensuing years.

WSSC Water, where required by the two County Councils' final action on the programs, must revise the same and then, prior to the commencement of the first fiscal year, approve the operating and capital budget, as well as the six-year CIP.

Expenditure Reduction

WSSC Water will seek expenditure reductions whenever possible through efficiencies, reorganization of services and through the reduction, elimination or re-engineering of programs, guidelines and practices which are no longer cost effective.

Private Provision of Services

WSSC Water will encourage, through matching grants, subsidies and other funding assistance, the participation of private organizations in the provision of desirable services when objectives can be more effectively met through private activity and expertise and where permitted by law.

Cost Avoidance and Cost Savings

WSSC Water will consider investment in equipment, land, facilities and other expenditure actions to reduce or avoid costs in the future.

Strategic Sourcing

WSSC Water will make direct or indirect purchases through a competitive process, except when an alternative method of procurement is specifically authorized by law, is in WSSC Water's best interest and is the most cost-effective means of procuring goods and services. The strategic sourcing team helps manage procurement costs by using a fact-based and data-driven process focused on cost savings, process improvements, supplier innovation and category management. Cross-functional teams led by both strategic sourcing specialists and business unit staff work collaboratively to understand WSSC Water's internal needs via spend analytics, process gap-analysis and defining stakeholder requirements. The benefits to the agency include: encourages cross-functional teams; provides visibility into spending habits; focuses on total cost of ownership; and optimizes category management.

SHORT-TERM FISCAL AND SERVICE GUIDELINES

Short-term guidelines are specific to the budget year. They address key issues and concerns that frame the task of preparing a balanced budget that achieves WSSC Water's priorities within the context of current and expected environmental, social and governance expectations.

The budget reflects a continued mission to provide safe and reliable water, life's most precious resource, and return clean water to the environment, all in an ethical, sustainable and financially responsible manner. The programs, goals and objectives included in the proposed budget seek to achieve the agency's mission through alignment with its strategic priorities.

Budget planning continues to be shaped by the challenges of balancing increasing costs for infrastructure and operations with affordability considerations for our customers. While the average costs to ensure access to clean, safe drinking water and efficient wastewater remain low when compared to other household utilities and expenses, there are still residents who struggle to meet their monthly expenses. WSSC Water offers financial assistance to its customers through a variety of programs, such as the Customer Assistance Program (CAP), the Water Fund and the Connection Pipe Emergency Replacement Loan Program (also known as the PipeER Program).

CAP provides residential customers with a credit for WSSC Water's fixed fees, up to a FY 2024 limit of \$31.90 per quarterly bill or \$127.60 per year. The Water Fund, which is administered by a third party, provides one-time or emergency assistance to customers in financial need and is funded entirely by contributions from customers, employees and other sources. The PipeER Program makes available \$100,000 annually to eligible residential customers to finance up to \$5,000 for the replacement of a water service line located on their property that connects the agency's main line to the home. At the end of a fiscal year, any unused funds in the PipeER Program are contributed to the Water Fund. Additional information can be found at <https://www.wsscwater.com/assistance>.

Additional factors and events that shaped the budget environment included:

- Flat or declining water consumption revenues
- Sewer revenue reduction to re-baseline
- Compliance with consent decrees
- Aging infrastructure
- Past due accounts
- Uncertainty regarding potential changes in environmental regulations
- Improving financial metrics to maintain AAA bond rating
- Supply chain disruptions and inflationary pressures

The FY 2024 Proposed Budget calls for a combined 7.0% average increase to both water and sewer volumetric and ready-to-serve charges. To develop a budget based on the 7.0% rate increase, \$13.4 million in additional cuts were made to the operating and capital budgets.

To cope with these fiscal challenges while ensuring that WSSC Water's priorities are met, the agency reaffirmed its efforts to control and reduce costs, as well as identify opportunities for cost savings. Initiatives instituted included:

- Careful management of labor costs including overtime
- Expansion of innovation programs to improve efficiency and reduce costs

The cumulative effects of the many efficiencies and reductions WSSC Water implemented helped manage slowing revenue growth and tightening budgets.

These short-term fiscal guidelines and actions have been critical in shaping WSSC Water's FY 2024 Proposed Budget. Together with the long-term guidelines discussed elsewhere in this section, the short-term guidelines described here have allowed WSSC Water to construct a fiscally responsible budget consistent with current economic and fiscal realities while achieving the agency's priorities.

CIP FISCAL GUIDELINES

Guideline on Eligibility for Inclusion in the CIP

Capital expenditures included for projects in the CIP should:

- Comply with Maryland state law that defines major projects for inclusion in the CIP as water mains at least 16” in diameter, sewer mains at least 15” in diameter, water or sewage pumping stations, force mains, storage facilities and other major facilities
- Preserve and improve services by employing annual system reconstruction programs to reconstruct aging capital infrastructure
- Include Information Only projects which are capital projects that are not required to be in the program under Section 23-301 of the Public Utilities Article of the Annotated Code of Maryland, but may be included for any number of reasons such as: fiscal planning purposes; the reader’s improved understanding of the full scope of a specific set of projects; or responding to requests from County governments
- Ensure compliance with all legal requirements of both Counties’ ten-year water and sewerage plans and directly support the two Counties’ approved land use plans and guidelines for orderly growth and development
- Generally have a defined beginning and end and a reasonably long useful life
- Successfully meet WSSC Water’s responsibilities and the public’s demand for clean water
- Enable decision makers to evaluate the project based on complete and accurate information

Water and sewer capital projects requested by private applicants in support of new development, identified as Development Services Process projects, may only proceed if built at the applicant’s expense. The use of ratepayer supported debt for these projects is not allowed.

Guideline on Funding CIP with Debt

Much of the CIP should be funded with debt. Capital projects usually have a long useful life and will serve future ratepayers, as well as current ratepayers. It would be inequitable and an unreasonable fiscal burden to make current ratepayers pay for projects out of current rate revenues. Bond issues, retired over approximately 30 years, are both necessary and equitable.

Projects deemed to be debt eligible should:

- Involve a long-term capital asset, as defined in accordance with accounting principles, and have a reasonably long useful life
- Be ineligible for other potential revenue sources within an appropriate time frame, such as WSSC Water’s System Development Charge (SDC), governmental aid or private contributions
- Ensure that tax-exempt debt is issued only for those improvements that meet the Internal Revenue Service requirements for the use of tax-exempt bond proceeds

Guideline on WSSC Water Debt Limits

Projects in the CIP are primarily financed with funds from the Water Supply and Sewage Disposal Bond Funds. The Water Supply and Sewage Disposal Bonds are repaid to bondholders over a 30-year period by annual principal and interest payments (debt service). The annual debt service on outstanding bonds is paid from WSSC Water’s operating funds.

Paying principal and interest on debt is the first claim on WSSC Water’s revenues. By prudent financial management and the long-term strength of the regional economy, WSSC Water has maintained the highest quality rating of its general obligation bonds, AAA/Aaa/AAA. This top rating by Wall Street rating agencies assures WSSC Water of a ready market for its bonds and the lowest available interest rates on that debt.

CIP FISCAL GUIDELINES (Continued)

Guideline on WSSC Water Debt Limits (Continued)

Debt limitation strategies such as PAYGO financing, use of accumulated net revenue (fund balance) and reduction or deferral of planned capital expenditures should always be balanced against affordability considerations and the demands for the resources necessary to serve existing customers and meet environmental mandates.

Debt Capacity

The aggregate principal amount of bonds and notes issued by the agency must not exceed the legislated allowable level of the total assessable tax base for all property assessed for County tax purposes within the Washington Suburban Sanitary District (WSSD), in conformance with state law governing WSSC Water. Bonds and notes issued by the agency are limited to an amount outstanding at any time that may not exceed the sum of 3.8% of the total assessable base of all real property and 7.0% of the total assessable personal and operating real property for County taxation purposes within the WSSD.

To maintain the highest credit rating, WSSC Water utilizes financial metrics to monitor debt service levels:

- Water and Sewer Debt Service as a Percentage of Water and Sewer Expenditures - This ratio reflects WSSC Water's budgetary flexibility to adapt spending levels and respond to economic condition changes. Required annual debt service expenditures should be kept at no greater than 40.0% of WSSC Water's water and sewer expenditures. This measure excludes expenditures in the General Bond Debt Service fund.
- Water and Sewer Debt Service Coverage Ratio (DSCR) – This ratio helps assess WSSC Water's ability to pay its debt obligations. The ratio is calculated as the amount of net operating revenue available after operating expenses have been paid to meet the annual interest and principal payments on debt service. WSSC Water's target DSCR is 1.5. This measure excludes the General Bond Debt Service fund.
- Leverage Ratio – This ratio helps assess WSSC Water's ability to pay its debt obligations. The ratio is calculated as net adjusted debt (debt outstanding less cash and cash equivalents) to adjusted funds available for debt service (operating revenues minus operating expenses excluding depreciation plus adjustments for miscellaneous revenues and expenses). WSSC Water's target is that net adjusted debt be less than 10.0 times adjusted funds available for debt service.

The results of these metrics are calculated each year in conjunction with spending affordability, the capital budget process and as needed for fiscal planning purposes.

Guideline on Terms for General Obligation Bond Issues

WSSC Water's debt typically takes the form of general obligation bonds and notes, with the pledge of the levy of an unlimited ad valorem tax upon the assessable property of the WSSD for repayment. However, all the debt service is paid from its water consumption charges, sewer use charges, Ready-to-Serve Charges, Front Foot Benefit Charges, assessments and other available funds. WSSC Water has always paid general obligation debt from its own revenues and has never relied on an ad valorem tax levy to pay its debt service.

Bonds are normally issued in a 30-year series with equal payments over the life of the bond issue, which means payments of interest on the outstanding bonds are higher at the beginning and lower at the end. When bond market conditions warrant, or when a specific project would have a shorter useful life, different repayment terms may be used.

Guideline on Other Forms of Debt

The use of variable rate debt allows the agency to take advantage of short-term interest rates, which are typically lower, as well as to provide interim financing for the water and sewer projects comprising a portion of the agency's capital program. The agency has established a General Obligation Multi-Modal Bond Anticipation Note Program whereby the notes may bear interest in a weekly mode.

CIP FISCAL GUIDELINES (Continued)

Guideline on Other Forms of Debt (Continued)

In deciding to utilize this note program, the agency shall consider market conditions, funding needs, the level of variable rate debt outstanding and other relevant issues when determining in which mode the notes will be initially issued and reserves the right to convert to a different mode if market conditions change.

The agency participates in the State of Maryland Revolving Loan Funds program offered by the Maryland Water Infrastructure Financing Administration. These loan funds were established by the Maryland General Assembly for providing below market interest rates for qualifying projects. When advantageous to WSSC Water, debt financing via these programs is pursued. SDC funds are used to pay for new treatment, transmission and collection (storage) facilities.

Guideline on Use of Federal and State Grants and Other Contributions

Grants and other contributions are used to fund capital projects whenever available on terms that are to WSSC Water's long-term fiscal advantage. Such revenues are used for debt avoidance and not for debt service.

Guideline on Operating Budget Impact

In the development of capital projects, WSSC Water evaluates and displays the funding source and the impact to the operating budget on the project description form. In evaluating the cost of construction or acquiring assets funded with debt, the agency budgets to ensure that funding is available for debt service and the subsequent annual operation and maintenance costs of the asset.

Guideline on New Development and Growth

WSSC Water funds capital facilities needed to accommodate growth with developer contributions and through the SDC. In 1993 the Maryland General Assembly approved legislation authorizing the Montgomery and Prince George's County Councils to establish, and WSSC Water to impose, an SDC. This is a charge on new development to pay for that part of WSSC Water's CIP needed to accommodate growth in WSSC Water's customer base. SDC funds are used to pay for new treatment, transmission and collection (storage) facilities. The SDC is reviewed annually by the County Councils. During periods where SDC revenue may be inadequate to fully fund growth projects on a PAYGO basis, WSSC Water bonds are issued with the related debt service expense repaid from future SDC revenues.

WSSC WATER MANAGEMENT

Productivity

WSSC Water will seek continuous improvement in the productivity of programs in terms of quantity of services relative to resources expended, through all possible strategies.

Risk Management

WSSC Water will control its exposure to financial loss through a combination of commercial and self-insurance; self-insure against all but the highest cost risks; and aggressively control its future exposure through a comprehensive risk management program.

Resource Management

WSSC Water will seek continued improvement in its budgetary and financial management capacity to reach the best possible decisions on resource allocation and the most effective use of ratepayer resources.

Employee Compensation

WSSC Water will act to contain the growth of compensation costs using various strategies including organizational efficiencies, management efficiencies within its operations and service delivery and productivity improvements within its workforce.

Retirement Plan

WSSC Water will assure the security of benefits for employees, retirees and beneficiaries, as well as the solvency of the Employees' Retirement Plan (Plan) of WSSC Water by providing responsible investment management of the Plan's assets through the Board of Trustees (Board). The Board is composed of two WSSC Water Commissioners, four employees who are participants of the Plan, two representatives of the public, two retirees who are participants in the Plan and the Executive Director of the Plan. The administration of the Plan is managed by the Executive Director.

Retiree Other Post-Employment Benefits Trust

The Retiree Other Post-Employment Benefits Trust (Trust), a single employer contributory fund, was established to address the cost of life insurance and medical benefits for future retirees and beneficiaries. Through an Internal Revenue Code Section 115 Grantor Trust, annual contributions by WSSC Water are set aside and invested. The goal of the Trust is to set aside sufficient assets to meet the future costs of retiree benefits as they are earned by current employees.

The agency appoints trustees responsible for the investment management of the assets for the exclusive benefit of the Plan participants. Current trustees are three employees in key positions that are appointed by the agency. The administration of the Trust has been delegated to the Executive Director of the WSSC Water Employees' Retirement Plan.

GUIDELINES FOR REVENUES AND PROGRAM FUNDING

Diversification of Revenues

WSSC Water will work in cooperation with the elected leadership in both Counties to implement a combination of a volumetric rate structure with dedicated fixed charges to provide a reliable and stable source of water and sewer revenues to fund operations and maintenance and responsible system reinvestment. Permit and inspection fees and other special service charges will be set in a manner to recover the related costs incurred so that the general ratepayer is not subsidizing private activity.

Revenue Projections

WSSC Water will estimate revenues in a realistic and conservative manner to minimize the risk of a funding shortfall.

One-Time Revenues

WSSC Water will, whenever possible, give highest priority for the use of one-time revenues from any source to the funding of capital assets or other non-recurring expenditures so as not to incur ongoing expenditure obligations for which revenues may not be adequate in future years.

Ready-to-Serve Charges/Fixed Fees

WSSC Water's water and sewer rates produce only the revenues needed to support services and operations. The agency's rate structure is comprised of both variable rates and fixed fees and reflects the costs to provide services to different customers based on their usage characteristics. The Annotated Code of Maryland authorizes a fixed, Ready-to-Serve Charge that represents the fixed costs of delivery of service to customers, regardless of the volume of service used. The Ready-to-Serve Charge is comprised of two components: the Account Maintenance Fee and the Infrastructure Investment Fee.

Account Maintenance Fee

The Account Maintenance Fee (AMF) is a fixed fee that recovers the cost of service associated with maintaining and servicing customer accounts. These expenses include the cost of purchasing, maintaining, reading and replacing meters; processing meter readings; generating and mailing customer bills; and providing customer services.

The AMF ensures that revenue will be received to cover the cost of providing customer services and meter maintenance. The fee increases with meter size because it is costlier to purchase and maintain larger meters.

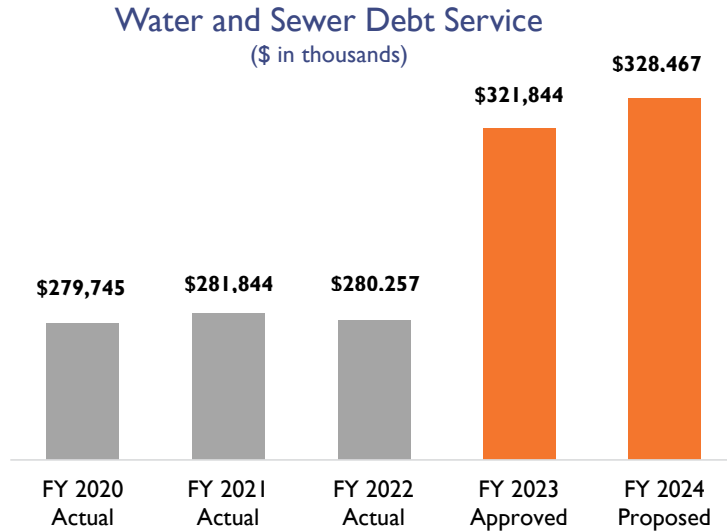
Infrastructure Investment Fee

The Infrastructure Investment Fee (IIF) is a fixed fee that funds a portion of the debt service associated with the agency's water and sewer pipe reconstruction programs from the approved CIP.

WATER AND SEWER DEBT SERVICE GUIDELINES

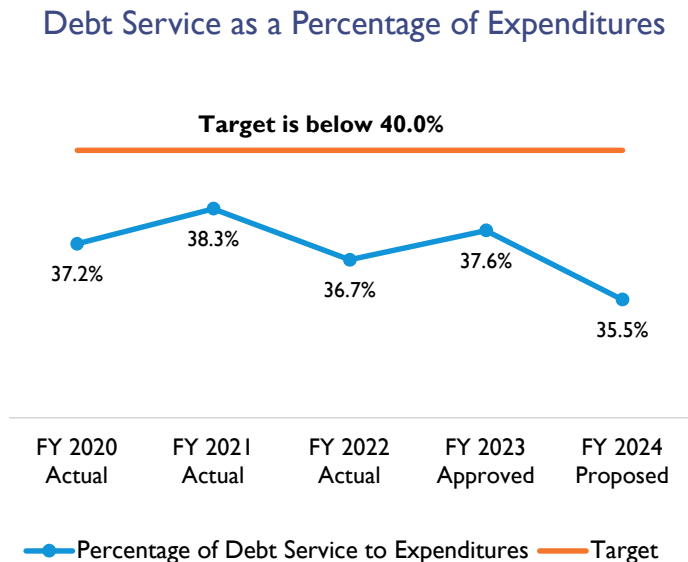
Debt Service

The largest expenditure in the FY 2024 proposed water and sewer operating budget is debt service. Debt service increased by \$6.6 million from \$321.8 million in FY 2023 to \$328.5 million in FY 2024. The increase is primarily due to deferrals and reductions made in the FY 2023 budget process, plus inflationary factors. Ongoing water and sewer rehabilitation programs aimed at addressing WSSC Water’s aging infrastructure continue to be a major contributing factor to debt service. Rehabilitation programs make up about 40.7% of the FY 2024 Proposed CIP and highlights can be found in the FYs 2024-2029 Proposed CIP at <https://www.wsscwater.com/fin>.



Debt Service as a Percentage of Expenditure

As part of the long-range financial plan, WSSC Water has a target of keeping water and sewer debt service below the targeted 40.0% of total water and sewer expenditures. The chart below shows that the agency continues to be fiscally responsible in meeting this target. For FY 2024, the proposed debt service percentage is 35.5% of water and sewer operating costs.

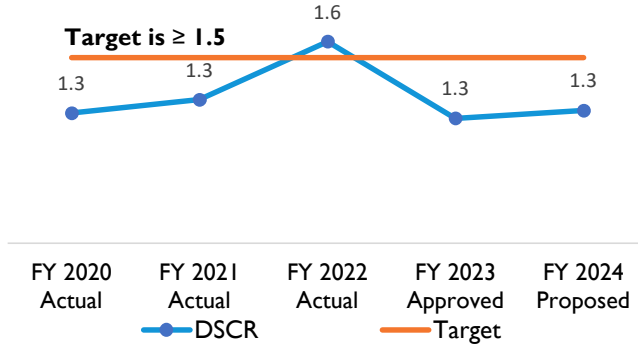


WATER AND SEWER DEBT SERVICE GUIDELINES (Continued)

Debt Service Coverage Ratio

The Debt Service Coverage Ratio (DSCR) is an important benchmark used to measure the ability to meet current total debt service with current revenue available for debt service. Starting in FY 2024, WSSC Water’s target DSCR increased from 1.10-1.25 range to ≥ 1.5 to address concerns raised by the rating agencies. In FY 2024, WSSC Water projected DSCR is 1.3.

Debt Service Coverage Ratio



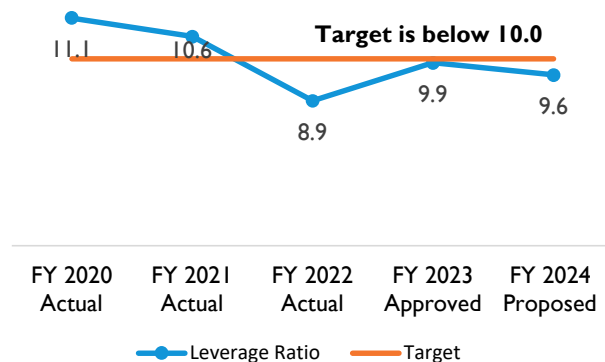
The DSCR calculation has been revised in accordance with the rating agencies’ methodology. The DSCR formula has been revised from Net Operating Revenue divided by Total Debt Service to Funds Available for Debt Service divided by Total Debt Service. The revised formula is shown below.

$$\text{DSCR} = \frac{\text{Funds Available for Debt Service}}{\text{Total Debt Service}}$$

Leverage Ratio

The leverage ratio is an important financial metric for measuring the ability to pay debt obligations. Beginning FY 2023, WSSC Water included the leverage ratio as one of the metrics to the agency’s long-range financial plan. WSSC Water’s target for the leverage ratio is a value below 10.0. The projected ratio for FY 2024 is 9.6, which is slightly below the target. For the last three years, Leverage Ratio actuals have been trending down, with FY 2022 achieving below target.

Leverage Ratio



Below is the formula for calculating the leverage ratio.

$$\text{Leverage Ratio} = \frac{\text{Net Adjusted Debt}}{\text{Adjusted Funds Available for Debt Service}}$$

SECTION 7
REVENUES

REVENUES

This section provides assumptions, including discussions of the regional economy. Revenue sources used to fund WSSC Water’s Fiscal Year (FY) 2024 Proposed Budget incorporate policy recommendations. WSSC Water currently recovers necessary revenues through both fixed and volumetric charges.

ECONOMIC OUTLOOK

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of WSSC Water’s FY 2024 Proposed Budget. Even though it is assumed that these policies will be effective during the budget period, subsequent agency actions, state law and budgetary changes, actual economic conditions and revised revenue projections may result in policy changes.

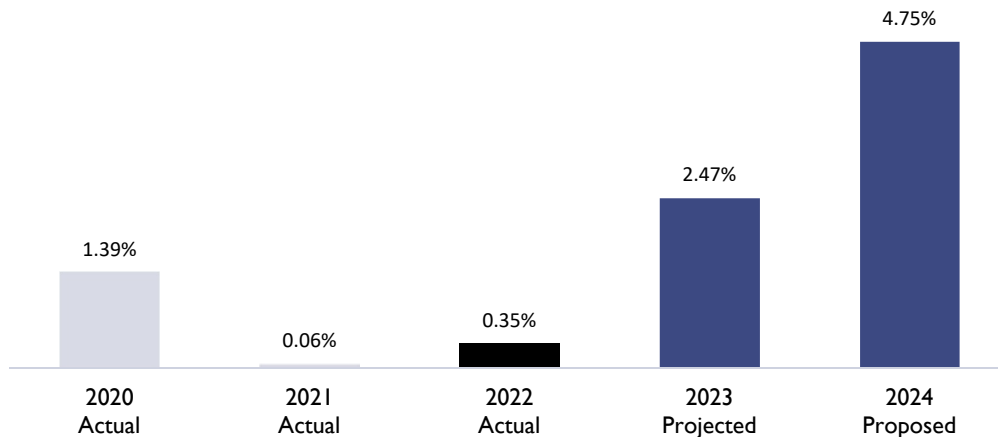
COVID-19 Impact to Assumptions

The FY 2024 Proposed Operating Budget anticipates continued pressure on revenue resulting from the COVID-19 pandemic and higher inflation challenging customers’ ability to pay utility expenses. To date the agency has not received any direct federal, state or county financial support other than \$255,000 from the Federal Emergency Management Agency (“FEMA”) as reimbursement for COVID-19 related costs. WSSC Water has required budget cuts of \$151.7 million in FYs 2020 through 2022. Additional operating budget cuts of \$27.0 million and \$110.5 million of capital budget reductions were included in the FY 2023 Approved Budget across all departments, which will impact services. The agency continues to have about 79,000 accounts that are past due, totaling about \$50.0 million, which continues to significantly impact revenue. It is projected that the impact of COVID-19 on revenues will continue going into FY 2024. Therefore, the uncollectible revenue projections increased to \$7.9 million in FY 2024 compared to \$6.0 million in FY 2023. The revenue base for the water consumption and sewer use is also reduced by \$8.0 million to reflect the shift in water consumption from the highest rate tier to the lowest. WSSC Water ensures protection of public health and safety by providing safe, clean and reliable water, but the budget reductions to the operations will impact the level of service.

Interest Rates

After maintaining near-zero interest rates for most of the past decade, the Federal Reserve Board, through its Federal Open Market Committee (FOMC), increased rates seven times in 2022 in an effort to address rampant inflation. Despite these efforts to curb inflation, prices continue to escalate, which is likely to result in more interest rate hikes in December 2023. As a result, operating investment income is assumed to be \$8.0 million in FY 2024, a significant increase from FY 2023 Approved Budget levels. The return on WSSC Water’s short-term investments highly correlate to the federal funds rate with a slight lag period.

Yield on Investment Income



ECONOMIC OUTLOOK (Continued)

Demographic Assumptions

The revenue projections incorporate assumptions based on economic data and analyses used or prepared by the Finance Department. Using economic and demographic assumptions to develop fiscal projections does not mean that all possible factors have been considered. It is likely unanticipated events may affect long-term revenue or expenditure projections. Although the events cannot be quantified, such potential factors should not be ignored in considering possible future developments. These potential factors include the following changes: the level of local economic activity, national economic climate, federal and state tax and expenditure policies, federal and state mandates and financial markets.

Population Served and Customer Accounts

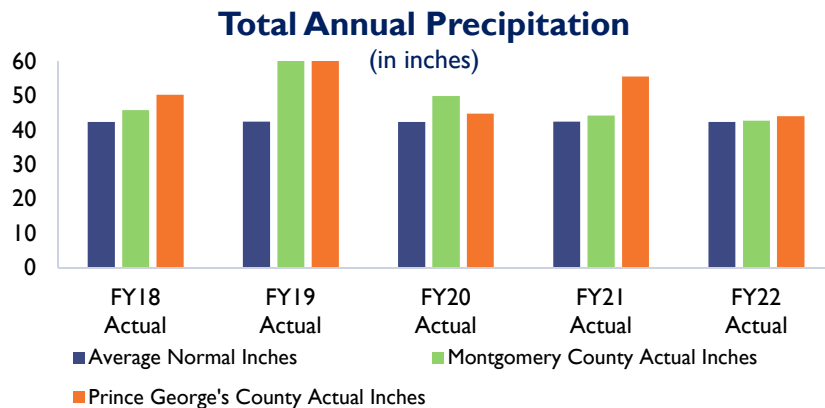
Based on the 2020 decennial census conducted by the U.S. Census Bureau, the agency's population served is slightly more than 1.9 million. The FY 2024 projected population growth is based on applying the Census of Government's projected population growth to the decennial population figure.

As of June FY 2024, WSSC Water is estimated to have 477,000 customer accounts. Most accounts are residential at 94.5% followed by commercial and industrial at 4.7%, and government and other at 0.9%.

Weather Conditions

Weather influences both the supply of and demand for water. Higher rainfall levels generally increase the operating costs of a water utility. When surface water is the source of drinking water, more chemicals may be needed to treat the drinking water. Heavy rain and wet conditions can cause infiltration and inflow into sanitary sewer systems meaning increased wastewater flows and chemical demands for treatment. Higher flow levels increase the amount of time sewer pumps must run to manage the additional flow, increasing utility costs. With extremely rapid or heavy rainfall, additional labor hours are needed to maintain equipment at sewer pump stations throughout the service area. While operating costs increase, demand for the water usually decreases. Demand for water used for irrigation drops during periods of high rainfall. In addition, customers take fewer showers and consume less drinking water because outdoor work decreases, and average temperatures are lower on rainy days.

According to the Maryland Department of the Environment, normal annual precipitation for Montgomery County and Prince George's Counties averages 42.6". For the twelve month period through June 2022, Montgomery County received 42.9", a 3.4% decrease from the prior year, and Prince George's County received 44.2", a 20.6% decrease over FY 2021. Water production increased slightly from 162.8 million gallons per day (MGD) in FY 2021 to 163.0 MGD in FY 2022.



ECONOMIC OUTLOOK (Continued)

Economic Indicators

Revenue projections depend on the current and national, regional and local economic indicators. The assumptions for each indicator will affect WSSC Water's revenue projections. Such projections are dependent on several factors: public health crises; fiscal and monetary policy; real estate and construction projects; population; income and employment; consumer and business confidence; the stock market; mortgage interest rates; and geo-political risks. Analysts assess the stability and strength of an organization's revenue potential, which includes looking at income, inflation and the general strength of the region.

Prior to the COVID-19 public health emergency, the Maryland Bureau of Revenue Estimates anticipated the continued slowing of underlying economic growth due to several factors, including: the reduction of federal government jobs; restraint on demand due to trade barriers; and the impact of wage and employment growth occurring primarily in lower wage industries. In addition, the changing age demographics of the workforce has and will continue to restrain revenue growth through at least 2040.

COVID-19 Public Health Crisis

The Maryland Bureau of Revenue Estimates has been monitoring the impact of the COVID-19 public health crisis since March 2020, which continues to impact Maryland's economies, particularly Prince George's and Montgomery Counties, which had the most virus cases in the state. According to the Centers for Disease Control's community level indicator's, community level status for both counties is low as of November 2022. However, the effects of the pandemic on the economy remain.

Between FY 2021 and FY 2022, Prince George's County received \$176.6 million in American Rescue Plan Act funds, and \$158.6 million in Coronavirus Aid, Relief and Economic Security Act (CARES) funding. The County's Approved FY 2023 budget of \$5.1 billion includes an 11.5% increase over the Approved FY 2022 budget and centers on education, providing safe neighborhoods, economic development and improving the quality of life of its residents. The County is home to vital government bureau and higher education facilities.

During FY 2021 and FY 2022, Montgomery County received \$183.3 million of CARES, \$204.1 million from the American Rescue Plan Act and \$73.3 million in federal and state funding for emergency rental assistance programs. The County's Approved \$6.3 billion FY 2023 budget focuses on education, health services, affordable housing and the ongoing recovery from the pandemic. The County's employment base includes the U.S. government and contractors in the information, intelligence, biotechnology and high-tech manufacturing industries.

According to the FEMA website, the State of Maryland has received more than \$1.4 billion in FEMA reimbursement through its public assistance program as of October 2022. In addition, FEMA, in collaboration with the National Guard, provided the state of Maryland over \$405 million in mission assignment funds to purchase vital equipment and supplies. Maryland was also allocated \$3.7 billion through the American Rescue Plan Act (ARPA) of 2021, \$173.5 million of these funds remain unallocated according to the 2022 Annual Performance Report. Maryland's FY 2023 budgeted revenues are estimated to increase 11% over FY 2022.

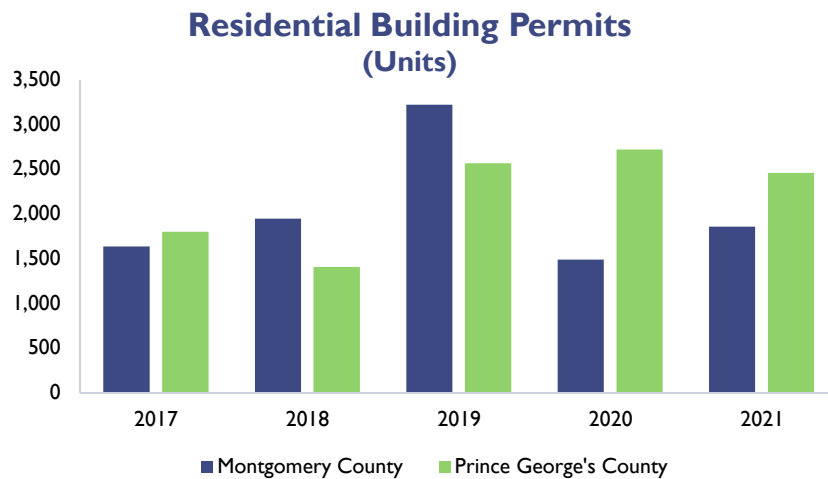
The states of Virginia and West Virginia provided \$100 million and \$25 million respectively in water utility assistance with the funds received through the CARES act. These states and Pennsylvania have also allocated funds received from the ARPA act of 2021 to water and sewer infrastructure and/or utility assistance.

Despite the assistance received by the State of Maryland, Prince George's and Montgomery Counties, no funds have been allocated to WSSC Water to assist covering the revenue losses due account delinquencies. The agency did receive \$255,000 from FEMA for COVID-19 related cost reimbursements in FY 2022.

ECONOMIC OUTLOOK (Continued)

Real Estate and Construction Projects

According to the U.S. Census Bureau, the construction of new residential units in Montgomery County decreased 53.9% in 2020 and then increased 25.0% in 2021. The County had a 4.9% increase in median owner-occupied housing value in 2021. Prince George's County residential construction increased 5.9% in 2020 and then decreased 9.6% in 2021. Prince George's County saw increased median owner-occupied housing values of 11.6% over the prior year.



Large construction projects in Montgomery and Prince George's Counties also positively impact WSSC Water's revenue. The 16-mile Purple Line light rail system between Montgomery and Prince George's County is under construction and the completion of a new mixed-use development in the center of Wheaton Triangle called the Wheaton Revitalization project.

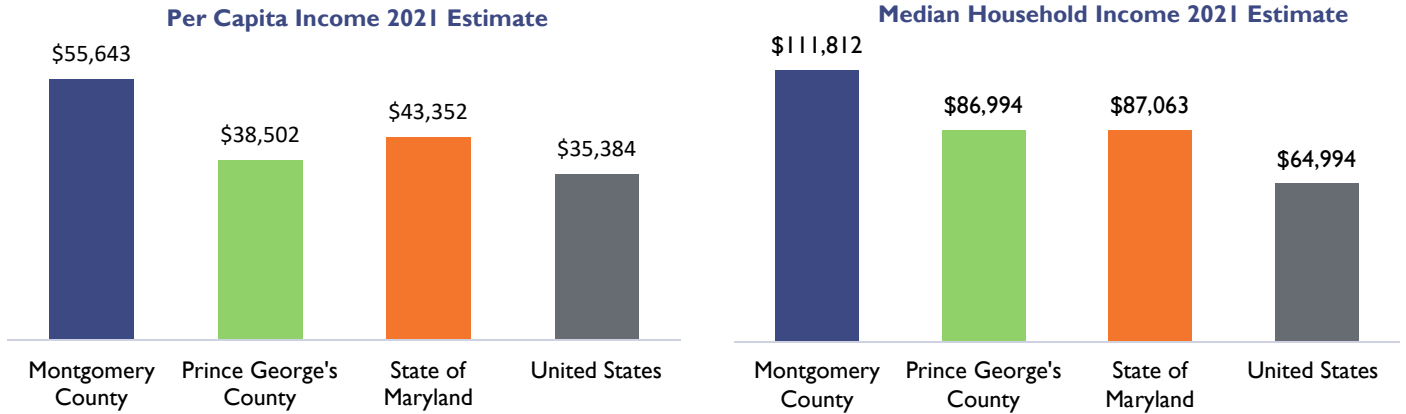
Population

As of the fall of 2022, Montgomery County's population increased 0.2% over the prior period according to the Maryland Department of Commerce. During the same period Prince George's County's population grew 5.0% as compared to the overall State of Maryland growth rate of 1.8%.

Per Capita Income and Median Household Income Statistics

According to the U.S. Census Bureau, the higher the per capita income and median household income indicators, the more money people have available to spend. Prince George's County's 2021 per capita income grew 3.5%, faster than the 2.9% state increase. Prince George's County median household income increased 2.4%. Montgomery County per capita income grew 2.1% for the same period. Montgomery County median household income growth mirrored the state average of 2.7% in 2021.

ECONOMIC OUTLOOK (Continued)



Employment

Montgomery County's unemployment rate grew to 6.3% in 2020 from 2.9% in 2019, a direct result of the COVID-19 pandemic. The County's unemployment rate in 2021 decreased to 5.5%.

Prince George's County 2020 unemployment rate grew to 8.2% from 3.7% in 2019 as the result of the COVID-19 pandemic. The County's rate improved to 7.5% in 2021.

The State of Maryland's 2020 unemployment rate was 6.8% versus 3.6% in 2019. The state's unemployment rate had improved to 5.4% at the end of 2021.

Additional economic information about Montgomery County and Prince George's County is found in Appendix A.

RATEPAYER, READY-TO-SERVE AND MISCELLANEOUS REVENUES

Revenues from the Water and Sewer Operating Funds are estimated at \$923.6 million in FY 2024. This is a \$65.7 million increase, or 7.7%, from the FY 2023 Approved Budget, primarily attributed to an increase in volumetric and ready-to-serve charges.

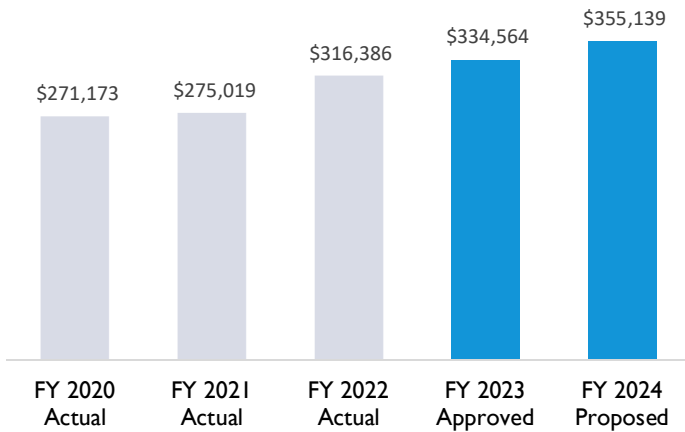
Water and Sewer Consumption Revenues

The purpose of the water consumption and sewer use charges is to recover those costs for maintenance and operation of pipes, pumping stations, filtration and treatment plants and reservoirs needed to supply water to the Washington Suburban Sanitary District (WSSD), and to pay the principal and interest on bonds.

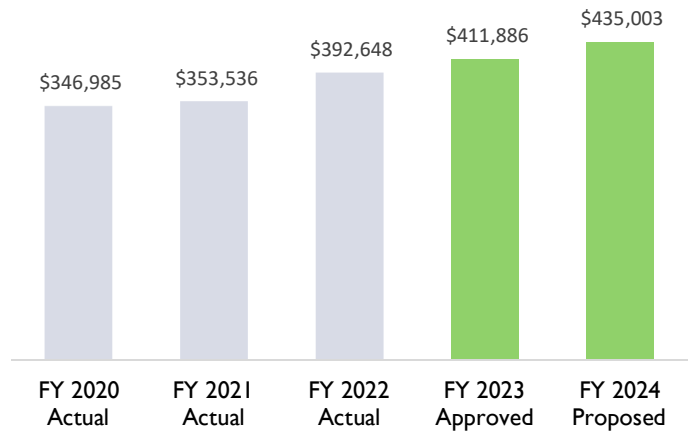
WSSC Water pays the District of Columbia Water and Sewer Authority (DC Water) for the agency’s share of the regional sewage disposal charges incurred by DC Water. State law requires the water consumption and sewer use charges be sufficient to meet all expense provisions.

FY 2024 water production is assumed to be 162.0 MGD and sewer treatment is projected to be 194.4 MGD.

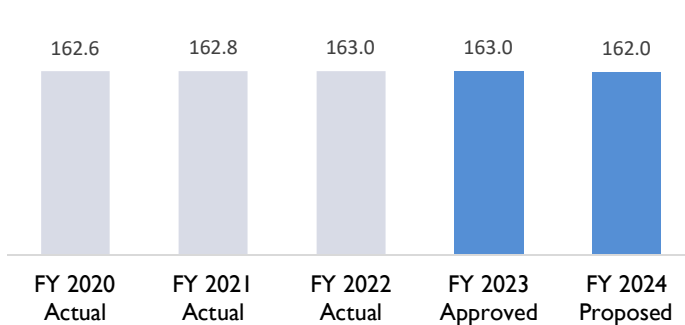
Water Consumption Revenue
(\$ in thousands)



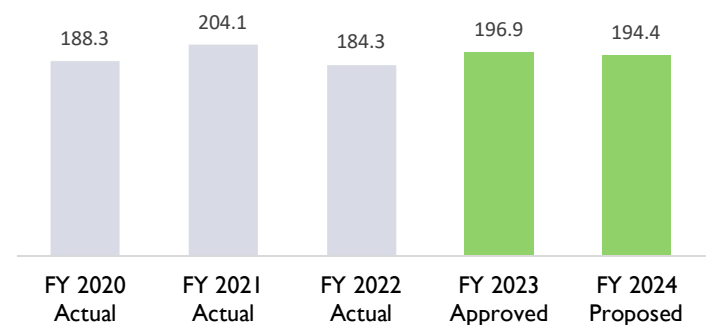
Sewer Use Revenue
(\$ in thousands)



Water Production
(Avg MGD)



Sewage Treatment
(Avg MGD)



RATEPAYER, READY-TO-SERVE AND MISCELLANEOUS REVENUES (Continued)

Water and Sewer Consumption Revenues (Continued)

Water Consumption Charges – revenue is derived from the sale of water by applying an increasing rate schedule per 1,000 gallons of use. The rate charged for each account is based upon the average daily consumption during each billing period. The proposed range of FY 2024 rates is \$6.53 to \$9.96 per 1,000 gallons of water consumed.

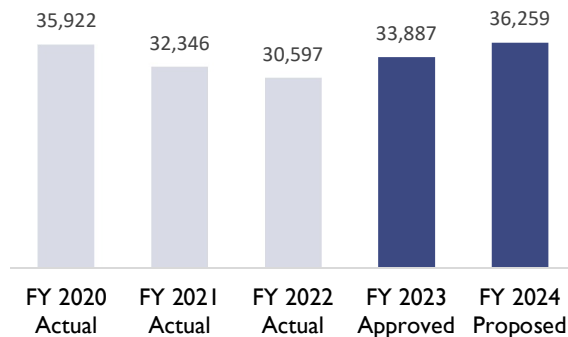
Sewer Use Charges – revenue is derived from applying an increasing rate schedule per 1,000 gallons of metered water use. The rate charged for each account is based upon the average daily water consumption during each billing period. The proposed range of FY 2024 rates is \$8.67 to \$15.97 per 1,000 gallons of metered water. The proposed rate for customers using sewage disposal only is a flat rate of \$152.00 per quarter.

The estimated FY 2024 revenues from water consumption and sewer use charges are \$355.1 million and \$435.0 million, respectively. A 7.0% average rate increase has been incorporated to help pay for debt service, maintenance and infrastructure renewal. Additional information on rates can be found in Section 2.

Account Maintenance Fee

The Account Maintenance Fee (AMF) is charged to all customers, based on meter size, to defray costs of providing and reading a meter and rendering a water and/or sewer bill. The FY 2024 Proposed Budget of \$36.3 million includes a 7.0% rate increase.

Account Maintenance Fee
(\$ in thousands)



RATEPAYER, READY-TO-SERVE AND MISCELLANEOUS REVENUES (Continued)

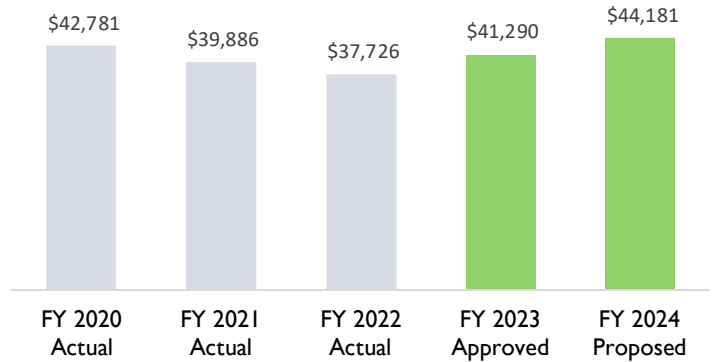
Infrastructure Investment Fee

The Infrastructure Investment Fee (IIF) is a fixed fee that funds a portion of the debt service associated with the agency's water and sewer main reconstruction programs in the approved CIP.

The IIF was implemented in FY 2016 with the fee phased-in over two fiscal years. WSSC Water held the fee at the FY 2017 level through FY 2022. The FY 2024 fee reflects the 7.0% rate increase based on meter size.

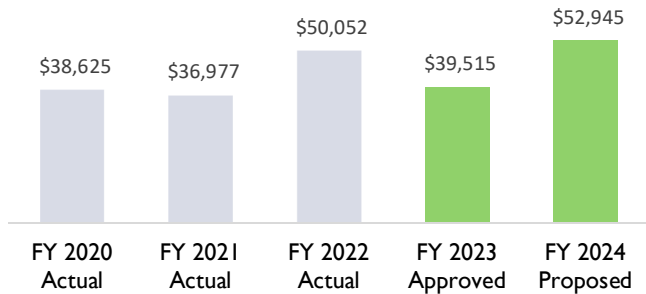
The FY 2024 Proposed Budget is \$44.2 million.

Infrastructure Investment Fee
(\$ in thousands)



Miscellaneous Revenues

Miscellaneous Revenues
(\$ in thousands)

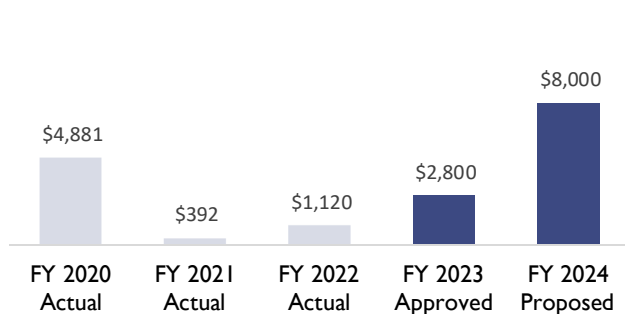


Miscellaneous Revenues are derived from: plumbing and inspection fees; Rockville sewer use; late payment of bills; repair of agency property (e.g., sewer mains) damaged by individuals; relocation of WSSC Water's sewer lines and/or facilities for the benefit of other parties (e.g., state or County departments of transportation); sewage haulers' fees which are charged for discharging septic tank clean-out wastes into WSSC Water's sewerage system; and the Little Seneca Forebay sediment removal reimbursements.

The FY 2024 Proposed Budget Miscellaneous Revenue is \$52.9 million, an increase of 33.9% from the FY 2023 Approved Budget.

Interest Income

Interest Income
(\$ in thousands)



Interest income includes pooled and non-pooled investments, plus interest income from other funds. WSSC Water operates an investment pool, directed by an investment manager, adhering to the agency's adopted Investment Policy. WSSC Water earned an average of 1.40% in interest income on its short-term portfolio for FY 2020 with a decrease to 0.06% in FY 2021, and a slight increase to 0.35% in FY 2022. Estimated returns for FY 2023 and FY 2024 are at 0.79% and 4.75% per annum, respectively. This assumption is based on the likelihood of continued federal action to combat inflation throughout FY 2023. As result, interest income is assumed to be approximately \$8.0 million in FY 2024 as short-term interest rates reach near 5.0% throughout the period.

REVENUES AND TRANSFERS IMPACT ON DEBT SERVICE

Front Foot Benefit Charges and House Connection Assessments

Front Foot Benefit Charge (FFBC) revenues are derived from charges assessed on owners of property abutting water and/or sewer mains who derive a benefit from the construction of these water mains and sewers. This revenue pays a portion of General Construction Bonds. Current FFBC assessment rates are as follows (\$ per foot):

	Water	Sewer
Subdivision		
First 150 Feet	\$4.00	\$6.00
Next 150 Feet	3.00	4.50
Over 300 Feet	2.00	3.00
Business		
All Footage	5.32	7.98

The rates established each year apply mainly to the assessable properties that benefit from that year's construction. The rates cannot be increased and remain in effect during the life of the bonds issued to pay for the construction. Developers now install the water mains and sewers previously built by WSSC Water for new builds. As a result, property owners of newly developed sites do not pay FFBC to WSSC Water. In addition, as the bonds associated with older sites expire, the impacted property owners cease paying WSSC Water the associated FFBC, thereby permanently reducing the agency's FFBC revenues. The continued decline in FFBC revenue is anticipated as bonds mature.

House Connections (H/C) revenues are derived from deferred or amortized house connection payments to cover the cost of building lines from WSSC Water's lateral lines to the property line. These H/C charges may be paid over a multi-year period and revenues shown are those being collected from this method of payment until fully amortized.

The FY 2024 Proposed Budget assumes that FFBC and H/C revenue is projected to decrease \$1.4 million (21.1%) from the FY 2023 Approved Budget.

Use of Fund Balance

Using a portion of the fund balance is an essential tool for addressing an operating budget that may be impacted by short term revenue volatility, need for debt service relief and/or an extraordinary expense. The decision to use fund balance is at the discretion of WSSC Water's management and may be done in conjunction with other actions to reduce costs or increase revenues. The minimum level of fund balance retained is governed under fiscal policy.

The FY 2024 Proposed Budget assumes no use of fund balance.

Debt Service Offsets

The System Development Charge (SDC) Debt Service Offset is related to prior fiscal years when capital "growth" expenditures exceeded the available SDC account balance. When there is such an occurrence, WSSC Water issues new SDC supported debt to cover this temporary gap rather than increasing the SDC. The portion of debt is then repaid (offset) through future SDC collections, as allowed by state law. For the FY 2024 Proposed Budget, the SDC offset is programmed at \$5.8 million.

The Reconstruction Debt Service Offset (REDO) is supported through surplus funds from the refinancing of General Construction Bond debt. The offset is used to pay a portion of the debt service for the system reconstruction programs. The FY 2024 Proposed Budget assumes no REDO funds will be used.

REVENUE TRENDS

Water & Sewer Operating Funds - Combined

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Operating Revenues					
Water Consumption Charges	\$ 271,173	\$ 275,019	\$ 316,386	\$ 334,564	\$ 355,139
Sewer Use Charges	346,985	353,536	392,648	411,886	435,003
Account Maintenance Fees	35,922	32,346	30,597	33,887	36,259
Infrastructure Investment Fees	42,781	39,886	37,726	41,290	44,180
Plumbing & Inspection Fees	14,425	16,882	19,491	16,780	20,380
Rockville Sewer Use	3,147	3,147	3,289	3,100	3,100
Miscellaneous	21,053	16,948	27,272	19,000	28,722
Interest Income	4,881	392	1,120	2,800	8,000
Uncollectible	-	-	-	(6,000)	(7,901)
Cost Sharing Reimbursement	-	-	-	635	743
Total Operating Revenues	\$ 740,367	\$ 738,156	\$ 828,529	\$ 857,942	\$ 923,625
Other Credits and Transfers					
Use of Fund Balance	11,341	8,000	-	-	-
REDO	11,600	9,500	6,000	4,000	-
SDC Debt Service Offset	6,695	5,772	5,772	5,772	5,772
Premium Transfer	7,904	7,151	-	2,500	-
Underwriters Discount Transfer	-	2,000	2,000	2,000	2,000
Miscellaneous Offset	-	-	-	-	1,200
Total Funds Available	\$ 777,907	\$ 770,579	\$ 842,301	\$ 872,214	\$ 932,597

General Bond Debt Service Fund

(\$ in thousands)	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Operating Revenues					
FFBC & H/C Charges	\$ 12,824	\$ 10,664	\$ 8,674	\$ 6,744	\$ 5,321
Interest Income	483	20	51	90	-
Miscellaneous	174	189	219	160	190
Total Operating Revenues	\$ 13,481	\$ 10,873	\$ 8,944	\$ 6,994	\$ 5,511
Other Credits and Transfers					
REDO	11,600	9,500	6,000	4,000	-
Use of Fund Balance	(11,600)	(9,500)	(6,000)	(4,000)	-
Total Funds Available	\$ 13,481	\$ 10,873	\$ 8,944	\$ 6,994	\$ 5,511

SECTION 8
CAPITAL BUDGET

CAPITAL BUDGET

The principal objective of the capital budget is the programming of planning, design and construction activities on a yearly basis for major water and sewerage infrastructure projects and programs. These projects and programs may be necessary for system improvements for service to existing customers, to comply with federal and/or state environmental mandates or to support new development in accordance with the Counties' approved plans and policies for orderly growth and development. The capital budget has conformed to the Spending Affordability Guidelines (SAG) established by both County governments every year since 1994.

CIP PROJECT DEVELOPMENT AND APPROVAL PROCESS

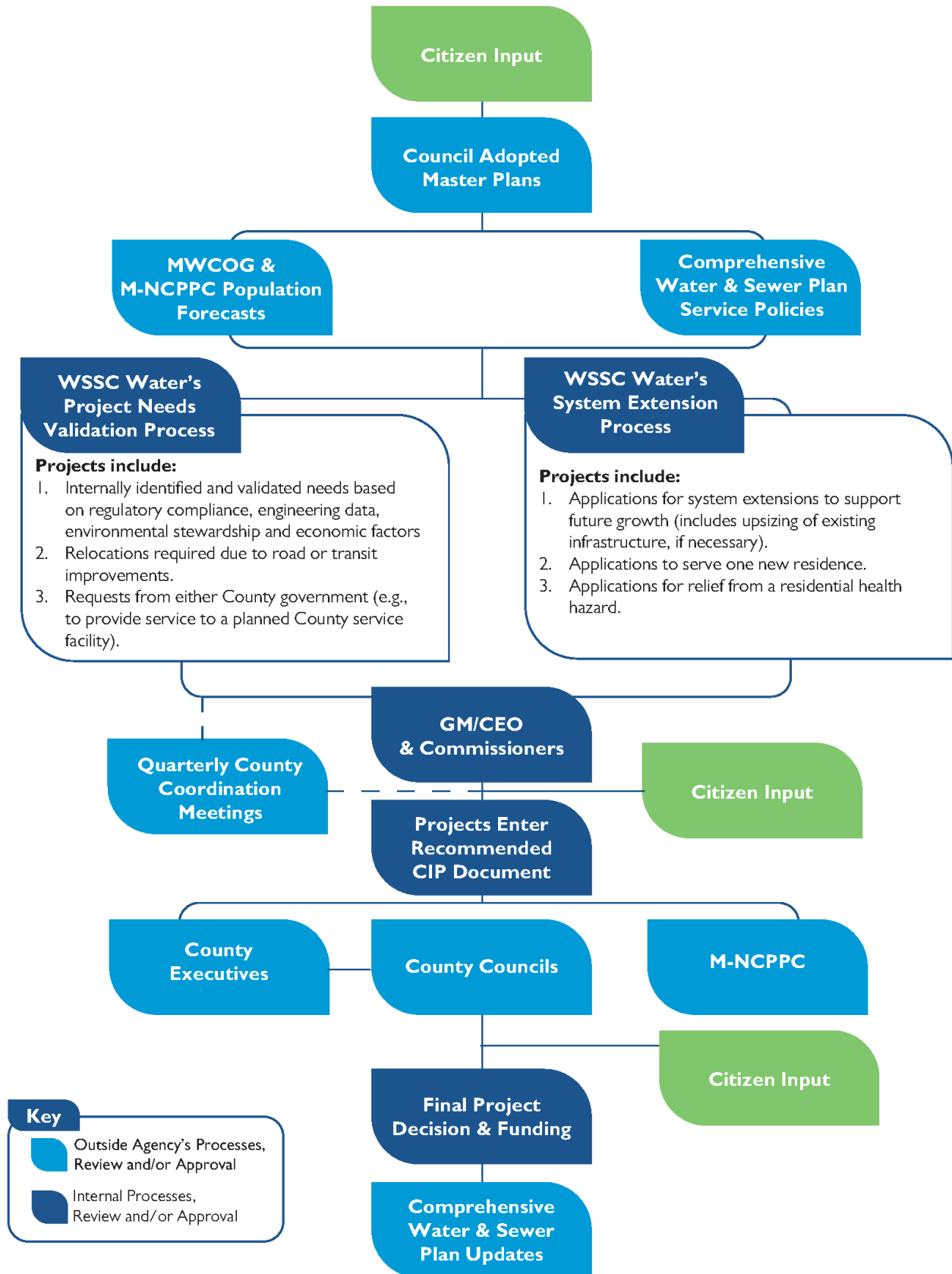
Projects are selected for inclusion in the capital budget based on our Capital Improvements Program (CIP) project development and approval process. The primary objectives of this process are to establish a sound basis for decision-making, to efficiently conduct and document specific work tasks and to successfully implement needed solutions. This is achieved by incorporating engineering data, environmental requirements, economic factors and public interaction. The guiding policy for the process is to have facilities in service when, or before, they are needed so that new development demands on the system do not result in a reduction of the level of service provided to existing customers. This policy provides for unrestricted water supply and no sewage overflows and avoids a water or sewer connection moratorium. It also requires that both the water and wastewater systems are sized to handle the peak or maximum demands, adjusted for weather-related usage. For most facilities, WSSC Water plans enough capacity to last 20 years or more. Other important goals of the process include producing a result that is acceptable to citizens, elected officials, regulatory agencies and WSSC Water at a reasonable cost and providing utility service to the type and location of development that each County governing body has approved, if economically and otherwise feasible.

The CIP project development and approval process is a combination of several internal and external processes. These component processes include the two Counties' master planning and water and sewer planning processes, WSSC Water's Project Needs Validation Process, WSSC Water's System Extension Process and the statutory approval process for the CIP. These various processes incorporate a significant amount of other outside influences and data. For example, they encompass numerous opportunities for citizen input, population forecasts from the Metropolitan Washington Council of Governments (MWCOCG) and the Maryland-National Capital Park and Planning Commission (M-NCPPC) and regulatory, engineering, environmental and economic data. The overall CIP project development and approval process is shown in the diagram on the next page.

The two primary avenues through which a project may be added to the CIP are shown in the diagram and are WSSC Water's Project Needs Validation Process and WSSC Water's System Extension Process. The Project Needs Validation Process, which is overseen by WSSC Water's Asset Management Program, systematically identifies and validates the water, wastewater and support services needs of the agency, develops potential solutions to the validated needs and recommends a preferred solution. The System Extension Process addresses projects undertaken by applicants to support future growth, serve one new residence or provide relief from a residential health hazard. Projects may also be included in the CIP in response to relocation requirements due to road or transit improvements, at the request of either County government (e.g., to provide service to a planned County service facility) or when an existing project is split either at the request of the applicant or for administrative reasons (e.g., to afford better project management or to provide greater clarity to the reader). As shown in the process diagram, relocation and County driven projects are generally processed through the Project Needs Validation Process for consistency and transparency.

Additional information about the CIP project development and approval process is provided in the CIP document available through our Communications & Community Relations Office and on our website at <https://www.wsscwater.com/fin>.

CIP PROJECT DEVELOPMENT AND APPROVAL PROCESS (Continued)



EXPENSE CATEGORIES

The WSSC Water capital budget is comprised of two main expenditure categories: CIP projects and Information Only projects.

Capital Improvements Program

The projects included in the CIP represent a multi-year plan to design and construct the capital facilities required to protect the health and safety of the residents of the two Counties we serve by protecting our source water, providing an adequate supply of safe drinking water, meeting firefighting requirements and collecting and adequately treating wastewater before it is returned to the waters of the State of Maryland. WSSC Water strives to maintain a balance between the use of valuable resources and the public's demand for clean water and the treatment of sanitary waste in an ethically, financially and environmentally responsible manner. The estimated total expenditures from the first year of the CIP - the budget year - are included in the expenditure summary on the next page. Detailed project information is provided in the CIP document available through our Communications & Community Relations Office and on our website at <https://www.wsscwater.com/fin>.

Information Only

The Information Only projects section of the CIP document contains projects that are not required to be in the CIP but may be included for any number of reasons such as: fiscal planning purposes, the reader's improved understanding of the full scope of a specific set of projects or responding to requests from County governments. The projects that make up the largest expenditures in this section are as follows: the water and sewer system reconstruction programs, the Engineering Support Program and the Other Capital Programs. The reconstruction programs provide for the systematic replacement and rehabilitation of small diameter water mains and sewer lines. The Engineering Support Program represents a consolidation of a diverse group of smaller, non-CIP sized, projects that support our existing facilities. The Other Capital Programs includes miscellaneous capital projects and expenditures for common operational activities such as relocations, new house connections, water meters, paving and general construction of local lines. Detailed project information is provided in the Information Only projects section of the CIP document. A list of the Information Only projects is shown in the expenditure summary on the next page.

CAPITAL BUDGET EXPENSE SUMMARY

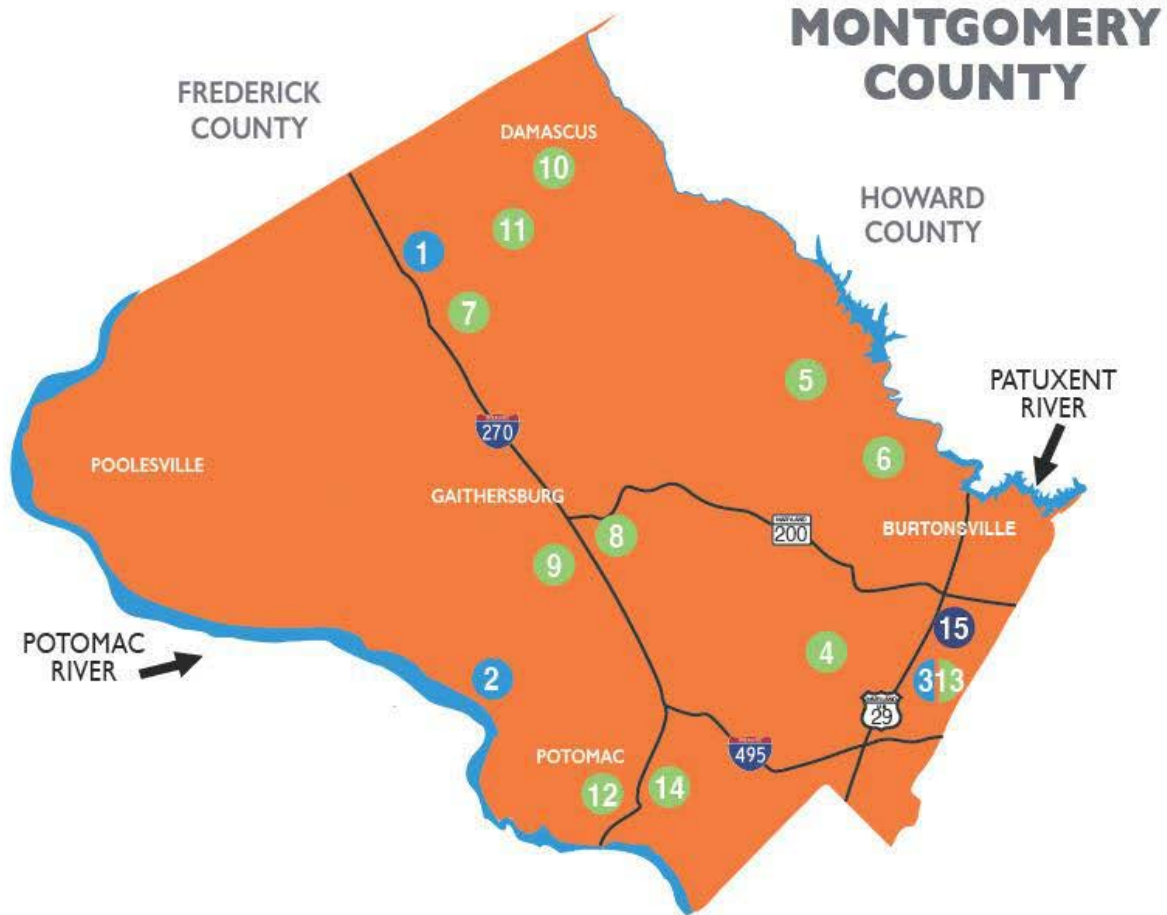
The total Fiscal Year (FY) 2024 Proposed Capital Budget is \$683.1 million. This is comprised of \$441.7 million in CIP projects, \$262.9 million in Information Only projects and an adjustment of \$21.5 million to account for expenditures funded via developer contributions for projects with a signed System Extension Permit (SEP). The FY 2024 Proposed Capital Budget is \$78.3 million higher than the FY 2023 Approved Capital Budget. The increase is primarily due to recent inflationary trends and the deferrals and reductions totaling \$110.5 million that were made to the FY 2023 Approved Capital Budget as part of the budget process last year. Key changes leading to the increase are as follows:

- An increase of \$15.6 million for the Water Reconstruction Program (reduced by \$27.7 million in FY 2023)
- An increase of \$33.7 million for the Large Diameter Water Pipe & Large Valve Rehabilitation Program (reduced by \$18.6 million in FY 2023)
- An increase of \$12.5 million for Prince George’s County water projects (2 water supply projects were deferred for one year in FY 2023, totaling \$37.0 million in reductions)
- An increase of \$7.7 million for the Engineering Support Program (reduced by \$5.7 million in FY 2023)
- An increase of \$6.1 million for the Other Capital Programs (reduced by \$5.2 million in FY 2023)

(\$ in thousands)	FY 2023 Approved	FY 2024 Proposed
Capital Improvements Program:		
Montgomery County Water	\$ 2,621	\$ 3,133
Prince George's County Water	26,925	39,443
Bi-County Water	104,105	142,441
Montgomery County Sewer	4,242	10,106
Prince George's County Sewer	57,000	66,393
Bi-County Sewer	218,559	180,166
Total Capital Improvements Program	\$ 413,452	\$ 441,682
Information Only:		
Water Reconstruction Program	71,611	87,182
Sewer Reconstruction Program	50,540	65,439
Anacostia Depot Reconfiguration	-	1,870
Laboratory Division Building Expansion	12,320	10,726
RGH Building Upgrades	1,100	5,038
Engineering Support Program	12,301	20,000
Energy Performance Program	5,717	4,079
Water Storage Facility Rehabilitation Program	4,000	6,692
Specialty Valve Vault Rehabilitation Program	1,691	3,072
Other Capital Programs	52,473	58,539
D'Arcy Park North Relief Sewer	290	290
Total Information Only	\$ 212,043	\$ 262,927
Total Capital Expenses		
	\$ 625,495	\$ 704,609
Adjustment for Developer Contributions	(19,252)	(21,540)
Capital Reductions to the Approved Budget	(1,461)	-
Total Capital Budget	\$ 604,782	\$ 683,069

MAP OF PROJECTS IN MONTGOMERY COUNTY

The map below shows the location of the CIP projects within Montgomery County. It does not include projects with multiple jobsites, such as the reconstruction programs. For more information on all of the CIP projects within Montgomery County, please refer to the CIP document available on our website at <https://www.wsscwater.com/fin>.



WATER

- 1 Pleasant's Property Water Main Extension (W-46.26)
- 2 Potomac WFP Submerged Channel Intake (W-73.30)
Potomac WFP Main Zone Pipeline (W-73.32)
Potomac WFP Consent Decree Program (W-73.33)
Regional Water Supply Resiliency (W-175.05)
- 3 White Oak Water Mains Augmentation (W-113.20)
Viva White Oak Water Main (W-113.21)

SEWER

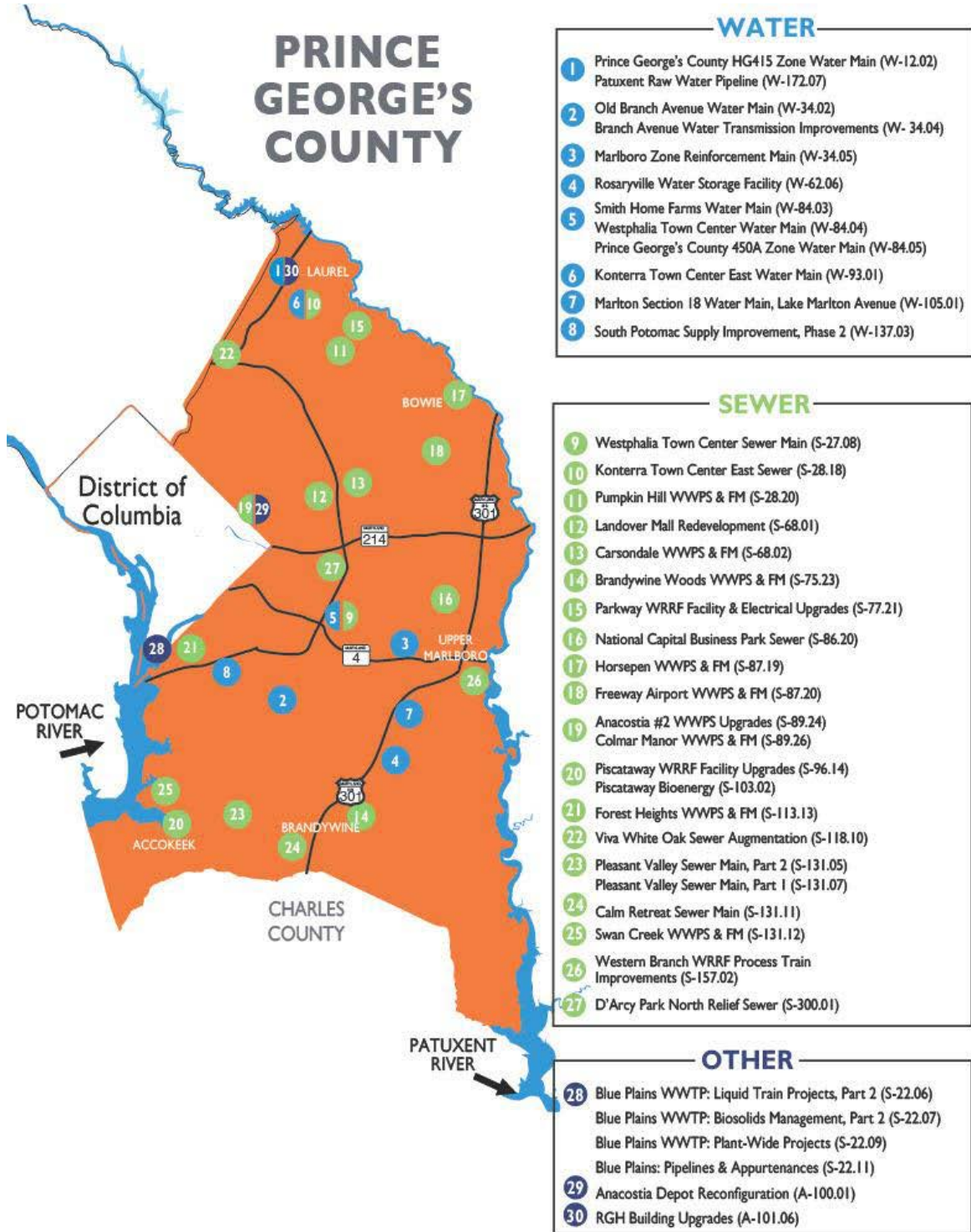
- 4 Arcola WWPS & FM (S-36.01)
- 5 Reddy Branch WWPS & FM (S-61.02)
- 6 Sam Rice Manor WWPS & FM (S-63.08)
- 7 Ashford Woods WWPS & FM (S-83.07)
- 8 Shady Grove Neighborhood Center (S-85.22)
- 9 Johns Hopkins Medical Research Park Sewer Main (S-85.23)
- 10 Damascus Town Center WWPS Replacement (S-94.13)
- 11 Spring Gardens WWPS Replacement (S-94.14)
- 12 Rose Village Sewer Main (S-103.17)
- 13 Viva White Oak Sewer Main (S-118.09)
- 14 Erickson Bethesda Sewer Main (S-151.02)

OTHER

- 15 Laboratory Division Building Expansion (A-101.04)

MAP OF PROJECTS IN PRINCE GEORGE'S COUNTY

The map below shows the location of the CIP projects within Prince George's County. It does not include projects with multiple jobsites, such as the reconstruction programs. Additionally, the map shows the location of the four CIP projects associated with the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains) in Washington D.C., which are owned and operated by the District of Columbia Water and Sewer Authority (DC Water). For more information on all of the CIP projects within Prince George's County, please refer to the CIP document available on our website at <https://www.wsscwater.com/fin>.



HIGHLIGHTED PROJECTS

Below are five highlighted projects from the FY 2024 Proposed Capital Budget. All five of the highlighted projects are major ongoing projects. Each of these projects contribute to WSSC Water's mission to provide safe and reliable water, life's most precious resource, and return clean water to our environment, all in an ethical, sustainable and financially responsible manner.

Potomac Water Filtration Plant Consent Decree Program



This project provides for the planning, design and construction of short-term and long-term capital improvements at the Potomac Water Filtration Plant (WFP) to allow WSSC Water to meet the new discharge limitations identified in the Potomac WFP Consent Decree. The objective of the consent decree is to reduce the amount of solids discharged from the plant to the Potomac River on a daily basis. Preliminary planning work for the Potomac WFP Consent Decree Program began in FY 2016. The long-term upgrades are currently under construction.

The total estimated cost for the Potomac WFP Consent Decree Program is \$194.6 million, including \$1.0 million for supplemental environmental projects. A portion of this project will be financed by Green bonds. The reduction in solids discharged to the Potomac River addresses the pollution prevention/control and terrestrial and aquatic biodiversity conservation categories from the International Capital Market Association's Green Bond Principles. More information on the utilization of Green bonds for the Potomac WFP Consent Decree Program can be found on our website at <https://www.wsscwater.com/greenbond>.

Laboratory Division Building Expansion

The Laboratory Division Building Expansion project provides for the planning, design and construction of a 19,720 square-foot expansion to the Consolidated Laboratory Facility (CLF) at an estimated cost of \$36.7 million. The expansion is necessary to accommodate the increased analytical workload, ensure that all data meets requirements set forth by the regulators and to improve the safety of WSSC Water's employees and customers. The CLF is a Maryland Department of the Environment (MDE) certified laboratory constructed in 2000 to meet the original laboratory program of a maximum of 500,000 tests per year. During the past 23 years, WSSC Water has experienced a significant increase in the analytical workload, number of employees and number of instruments, and also added new functions with the creation of the Water Quality Division. The historical workload of 500,000 tests per year is expected to grow to over 750,000 tests per year in the coming years.



Currently, WSSC Water depends on subcontract laboratories for critical and regulatory analysis that cannot be handled in-house due to space, infrastructure and instrument constraints. Lack of control and supervision by qualified WSSC Water staff on the regulatory samples tested in subcontract laboratories has resulted in errors in the past that could potentially lead to a citation/violation for WSSC Water. Additionally, increased analytical time involved with subcontract analysis may delay response to critical water contamination events, which could jeopardize the safety of WSSC Water's customers. An MDE laboratory audit recommended having separate rooms for analyzing wastewater and drinking water microbiological samples.

HIGHLIGHTED PROJECTS (Continued)

Water Reconstruction Program

The Water Reconstruction Program provides for the planning, design and construction required to renew and extend the useful life of the more than 4,500 miles of water distribution mains (pipes less than 16" in diameter) in the system. The program also includes house connection and large water services renewal. Portions of the water distribution system are more than 80 years old. Bare cast iron mains, installed generally before 1965, permit the build-up of tuberculation which can reduce flow and cause discoloration at the customer's tap. Select replacement and rehabilitation is necessary to supply water in sufficient quantity, quality and pressure for domestic use and firefighting. As the distribution system ages, water main breaks are increasing. Selected mains are chronically breaking, and other mains are undersized for the current flow standards.



The reconstruction work performed under this program includes replacement, rehabilitation via structural lining, and the addition of cathodic protection to the water mains. Galvanized, copper, and cast iron water mains, as well as all other water main appurtenances including meter and valve vaults, are replaced on an as needed basis when they have exceeded their useful life. The program has been ongoing since 1979 and has replaced or rehabilitated more than 1,900 miles of water distribution mains. Over the last 10 years, the program has replaced or rehabilitated on average almost 50 miles per year. For FY 2024, the program is targeting 27 miles of water distribution mains for replacement or rehabilitation. The estimated cost in FY 2024 is \$87.2 million and the total program costs over the six-year CIP planning period is \$836.4 million. This is an ongoing program and expenditures are expected to continue indefinitely. The work plan and expenditure schedule for the program are updated annually based upon the most recent recommendations from WSSC Water's Asset Management Program.

Patuxent Raw Water Pipeline

The Patuxent Raw Water Pipeline project is the final project in a series of three projects that will increase the capacity of the Patuxent WFP from 72 million gallons per day (MGD) to 110 MGD. The first project in the series, the Patuxent WFP Phase II Expansion, added a sixth treatment train and other upgrades at the plant and was completed in October 2018. The Rocky Gorge Pump Station Upgrade project, the second in the series, provided for the modification and expansion of the station and was completed in June 2020. The Patuxent Raw Water Pipeline project is expected to be completed in FY 2024, at which time the Patuxent WFP will be capable of providing up to 110 MGD in emergency situations.



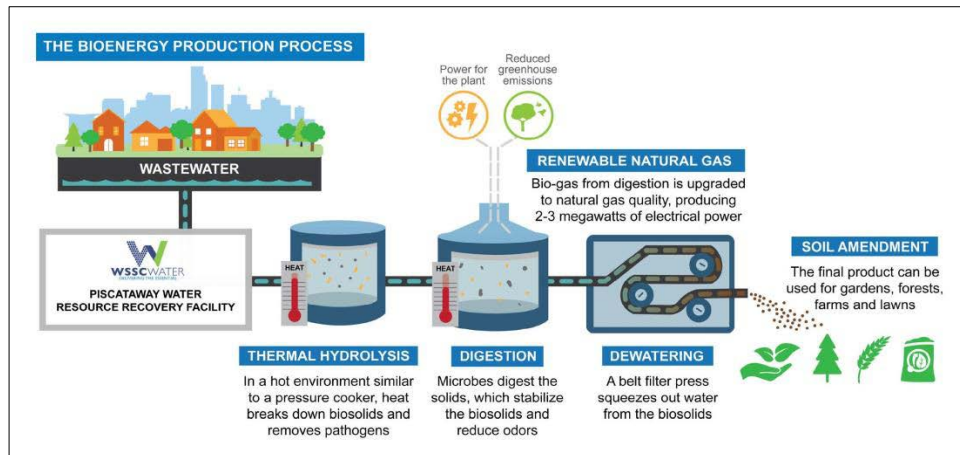
The Patuxent Raw Water Pipeline project provides for the planning, design and construction of a new 48" diameter, 2.5-mile long raw water pipeline from the Rocky Gorge Raw Water Pumping Station to the Patuxent WFP. The work to clean the existing three raw water lines and replace existing valves has already been completed. Construction of the new raw water pipeline began in December 2020. As with any construction project, the work also includes the restoration of any areas disturbed by the construction, including the restoration of paving on any impacted roads. The total estimated cost of the project is \$33.4 million.

HIGHLIGHTED PROJECTS (Continued)

Piscataway Bioenergy

An exciting project currently underway at the Piscataway Water Resource Recovery Facility (WRRF) is transforming the way WSSC Water handles waste from five existing WRRFs. The Piscataway Bioenergy project - the largest and most technically advanced project ever constructed by WSSC Water - will employ innovative technologies to recover resources and produce green energy. In the coming years, our Piscataway WRRF will evolve into a bioenergy production facility that uses efficiency, technology and sustainability to enhance the financial and environmental health of the region. This \$334.8 million project will serve our customers for the next 100 years.

The Piscataway Bioenergy project will transform how WSSC Water handles biosolids - the nutrient-rich organic materials resulting from the wastewater treatment process - from five existing WSSC Water WRRFs. Using cutting-edge “green” technology, the new facility will significantly reduce the amount of biosolids left over from the treatment process, thus reducing costs to haul and dispose of the product. The remaining biosolids will be significantly cleaner (Class A), making the disposal process much easier and allowing the final product to be sold and distributed as fertilizer. With cleaner Class A biosolids, WSSC Water will also save money by eliminating the use of lime, which is currently applied to Class B biosolids to control odor. This new process will save money for our customers by reducing operating costs by more than \$3.0 million per year.



As an added benefit, the process to create the Class A biosolids will generate renewable fuel to help run the plant. This new process produces methane gas providing green energy that will help run the Piscataway WRRF. The new process will reduce WSSC Water’s greenhouse gas emissions by 15%.

In addition to critical sustainability benefits, WSSC Water’s investment in bioenergy is a conscientious investment decision to spend now in order to save going forward. Bioenergy will demonstrate significant cost savings over the long-term by reducing power consumption from fossil fuels and reducing disposal costs. The Piscataway WRRF will become WSSC Water’s showcase for achieving optimal value by investing in a green future.

Phase One of the project, which includes design, demolition of existing on-site facilities and relocation of existing utilities, is complete. Phase Two, the construction of the new facility, began in the summer of 2020. Preliminary start-up and testing are planned for summer 2023 and the entire project is expected to be complete and operational in 2024.

A portion of this project is being financed by low-interest loans through the Maryland Water Infrastructure Financing Administration’s Water Quality Revolving Loan Fund Program and a grant from the Maryland Energy Administration.



FUNDING SOURCES

The major funding sources for the capital budget are described in Section 6. There are three major types of funding sources for the capital budget: proceeds from bonds and other debt instruments; Pay-As-You-GO (PAYGO) financing; and grants, contributions and other funding sources.

The specific funding sources for all expenditures are identified on each individual capital project description form in the CIP document.

Bonds and Other Debt Instruments

WSSC Water Bonds – legally-binding general obligations constituting an irrevocable pledge of full faith and credit. The money to repay debt comes primarily from ratepayer revenues.

PAYGO

PAYGO – when budgeted, the practice of using current revenues to the extent practical to help fund the capital program, thereby reducing the need for debt financing.

Grants, Contributions and Other Funding Sources

The use of other funding sources is normally conditioned upon specific legislative authority or project approval.

Federal Grants – an award of financial assistance from a federal agency to a recipient in support of a public policy goal, which usually includes some compliance and reporting requirements. For example, U.S. Department of Energy grants related to WSSC Water’s Energy Performance Program and Piscataway Bioenergy projects to promote and develop green energy sources.

State Grants – an award of financial assistance from a state agency to a recipient in support of a public policy goal, which usually includes some compliance and reporting requirements. For example, a program for enhanced nutrient removal at existing WRRFs and for the rehabilitation of sewer mains as part of the Chesapeake Bay Program.

Local Government Contributions – payments to WSSC Water for co-use of regional facilities, or funding provided by County governments for projects they are sponsoring.

SDC – anticipated revenue from the charge levied on new development to pay for the construction of major water and sewerage facilities needed to accommodate growth.

Contribution/Other – projects funded by applicants for growth projects where the County Councils have directed that no WSSC Water rate supported debt be used to pay for the project and other funds that do not fit in the above funding sources.

CAPITAL BUDGET FUNDING SUMMARY

The total funding for the FY 2024 Proposed Capital Budget is \$683.1 million. The funding is comprised of \$555.4 million in bonds, \$44.0 million in PAYGO and \$83.7 million in grants, contributions and other funding sources. The \$78.3 million increase from the FY 2023 Approved Capital Budget is driven primarily by CIP projects funded with bonds, as the goal of the \$110.5 million in deferrals and reductions made to the FY 2023 Approved Capital Budget as part of the budget process last year was to lower the level of debt issuance. Key changes leading to the increase in bond funding are as follows:

- An increase of \$15.6 million for the Water Reconstruction Program (reduced by \$27.7 million in FY 2023)
- An increase of \$33.7 million for the Large Diameter Water Pipe & Large Valve Rehabilitation Program (reduced by \$18.6 million in FY 2023)
- An increase of \$12.5 million for Prince George’s County water projects (2 water supply projects were deferred for one year in FY 2023, totaling \$37.0 million in reductions)
- An increase of \$7.7 million for the Engineering Support Program (reduced by \$5.7 million in FY 2023)
- An increase of \$6.1 million for the Other Capital Programs (reduced by \$5.2 million in FY 2023)

(\$ in thousands)	FY 2023 Approved	FY 2024 Proposed
Capital Improvements Program:		
Bonds	\$ 309,733	\$ 313,317
PAYGO	31,016	44,000
Federal Grants	4,285	4,542
State Grants	351	-
Local Government Contribution	5,486	6,328
SDC	29,606	36,945
Contribution/Other	32,975	36,550
Total Capital Improvements Program	\$ 413,452	\$ 441,682
Information Only:		
Bonds	191,145	242,037
State Grants	20,608	20,600
Contribution/Other	290	290
Total Information Only	\$ 212,043	\$ 262,927
<hr/>		
Total Capital Funding	\$ 625,495	\$ 704,609
Adjustment for Developer Contributions	(19,252)	(21,540)
Capital Reductions to the Approved Budget	(1,461)	-
Total Capital Budget Sources	\$ 604,782	\$ 683,069

IMPACT OF CAPITAL PROGRAM ON THE OPERATING BUDGET

Capital projects generate future operating budget impacts for debt service, use of reserves and changes in operating costs due to new or renovated facilities.

Debt Service

Capital projects are financed primarily with long-term, rate-supported debt through the sale of bonds. Water Supply bonds are issued to finance major water treatment, storage and transmission facilities. Sewage Disposal bonds are issued to finance major sewage collection and treatment facilities. These bonds are repaid to bondholders over a 30-year period by annual principal and interest payments (debt service). The annual debt service on outstanding bonds is paid from WSSC Water's operating funds. The primary funding source for the repayment of debt is the revenue generated by water consumption and sewer use charges. These charges are set on an annual basis to cover the operation, maintenance and debt service costs of the agency. In this manner, the initial high cost of capital improvements is spread over time and paid for by future customers who will benefit from the facilities, as well as by current customers. It is through this capital project financing process that the size of the capital budget impacts the size of water and sewer bond issues, which in turn impacts customers' water and sewer bills.

Obtaining funding from other sources and through the use of PAYGO funding (when budgeted) lowers our borrowing requirements, which in turn lowers debt service requirements and ultimately our customers' bills. Other funding sources may include: payments from applicants for new service, including SDC funds for certain projects which are intended to support new development, payments from other jurisdictions for projects which specifically benefit them and state and federal grants. The amounts of these collections may vary from year to year.

Estimating future spending is an important step in forecasting the issuance of new debt at a level which does not exceed the amount necessary to cover actual expenditures. Conservative issuance of long-term debt is essential to keep outstanding debt, debt service and water and sewer rates at moderate levels. The amount of new debt is calculated by adjusting for other funding sources and incorporating expected construction completion rates. Taking into account these adjustments results in an estimated new long-term water and sewer debt requirement of \$380.0 million. The FY 2024 debt service payment is shown in the next section.

Operating Budget Impacts

The construction of capital projects impacts the water and sewer portion of the operating budget in several ways. The first and largest impact is the payment of debt service associated with major projects programmed in the capital budget.

The second impact from capital projects is less direct, and involves changes to operations, processes or revenue streams when a project is completed. These changes can have positive effects on the operating budget, although the effects are difficult to quantify. For instance, WSSC Water's water and sewer system reconstruction programs for infrastructure improvements are funded through the capital budget and are focused on the aging portions of our extensive network of water distribution mains and sewage collection lines. These efforts include water main rehabilitation, sewer reconstruction and other non-CIP sized pipeline replacements. These efforts are aimed at reducing service interruptions and providing all of WSSC Water's customers with the same high levels of service. The infrastructure work will eliminate some line flushing, reduce the number of complaints to be addressed, reduce the number of leaks and breaks and result in some deferral of costs related to preventive maintenance, costs which are paid out of operating funds.

The third impact of capital projects relates to new facilities that will require operation and maintenance funding in the operating budget. The most significant effect occurs when additional staff must be hired to operate and maintain a new or expanded facility, or in cases where new or increased regulations require new equipment and processes that may increase operating costs for energy, chemicals, monitoring or maintenance. In some cases, where capital projects provide for renovation or replacement of major existing facilities, or encompass smaller infrastructure improvements, the impacts on the operating budget are minimal and may even result in cost savings. Energy Performance Program projects serve to reduce operating expenses when state-of-the-art computerized controls and modern pumping and treatment technology are installed at an existing facility. These improvements increase process efficiencies and lower our overall energy requirements.

IMPACT OF CAPITAL PROGRAM ON THE OPERATING BUDGET (Continued)

Operating Budget Impacts (Continued)

The following table summarizes the estimated impact on the FY 2024 Proposed Operating Budget based upon projects included in the FY 2024 Proposed Capital Budget:

(\$ in thousands)	FY 2023 Approved	FY 2024 Projected	FY 2024 Net Impact
Operating - Water and Sewer Program			
Debt Service Expense	\$ 321,844	\$ 328,467	\$ 6,623
Major Capital Projects Net Impact	-	864	864
Total	\$ 321,844	\$ 329,331	\$ 7,487

Major capital projects which will impact the FY 2024 Proposed Operating Budget are summarized below:

- Piscataway Bioenergy** - This project provides for the engineering, design, construction, maintenance and monitoring and verification necessary to add sustainable energy equipment and systems to produce biogas and electricity at the Piscataway WRRF. The new bioenergy facility will handle waste from five existing WRRFs, employing innovative technologies to recover resources and produce green energy. Preliminary start-up and testing will begin in FY 2023. Once the new facility is fully operational, it is expected to reduce net operating costs by more than \$3.0 million per year as a result of significantly lower expenditures for energy, biosolids disposal and chemicals.

SECTION 9
DEBT SERVICE

DEBT SERVICE

WSSC Water issues bonds, a long-term debt financing instrument, to fund the planning, design and construction of long-lived additions or improvements to its infrastructure. The bonds are repaid to bondholders over a period of years with a series of principal and interest payments known as debt service. In this manner, the initial high cost of capital improvements is spread over time and paid for by customers benefiting from the facilities in the future, as well as by current customers. Due to various federal and state policies, interest costs on the debt are kept low because the interest on WSSC Water debt is exempt from federal and state taxation.

WSSC Water's debt is primarily repaid from water consumption and sewer use charges. Other sources for debt repayment include the Infrastructure Investment Fee (IIF) and the Front Foot Benefit Charge (FFBC). The IIF is a fee that was first implemented in Fiscal Year (FY) 2016 and phased in over two fiscal years. The purpose of the fee is to fund a portion of the debt service associated with the water and sewer reconstruction programs. The FFBC is assessed to owners of property abutting water and/or sewer mains who derive a benefit from the construction of these water and sewer mains.

Should the revenues from these sources be inadequate to service the debt repayments, state law provides for the levy of ad valorem taxes, annually, against all the assessable property within the Washington Suburban Sanitary District (WSSD) by the County Councils of Montgomery and Prince George's Counties, sufficient to pay principal and interest when due and payable. WSSC Water has never needed to invoke this underlying pledge and does not expect to do so. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

DEBT SERVICE AND OBLIGATION PURPOSE

Debt Service Budget

The proposed debt service expense is based upon paying the FY 2024 principal and interest payments on current outstanding debt as of June 30, 2022, budgeted new debt issues approved for FY 2023 and the proposed issuance of \$380.6 million in new debt for FY 2024 (\$191.4 million for water; \$188.6 million for sewer; and \$0.6 million for general construction). The new debt issues are necessary to implement the first year of WSSC Water's Proposed Capital Improvements Program (CIP) for FYs 2024-2029, as well as the Information Only projects included in the CIP document. The FY 2024 Proposed Budget for debt service expenses is \$333.2 million, an increase of \$4.7 million or 1.4% more than the FY 2023 Approved Budget of \$328.5 million. The increase is primarily due to the deferrals and reductions made to the FY 2023 Approved Capital Budget to lower the debt issuance. In addition, inflation and the resulting higher interest rates have also contributed to the debt service increase. The FY 2024 Proposed Budget includes, in addition to debt service payments, all bond sales expenses and bond coupon payment redemption expenses.

Water Supply and Sewage Disposal – General Obligation Bonds

WSSC Water issues Water Supply and Sewage Disposal bonds to fund a major portion of the construction of long-lived additions or improvements to major water and sewerage facilities, including water filtration plants (WFP), water resource recovery facilities (WRRF), pumping stations and force mains, storage structures, water mains and sewer mains. WSSC Water's fiscal plan for these facilities is known as the CIP and is published separately from the operating and capital budget. Water Supply and Sewage Disposal bonds also help finance projects in the Information Only section of the CIP document. These projects include the water and sewer system reconstruction programs, the Engineering Support Program and the Other Capital Programs.

General Construction – General Obligation Bonds

General Construction bonds are issued to finance a major portion of the costs of constructing new or replacement facilities for administrative and support activities, modifying existing support facilities, relocating facilities, purchasing water meters and constructing minor small diameter water and sewer line additions. Due to a legislative change, applications for service requested after July 1, 1999 require the applicant to finance and construct the local water and sewer mains needed for new development. WSSC Water will still construct projects serving one residence or providing relief from a residential health hazard.

DEBT SERVICE AND OBLIGATION PURPOSE (Continued)

Green Bonds

Green bonds are any type of bond instrument where the proceeds will be exclusively applied to finance eligible green projects. The International Capital Market Association describes the Green bond market as an opportunity to enable and develop the key role that debt markets can play in funding projects that contribute to environmental sustainability. WSSC Water is committed to protecting the natural environment of Montgomery and Prince George's Counties as it executes its mission to provide safe and reliable water, life's most precious resource, and return clean water to our environment, all in an ethical, sustainable and financially responsible manner.

Projects focused on the eligible green project categories are qualified to be funded in whole or in part by an allocation of the Green bond proceeds. The projects involve one or more of the following activities:

- Green buildings
- Pollution prevention and control
- Renewable energy
- Water quality
- Climate change adaptation

In the FY 2024 CIP, the Potomac WFP Consent Decree Program and the Large Diameter Water Pipe & Large Valve Rehabilitation Program will be financed with Green Bonds. Green bond proceeds will be specifically directed to pay the costs of design, construction, property acquisition and other related costs necessary for the selected projects. WSSC Water will produce an annual report detailing how the Green bond proceeds were used to finance the selected projects, a description of the selected projects and details of the environmental benefits resulting from the projects. Additional information on WSSC Water's Green bond program and reporting can be found on our website at <https://www.wsscwater.com/greenbond>.

Maryland Water Quality Revolving Loan Fund Program

In addition to borrowing funds in the private financial markets, WSSC Water periodically borrows funds from the Water Quality Revolving Loan Fund Program managed by the Maryland Department of the Environment's Water Quality Financing Administration to fund major capital improvements that are needed to help maintain or improve water quality in the Chesapeake Bay. The fund, established by the State of Maryland, provides low interest loans to local governments to help with a variety of water quality improvement projects such as upgrades of WRRFs, construction of sewers in areas with failing septic tanks, implementation of estuary conservation management plans and the reduction of nonpoint source pollution.

Rating Agency Reviews

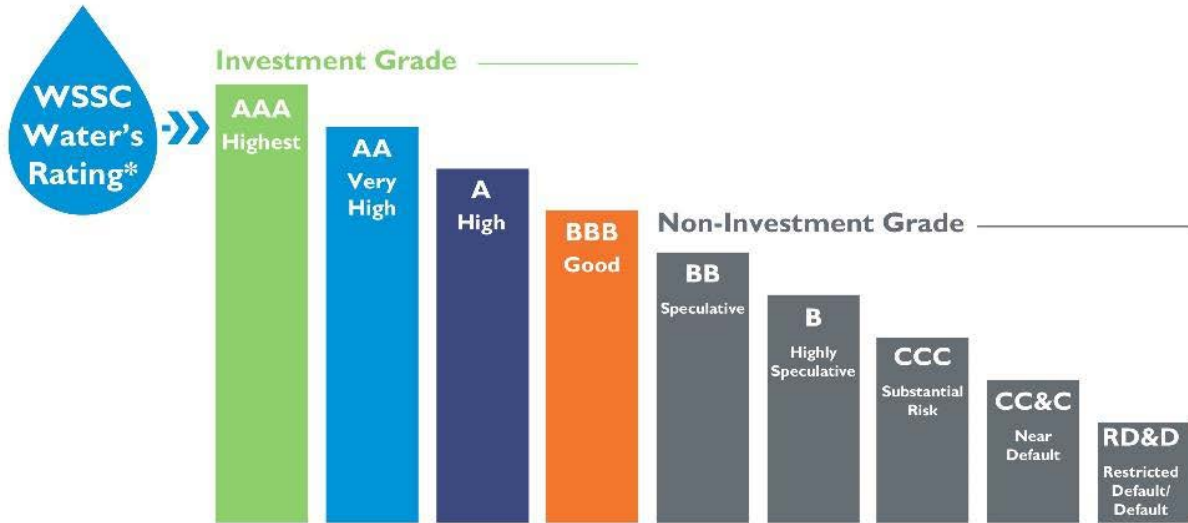
WSSC Water bonds carry AAA/Aaa/AAA credit ratings from the three major bond rating agencies: Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Inc., respectively. These high ratings are critical to ensuring a low cost of debt to WSSC Water customers. High credit ratings translate into low interest rates and considerable savings over the bond repayment period. WSSC Water has been able to secure these ratings primarily due to the quality of its operations, its policy of maintaining a 20.0% or greater operating reserve, the willingness of the agency and local governments to raise the water consumption and sewer use revenues necessary to meet debt service requirements, the underlying credit worthiness of Montgomery and Prince George's Counties and the pledge of the levy of an unlimited ad valorem tax upon the assessable property of the WSSD for repayment. All of these factors are considered evidence of both the ability and willingness of WSSC Water and the Montgomery and Prince George's County governments to support public debt.

DEBT SERVICE AND OBLIGATION PURPOSE (Continued)

Rating Agency Reviews (Continued)

Due to the recent and ongoing revenue challenges, Fitch Ratings placed WSSC Water on a Negative Outlook in September 2021. In September 2022, they affirmed our AAA rating but maintained the Negative Outlook. WSSC Water undertook significant reductions to the FY 2023 operating and capital budgets to maintain our AAA bond rating and remains committed to preserving our AAA rating in FY 2024 and beyond.

Credit Rating Scale



- * Maintaining a AAA rating for our bonds helps lower costs to our customers.
- * We plan to issue around \$350 million to \$425 million of debt per year over the next six years.
- * Assuming an issuance of \$350 million, the interest savings from maintaining our AAA rating, compared to a one-step lower rating of AA, would be more than \$430,000 annually over the 30-year life of the bonds.
- * Over a 30-year period, with issuances of \$350 million annually, the estimated interest savings would be in excess of \$200 million.

OUTSTANDING DEBT

Debt Principal and Interest Obligations

Debt Principal and Interest Obligations			
(\$ in millions)			
Year	Principal	Interest	Total
2023	164.3	132.2	296.5
2024	172.4	125.2	297.6
2025	189.5	113.8	303.3
2026	184.3	109.5	293.8
2027	182.8	102.8	285.6
2028	182.8	95.9	278.7
2029	177.0	89.1	266.1
2030	171.1	82.7	253.8
2031	164.1	76.5	240.6
2032	153.2	70.7	223.9
2033	137.1	65.5	202.6
2034	138.5	60.8	199.3
2035	129.7	56.7	186.4
2036	128.4	52.5	180.9
2037	126.7	48.6	175.3
2038	127.1	44.8	171.9
2039	130.9	40.8	171.7
2040	134.8	36.8	171.6
2041	138.8	32.7	171.5
2042	142.9	28.4	171.3
2043	147.1	24.0	171.1
2044	151.4	19.6	171.0
2045	136.8	14.9	151.8
2046	118.6	10.6	129.2
2047	91.5	6.8	98.3
2048	66.7	3.9	70.6
2049	45.1	2.0	47.1
2050	34.0	0.9	35.0
2051	18.9	0.4	19.3
2052	3.0	0.0	3.0
2053	3.0	0.0	3.0
Total	\$ 3,892.5	\$ 1,549.1	\$ 5,441.6

¹ The debt summary and schedule includes Bonds and General Notes.

For additional information on WSSC Water's debt service, as well as detailed schedules, please refer to our Bond & Note Information Book published annually and listed on our website. You can also refer to the latest publication on our website at <https://www.wsscwater.com/investor>

OUTSTANDING DEBT (Continued)

Actual Principal Debt Outstanding

WSSC Water’s principal debt amounts outstanding are reflected in the table below. The total debt outstanding for the agency was \$3.9 billion as of June 30, 2022, an 6.9% increase over the June 30, 2021, figure of \$3.6 billion. WSSC Water’s outstanding debt has been increasing over the last decade as it complies with the requirements of the Sanitary Sewer Overflow (SSO) Consent Decree and continues to implement its water and sewer reconstruction programs, which are capital-intensive undertakings.

	Outstanding 06/30/21	% of Total	Outstanding 06/30/22	% of Total
Water Supply Bonds ¹	\$ 1,514,416,402	43.8%	\$ 1,556,794,984	41.7%
Sewage Disposal Bonds	1,535,457,682	44.3%	1,735,163,759	46.6%
General Construction Bonds	126,375,916	3.6%	117,438,256	3.2%
Maryland Water Quality Bonds ²	286,212,656	8.3%	317,550,339	8.5%
Total Bonds	\$ 3,462,462,656	100.0%	\$ 3,726,947,338	100.0%
Water, Sewer and General Notes	177,800,000		165,600,000	
Total Principal Debt Outstanding	\$ 3,640,262,656		\$ 3,892,547,338	

¹Includes \$122,945,000 in Green Bonds.

²Maryland Water Quality Bonds are issued for Water, Sewer and General Construction projects.

FY 2024 Estimated Debt Outstanding

The estimated principal debt outstanding at the end of FY 2024 is built upon a base of the existing outstanding debt from past issues (as of June 30, 2022), the approved debt issues for FY 2023 and the proposed debt issues in FY 2024, along with the estimated principal payments in FY 2023 and FY 2024. The table that follows shows that the existing outstanding debt of \$3.9 billion as of June 30, 2022 is projected to grow to a total of \$4.3 billion as of June 30, 2024 an increase of 9.9%.

Total Principal Debt Outstanding, June 30, 2022	\$ 3,892,547,338
Less: Estimated Principal Payments	
FY 2023 for All Outstanding Bonds and Notes as of June 30, 2022	(164,274,820)
FY 2024 for All Outstanding Bonds and Notes as of June 30, 2022	(172,395,939)
Total (As of June 30, 2024)	\$ 3,555,876,579
Plus:	
FY 2023 Budgeted New Debt Issues:	
Water Supply Bonds	155,676,000
Sewage Disposal Bonds	203,164,000
General Construction Bonds	600,000
FY 2024 Proposed New Debt Issues:	
Water Supply Bonds	191,408,000
Sewage Disposal Bonds	188,551,000
General Construction Bonds	600,000
Less: Estimated Principal Payments:	
FY 2023 for Budgeted New Issues as of June 30, 2023	(6,408,851)
FY 2024 for Budgeted and Proposed New Issues as of June 30, 2024	(12,903,154)
Total Estimated Debt Outstanding (As of June 30, 2024)	\$ 4,276,563,574

BORROWING LIMITATION

Bonds and notes issued by WSSC Water are limited under the State of Maryland’s Public Utilities Article to an amount outstanding at any time that may not exceed the sum of 7.0% of the total assessable personal property and operating real property and 3.8% of the total assessable base of all real property for County taxation purposes within the WSSD. The following table shows WSSC Water’s legal debt limit and remaining debt margin.

Debt Limit per Public Utilities Article:	
7.0% of Total Assessable Personal & Operating Real Property	\$ 158,973,889
3.8% of Total Assessable Tax Base of All Real Property	12,696,770,417
Total Debt Limit (As of June 30, 2022)	\$ 12,855,744,306
Less: Total Estimated Debt Outstanding (As of June 30, 2024)	\$ (4,276,563,574)
Legal Debt Margin	\$ 8,579,180,732

¹The assessed valuation figures used to calculate the debt limit are based on the totals for Montgomery and Prince George’s Counties, which are being used as an approximation of the values for the WSSD.

Shown below are the latest certified assessed valuations for the Counties, the total estimated debt limit and the ratio of debt to permitted debt. The table shows that as of June 30, 2022 the total outstanding debt of \$3.9 billion represented 30.3% of the total estimated debt limit.

Fiscal Year	Total Assessed Valuation ^{1,2,3}	Total Debt Limit ¹	Total Debt Outstanding ¹	Ratio of Outstanding to Limit
2022	\$ 336,396,593	\$ 12,855,744	\$ 3,892,547	30.3%
2021	324,359,609	12,399,467	3,640,263	29.4%
2020	313,962,596	11,987,471	3,423,144	28.6%
2019	312,092,573	11,932,586	3,339,928	27.9%
2018	297,032,873	11,364,855	3,202,377	28.2%

¹Values are in thousands of \$ and as of June 30 of each fiscal year.

²Sources for the assessed valuation of personal and real property are the Certificate of Supervisor of Assessments of Montgomery County, Maryland, as to the Last Assessment for Taxation of Property in the District of Montgomery County and the Certificate of Director of Finance of Prince George’s County, Maryland as to the Last Assessment for Taxation of Property in the District of Prince George’s County.

³The assessed valuation figures are based on the totals for Montgomery and Prince George’s Counties (through FY 2022), which are being used as an approximation of the values for the WSSD.

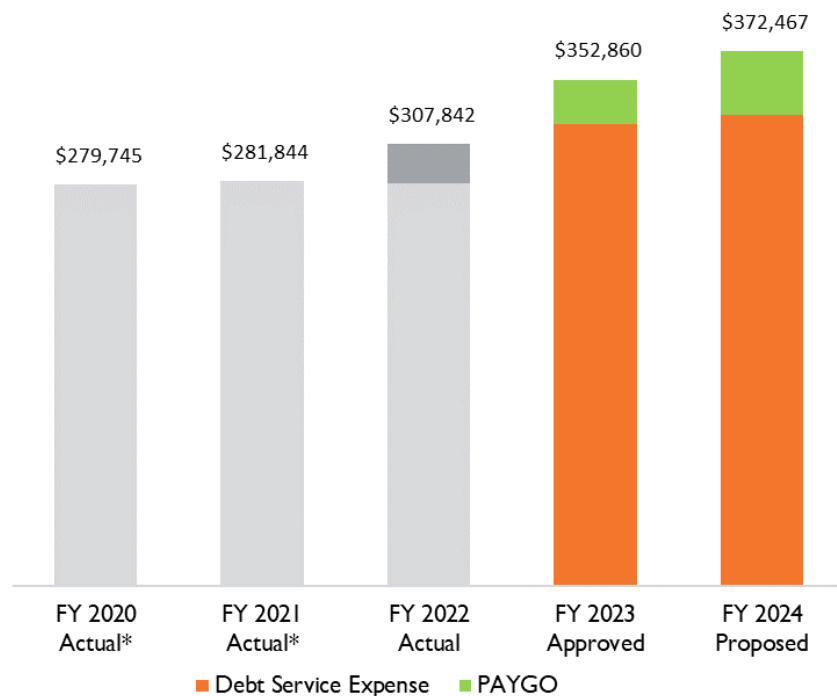
DEBT SERVICE TRENDS

Water and Sewer Debt Service (Including PAYGO)

The water and sewer debt service expenses (\$328.5 million in FY 2024) are funded by WSSC Water ratepayers through water consumption and sewer use charges and the IIF. WSSC Water programs in Pay-As-You-GO (PAYGO) financing each fiscal year to reduce the amount of planned debt issued for capital projects, thereby lowering future debt service requirements.

The chart that follows shows water and sewer debt service expenses and PAYGO for FYs 2020-2024. WSSC Water's requirements for water and sewer debt service have been increasing, from a total of \$279.8 million in debt service and PAYGO in FY 2020 to an estimated \$372.5 million in FY 2024. This increase is due to the investments WSSC Water is making in its capital-intensive infrastructure, such as system reconstruction work performed under the water and sewer reconstruction programs, SSO Consent Decree work and the Potomac WFP Consent Decree Program.

Water and Sewer Debt Service (Including PAYGO)
(\$ in thousands)



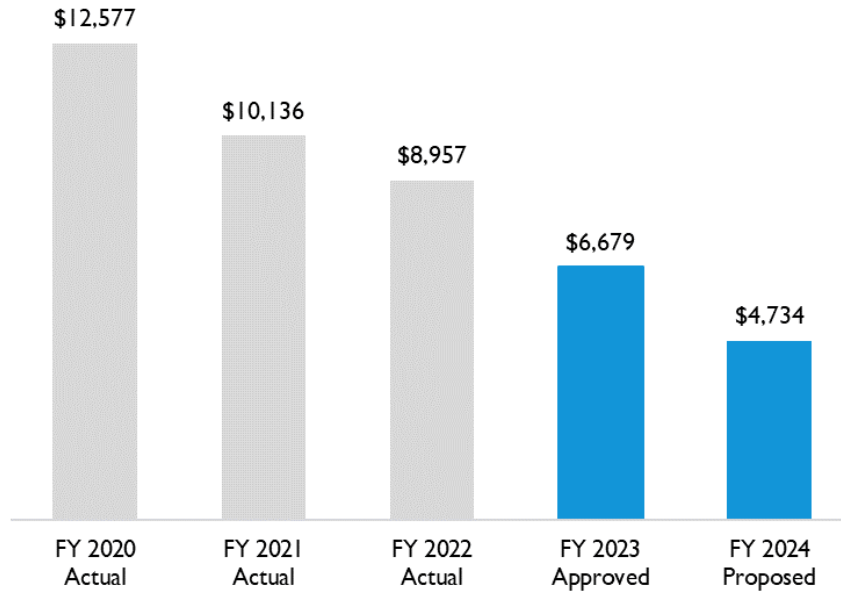
*In FY 2020 and FY 2021, PAYGO was reduced to zero as part of the COVID-19 savings plan.

DEBT SERVICE TRENDS (Continued)

General Construction Debt Service

The new issuance of General Construction bonds has greatly decreased over the years as funding for system extension projects is primarily paid for by developers. Correspondingly, the debt service requirements for the General Construction bonds has also been decreasing, from \$12.6 million in FY 2020 to an estimated \$4.7 million in FY 2024, a decrease of 62.4%. Principal and interest expenses on General Construction bonds are paid through FFBC and other revenues.

General Construction Debt Service
(\$ in thousands)



Note: Debt service expense is net of interfund transfers.

SECTION 10
WATER QUALITY AND REGULATIONS

WATER QUALITY AND REGULATIONS

Water and sewer utilities are heavily impacted by both current and emerging regulations. WSSC Water is committed to protecting the natural environment of Prince George's and Montgomery Counties as it carries out its mandate to provide drinking water and sanitary sewer services. This commitment focuses on those unique natural and manmade features (waterways, woodlands and wetlands as well as parklands, historical sites and residential areas) that have been designated by federal, state and local environmental protection laws and regulations. Specific impact information is included in the evaluation of alternatives by the agency's Asset Management Program, if the environmental features will be affected by the proposed construction of a project.

WATER QUALITY CAPITAL PROJECTS

A further extension of these protections has been funded by approximately \$169.6 million included in the Fiscal Year (FY) 2024 Proposed Budget which is attributable to meeting environmental regulations. These projects are mandated by the U.S. Environmental Protection Agency (EPA) under the Clean Water Act through the Maryland Department of the Environment in the form of more stringent state discharge permit requirements. These capital projects are listed in the following table.

Project Name	Phase	Proposed FY 2024 (\$ in thousands)
Sewer Reconstruction Program	Ongoing	\$ 65,439
Blue Plains WWTP: Pipelines & Appurtenances	Ongoing	16,452
Trunk Sewer Reconstruction Program	Ongoing	55,176
Potomac WFP Consent Decree Program	Construction	32,550
Total Water Quality Projects		\$ 169,617

At WSSC Water, our top priority is to continuously provide the customers with water that meets or surpasses strict federal Safe Drinking Water Act standards. WSSC Water provides updated information about water quality on our website at <https://www.wsscwater.com/what-we-do/water-quality>.



REVISED LEAD AND COPPER RULE

The EPA's Lead and Copper Rule (LCR) is one of the highest profile Safe Drinking Water Act (SDWA) regulations. First passed in 1992, the rule has largely remained unchanged outside of a few minor updates. WSSC Water continually meets all regulatory requirements of this rule and due to historically low lead and copper results, is currently under reduced monitoring. WSSC Water also proactively engages in voluntary actions to better address the concerns of lead in drinking water. In 2006, WSSC Water voluntarily completed a system-wide search and replacement program for lead service lines, replacing any lead pipes found in the spaces maintained by WSSC Water. As a results, 90th percentile lead level from the latest round sampling is below the analytical detection limit of 1 ppb, far below EPA's Action Level of 15 ppb. Building on this foundation, WSSC Water is preparing for continued compliance with EPA's Lead and Copper Rule Revisions (LCRR). Promulgated in December 2021, LCRR requires significantly increased level of compliance efforts. The changes in the new regulation include expanded customer tap sampling, monitoring from schools and childcare facilities, lead service line inventory, replacement plan and sampling plan. In addition to the existing lead action level (AL) of greater than or equal to 15 ppb, a lead trigger level (TL) of above 10 ppb but less than 15 ppb was established. WSSC Water plans to engage with the provisions of this rule in two phases which are divided by activities required before and after the start of compliance in January 2025.

The first phase of LCRR compliance includes

- Development of Lead Service Line (LSL) Inventory: All service lines, regardless of ownership, must be categorized as either lead, non-lead, galvanized requiring replacement (GRR), or unknown. This includes the need to evaluate existing plumbing records and field inspections of homes with potential LSL
- Development of the LSL Replacement Plan: If any lead, GRR, or unknown lines exist, WSSC Water must develop a replacement plan to replace the full lead service line. Mandatory replacement is required if the trigger level or action level is exceeded
- Proactive LSL replacement: If any service line is determined to be lead or GRR, WSSC Water will initiate a full LSL replacement. Proactive replacement both reduces the probability of an AL or TL exceedance while also lowering the total number of lines replaced in the event of an AL or TL exceedance. Financial assistance program may be developed as WSSC Water is not required to cover the cost of replacing the private portion of a service line
- Creation of public outreach and sampling material: This includes the publicly accessible LSL Inventory, education material for primary schools and licensed childcare centers, public notification material in the event of a TL or AL exceedance, and general public health education materials required under LCRR
- Proactive Sampling Program: Sites evaluated in the 2006 voluntary study will be sampled before the January 2025 compliance date to better understand lead risks while allowing WSSC Water to evaluate customer engagement strategies.

Once LCRR compliance begins

- Compliance Tap, School and Licensed Childcare Sampling: Compliance tap sampling requires 100 sites to be sampled every 6 months. WSSC Water must also sample 20% of primary schools and licensed childcare facilities each year for the first five year of compliance
- Continued Proactive LSL Replacement
- Continued LSL Inventory Update: WSSC Water will continue updating the inventory as unknown LSL materials are confirmed, and when required, proactively replace LSLs and GRRs
- Optimized Corrosion Control Treatment: WSSC Water currently monitors 25 distribution locations to ensure that water filtration plant corrosion control treatment is fully optimized. However, compliance sampling results may dictate the addition of up 25 extra sites or may require WSSC Water to completely reevaluate its corrosion control processes

WATER QUALITY CAMPAIGNS

WSSC Water takes great pride in providing an essential service to our customers in Montgomery and Prince George's Counties. This commitment to safe, clean water is why WSSC Water continues to report zero drinking water quality violations, a tradition that extends for over 100 consecutive years.

Drinking Water Source Protection

WSSC Water uses a multi-barrier approach to ensure that we supply safe, reliable and high-quality water to customers. The first step of this approach is protecting the sources of our drinking water, the Patuxent and Potomac rivers. One challenge is that the water in these rivers comes from areas far upstream, where there are multiple land uses and potential pollution sources. Due to the size of the watershed surrounding these two rivers, it is important for WSSC Water to form partnerships with regulatory and administrative agencies for each river. This allows the agency to participate in discussions related to land use policy and ensure source water protection is promoted. These partnerships are also important for raising awareness among partners about concerns related to water quality and safety. WSSC Water plays key roles in the Potomac River Basin Drinking Water Source Protection Partnership and the Patuxent Reservoirs Watershed Protection Group.



Lead Prevention In Drinking Water

If present, elevated levels of lead can cause serious health problems, especially for pregnant women and young children. Lead in drinking water is primarily from materials and components associated with service lines and home plumbing.

WSSC Water adds a corrosion inhibitor (orthophosphate) to the water supply which creates a coating on pipes (including those on customers' property) that prevents the pipes from leaching lead. While it is possible that some homes may have lead service lines or lead solder on the private property, WSSC Water's corrosion control methods can reduce the amount of lead leaching into water from these sources. Information about WSSC Water lead prevention methods can be found at <https://www.wsscwater.com/lead>.

While WSSC Water has not seen any lead levels requiring remediation measures, the following steps are recommended to further reduce the risks:

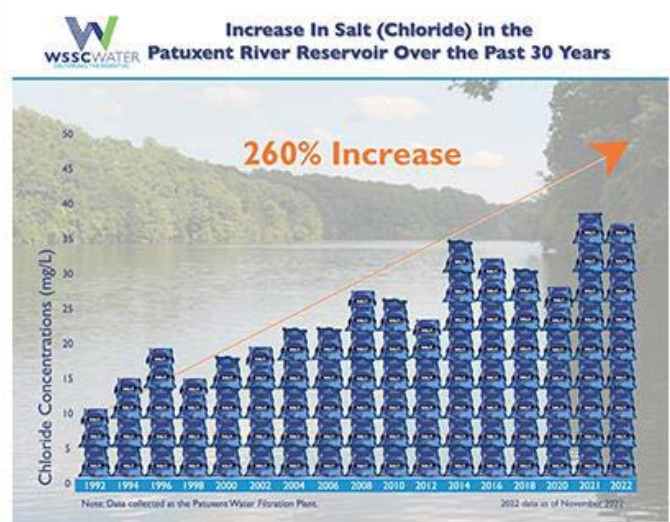
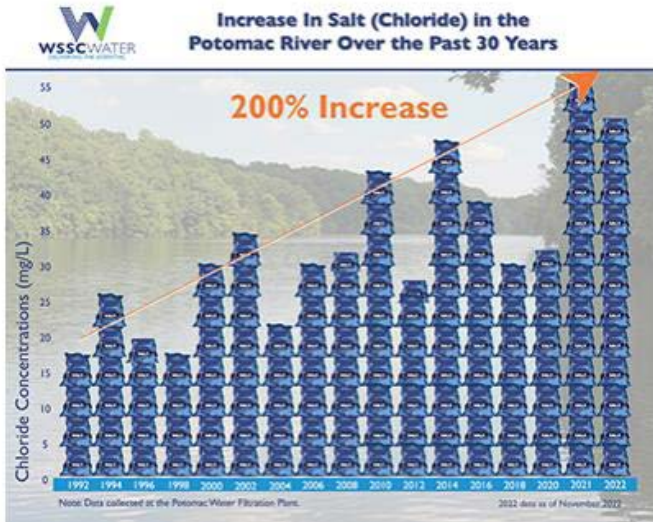
- Run water to flush out any potential lead content: if water has not been used for several hours, run water for 15 to 30 seconds or until it becomes cold or reaches a steady temperature before using it for drinking or cooking
- Use cold water for drinking, cooking and preparing baby formula
- Periodically remove debris from faucet strainers – recommended twice a year
- Have an electrician check the grounding in the home
- Look for alternative sources (e.g. bottled water) or treatment of water if lead levels are elevated
- Get children tested: contact a local health department or healthcare provider to find out how to get children tested for lead, if concerned about exposure

WATER QUALITY CAMPAIGNS (Continued)

Saltwise in Winter

Using salt on walkways, driveways and roads is harmful to the environment. Once the ice and snow melt, the salt does not go away. It seeps into the ground and wells, and travels with stormwater into streams, wells and drinking water reservoirs. It also corrodes pipes. It only takes 1 teaspoon of salt (sodium chloride) to permanently pollute 5 gallons of water to a level that is toxic to freshwater ecosystems. Salt in the water does not dissipate.

WSSC Water monitors the water in the Patuxent River reservoirs as well as the Potomac River, the source water for the Patuxent and Potomac WFPs. Sodium and chloride levels have been steadily increasing and, if the trend continues, could pose a problem in the future.



To keep excess salt out of local waterways, please do the following:

- Shovel snow and clear the pavement before snow turns to ice
- Only use salt if there is ice
- Apply the least amount of deicer necessary; a 12-ounce coffee mug full of salt is enough to treat a 20-foot driveway or 10 sidewalk squares
- Scatter the deicer and leave space between the grains
- When pavement temperatures drop below 15 degrees, salt will not work
- Consider using sand for traction
- Choose a deicer with calcium magnesium acetate; this is the most eco-friendly deicer
- Do not pretreat; salt placed on the pavement before a snowfall does not melt it or prevent it from sticking; additionally, weather can change and salt may have to be applied twice if the first application is covered up

Be Salt-Wise! It's Easy as 1-2-3

1

Shovel Right Away

2

Use Less Salt

= Melts 10 Sidewalk Squares

3

Sweep & Reuse

WATER QUALITY CAMPAIGNS (Continued)

Fats, Oils and Grease

Sanitary sewers are designed and constructed with enough diameter to carry the normal waste discharges from a residence or business. When cooking by-products, fats, oils and/or grease (FOG) are discharged to the sewer, the FOG can cool and accumulate on the interior of the sewer pipes. Over time, this accumulation of FOG restricts the flow and causes blockages in the sewer which can result in overflowing manholes or basement backups. Sanitary Sewer Overflows (SSOs) can discharge to storm drains and creeks, which will ultimately flow to the Chesapeake Bay. Get more information at <https://www.wsscwater.com/canthe grease>.

In addition to permitting and inspection efforts, WSSC Water has partnered with agencies such as the Restaurant Association of Maryland to help the food service industry understand the safest and best ways to dispose of FOG, and to train them in how to use Best Management Practices when dealing with FOG.



Keep The Wipes Out of The Pipes

Unfortunately, many wipes that are labeled “flushable” may go down the toilet, but they do not break apart in the system. The true test to determine if something is flushable: does it dissolve like toilet paper or organic waste? If the answer is no, then it is not flushable.

Literally tons of wipes, still intact, clog pumps at wastewater pumping stations across the nation or end up at WRRFs and then have to be hauled away. WSSC Water has spent over \$1 million to install grinders at a number of our wastewater pumping stations to deal with the growing problem of wipes in the pipes. WSSC Water reminds customers to use the trash can for trash.

Pharmaceuticals and Other Hazardous Wastes

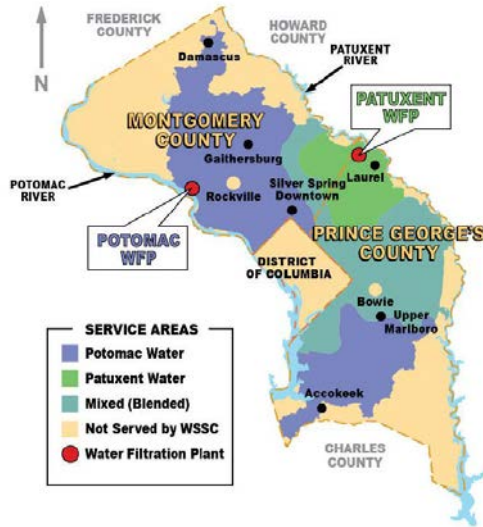
WSSC Water adopted the U.S. Food and Drug Administration recommendations to not dispose of unused or expired pharmaceutical drugs into the sanitary sewer system. Any pharmaceutical flushed down the toilet or discharged to the sanitary sewer system could potentially make its way into the drinking water source. WRRFs do not treat for many pharmaceuticals. Proper disposal of these items helps prevent future contamination to the environment.

WSSC Water advises disposing of pharmaceutical drugs in the trash, at a pharmacy or a police station. Additional information on disposal can be found on WSSC Water’s website at <https://www.wsscwater.com/waterquality> or by visiting <https://www.fda.gov> and searching for “disposal by flushing”.

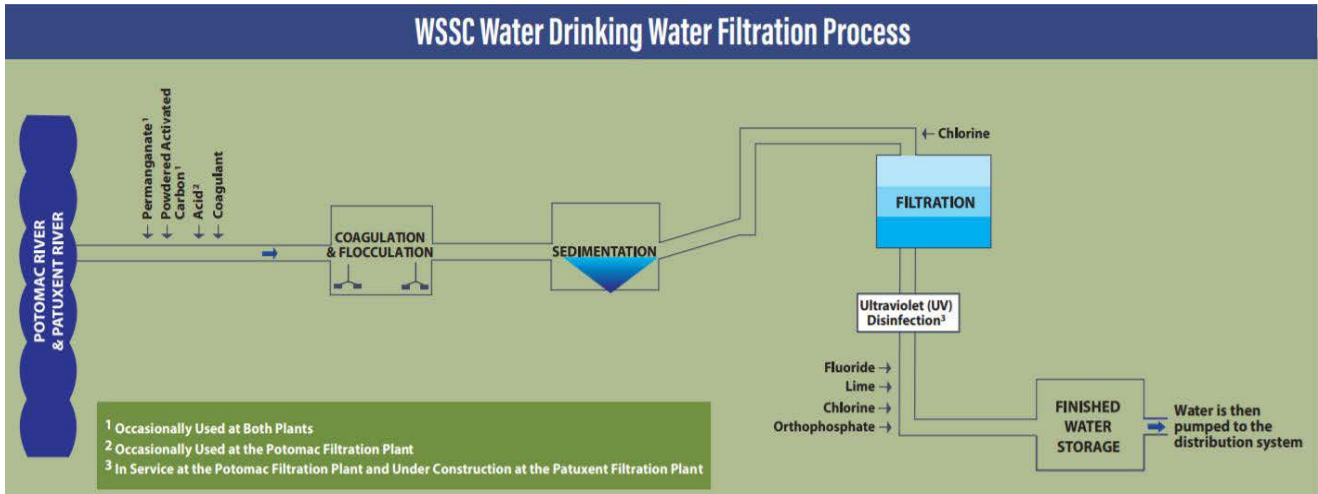
As for other hazardous wastes such as household cleaners, pesticides, paints, motor oil and prescription drugs: never pour them down the drain, in the toilet, on the ground or in storm drains. The best place to take these hazardous substances is to a recycling center. Please contact your County’s solid waste or waste management services for additional information.

PERFORMANCE OF KEY SERVICES

One of the WSSC Water’s primary goals is to provide a safe and reliable supply of drinking water that meets or exceeds the requirements of the Safe Drinking Water Act and other federal and state regulations. The Patuxent and Potomac rivers are the sources of all the water we filter and process. WSSC Water operates and maintains two water filtration plants located in Prince George’s and Montgomery Counties. The map below shows the approximate service areas of both plants.



WSSC Water drinking water undergoes extensive purification and treatment after it arrives at the plant and before it is sent to the distribution system for delivery. The filtration process passes all regulatory requirements to ensure the customers receive the best quality water. The graph below illustrates the drinking water filtration process.



Water Filtration and Treatment - Turbidity

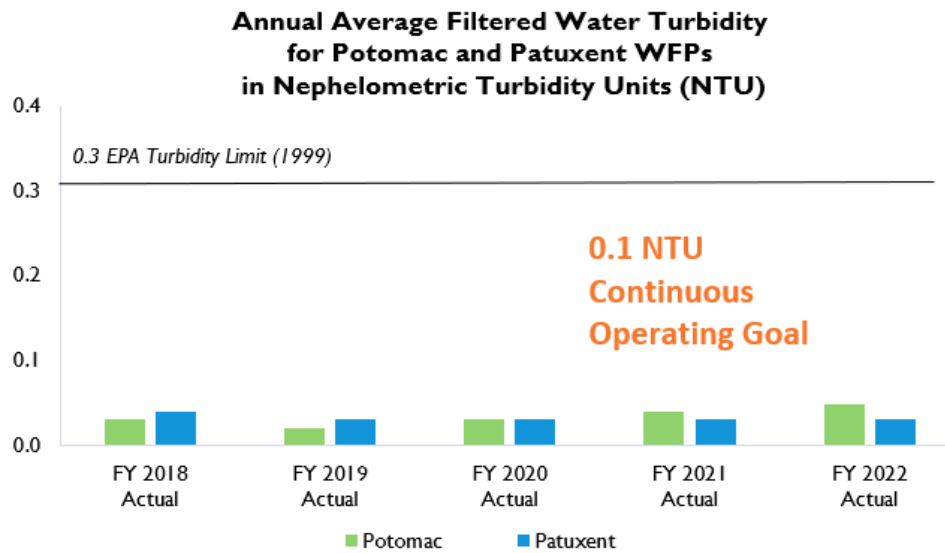
WSSC Water has never exceeded a maximum contaminant level or failed to meet a treatment technique requirement established by the EPA in accordance with the Safe Drinking Water Act.

In addition to traditional approaches to ensuring drinking water quality, WSSC Water continues to place particular emphasis on addressing low-level contaminants, such as disinfection by-products, and maintaining low levels of turbidity (suspended sediment) to ensure public health protection. The agency continues to work closely with local and national professional and research organizations, as well as with state and County agencies and the EPA, to ensure that our treatment methods are cost-efficient and consistent with current research findings.

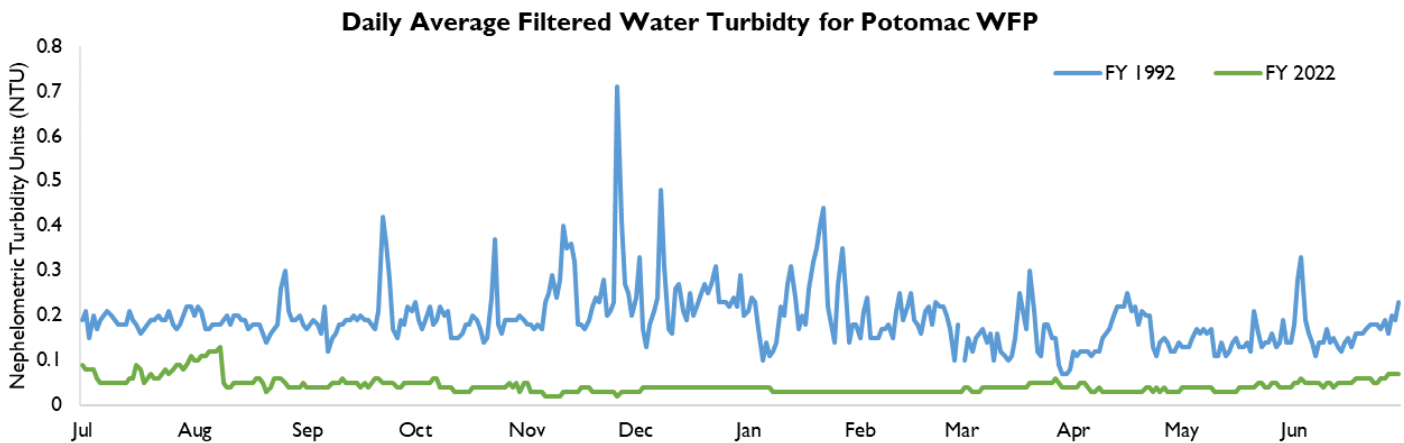
PERFORMANCE OF KEY SERVICES (Continued)

Water Filtration and Treatment – Turbidity (Continued)

WSSC Water’s continued participation in the Partnership for Safe Water Program is indicative of our commitment to protecting our drinking water. A primary goal of this program is to maintain filtered water turbidity well below EPA established limits to effectively guard against *Cryptosporidium*. *Cryptosporidium* is a microbial pathogen found in surface water throughout the U.S. Ingestion of *Cryptosporidium* may cause cryptosporidiosis, an abdominal infection. Although WSSC Water was already meeting the then newly established maximum average monthly turbidity requirement of 0.5 NTU, a substantial effort was made in FY 1992 to further improve water quality to prevent emerging problems associated with *Cryptosporidium*. The graph below shows the average turbidity for the Potomac and Patuxent Water Filtration Plants (WFPs) for FYs 2018-2022. The EPA reduced the turbidity limit to 0.3 NTU in 1999, still well above the levels being achieved by WSSC Water. A maximum water turbidity of 0.1 NTU level has been and will continue to be a key objective for WSSC Water’s Production Department.



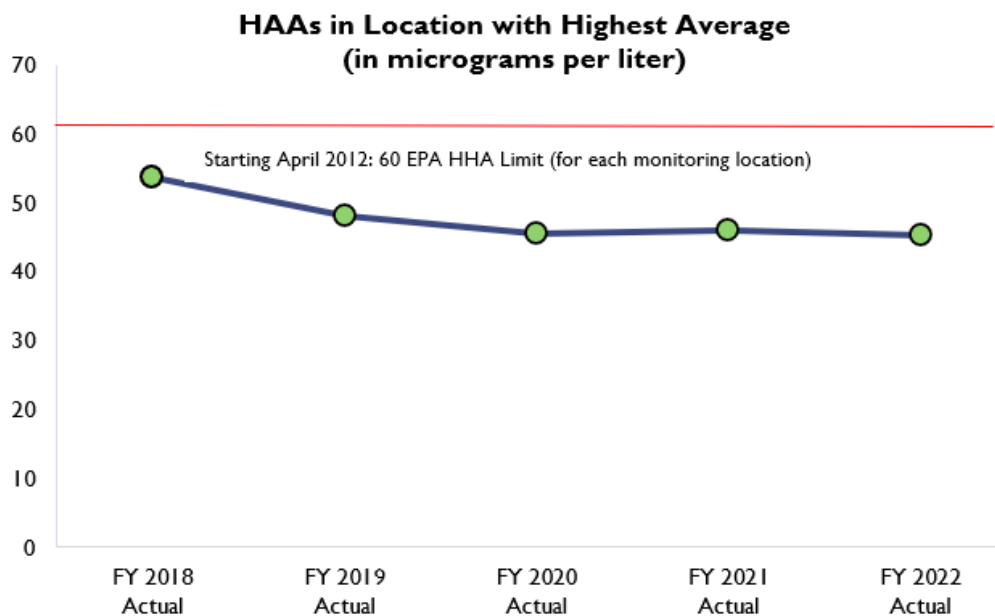
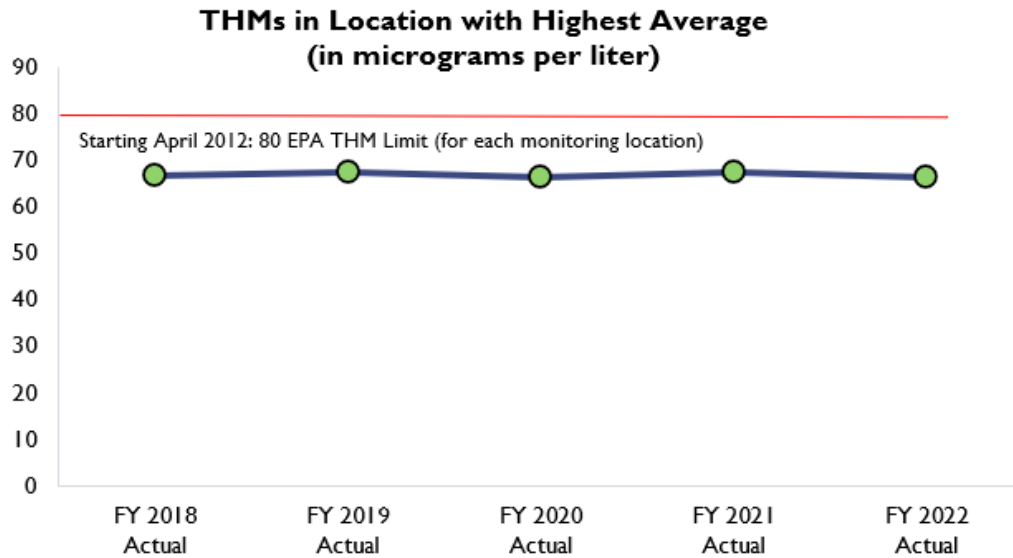
Not only has average turbidity been reduced, but also, as shown in the graph below for the Potomac WFP, the magnitudes of the daily peaks associated with variable raw water quality have been substantially reduced from FY 1992 peak levels. This latter measure is of particular importance in ensuring the reliability of the *Cryptosporidium* barrier. Finally, the ultraviolet disinfection systems at both the Potomac and Patuxent WFPs provide an extra barrier of protection against *Cryptosporidium*.



PERFORMANCE OF KEY SERVICES (Continued)

Water Filtration and Treatment – Trihalomethanes and Haloacetic

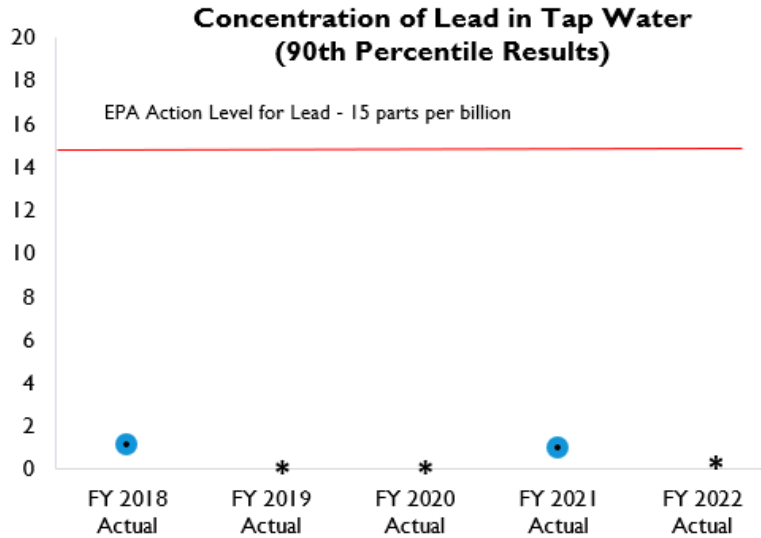
WSSC Water has also been aggressively pursuing enhanced coagulation (optimization of coagulant doses and pH levels to improve total organic carbon removal) to enhance disinfection byproduct precursor removal, thereby lessening the formation of potential carcinogens in the finished water. Effective January 2001, the EPA reduced the standard for trihalomethanes (THMs) from 100 to 80 micrograms or lower of total THMs per liter in finished water. At the same time, the EPA also established a maximum contaminant level for haloacetic acids (HAAs) of 60 micrograms of five HAAs per liter in finished water. As shown in the figures below, WSSC Water is meeting the THM and HAA standards with the help of its enhanced coagulation initiatives. The Stage 2 Disinfection By-products rule builds upon earlier rules and strengthens public health protection from disinfection by-products by requiring drinking water systems to meet maximum contaminant levels at each compliance monitoring location (as a locational annual average) instead of as a system-wide average as in previous rules. The annual average is shown below as the highest quarterly running annual average for a given fiscal year.



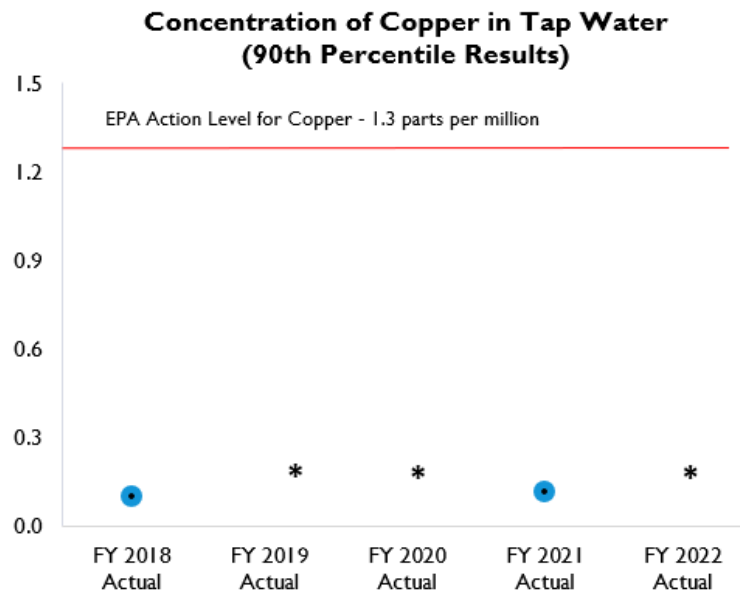
PERFORMANCE OF KEY SERVICES (Continued)

Water Filtration and Treatment – Tap Water Lead and Copper

Elevated levels of lead and copper in drinking water can cause serious health problems. WSSC Water continues its corrosion control program (using fine pH adjustment and the addition of orthophosphate) to minimize potential lead and copper corrosion in customer plumbing. The state has confirmed that WSSC Water’s treatment is optimized for corrosion control against lead and copper. As a result of treatment optimization, the state has allowed WSSC Water to be on a reduced monitoring schedule (both frequency of monitoring and number of samples) for much of the past two decades, with occasional periods of increased monitoring associated with treatment changes such as the implementation of orthophosphate addition. Results from the required triennial monitoring continue to indicate the 90th percentile lead and copper levels are well below the tap water action levels. The most recent round of monitoring was performed in FY 2021 with the 90th percentile for lead at <1.0 ppb. The next round of monitoring will be conducted in early FY 2024.



*No sampling required in these years.

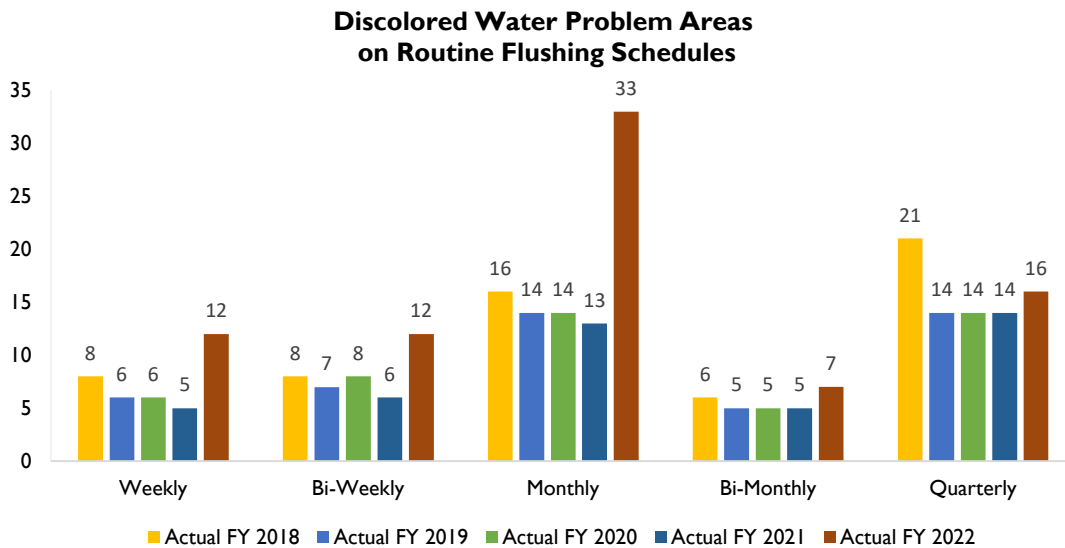
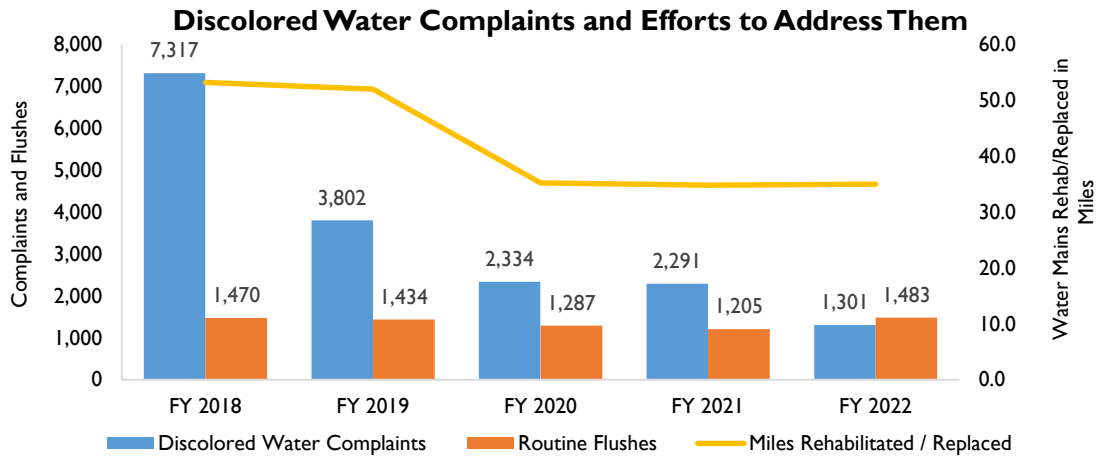


*No sampling required in these years.

PERFORMANCE OF KEY SERVICES (Continued)

Discolored Water

Unlined cast iron pipe eventually leads to discolored water in the distribution system as the water chemically reacts with the pipe to form iron oxides (rust) and accumulates deposits of iron and manganese that can become dislodged. This is a serious inconvenience for the affected customers, limiting and disrupting their normal water use. To combat this problem, an aggressive program was begun in FY 1996 to periodically flush water mains in the affected areas to keep the water clear. At the same time, WSSC Water augmented its ongoing program to resolve such problems by mechanically cleaning and relining the old mains with a new cement mortar lining. Cleaning and lining were discontinued in FY 2001 and WSSC Water focused on programmatic replacement of the affected water mains. In FY 2022 the agency replaced 29 miles of distribution mains and 6 miles of transmission mains. In addition, total discolored water events decreased from 2,310 to 1,301. The total routine flushing of water mains have increased, as planned, from an average of 1,442 from FY 2015 through FY 2020 to 1,483 in FY 2022, to reduce customer discolored water events.

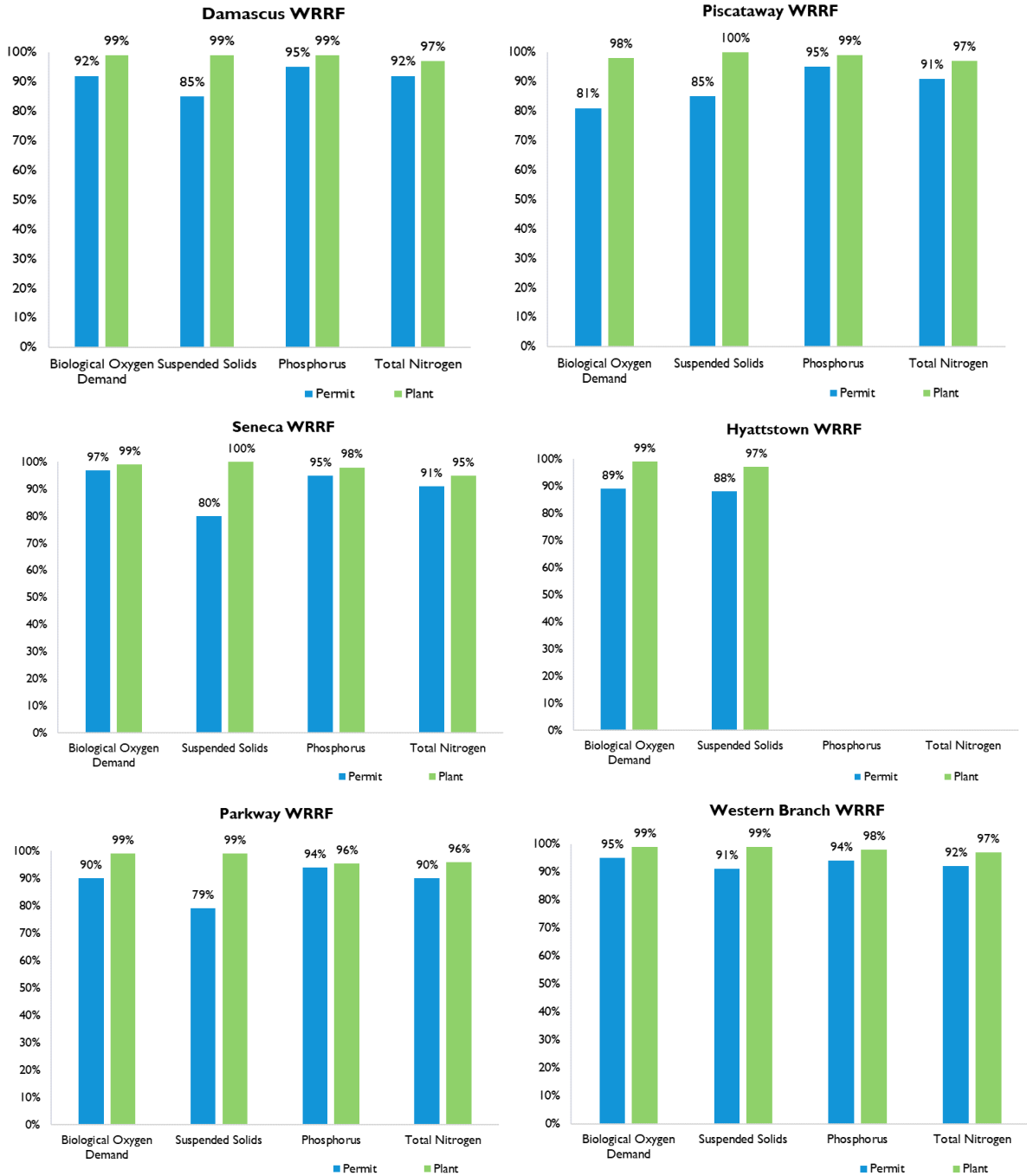


The graph above shows the number of areas requiring regular flushing on a weekly, bi-weekly, monthly, bi-monthly, quarterly, or semi-annual basis since FY 2018. FY 2022 planned flushing increases were attributable to the water main replacement program which reduced the number of water main breaks and resulted in fewer customer discolored water complaints.

PERFORMANCE OF KEY SERVICES (Continued)

FY 2022 Percentage Removal of Substances Regulated by Discharge Permits

The following graphs present actual FY 2022 plant performance for WSSC Water’s six Water Resource Recovery Facilities (WRRFs) in terms of the percentage of specific substances removed compared to state and federal discharge permit requirements. The substances regulated differ from plant to plant, depending (in part) on the river or stream into which the treated water is discharged. For FY 2024, the Production Department will continue to pursue its goal of meeting or surpassing the permit requirements for each plant.

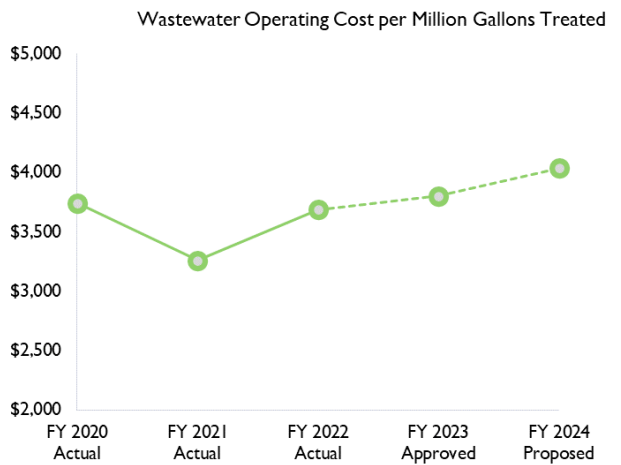
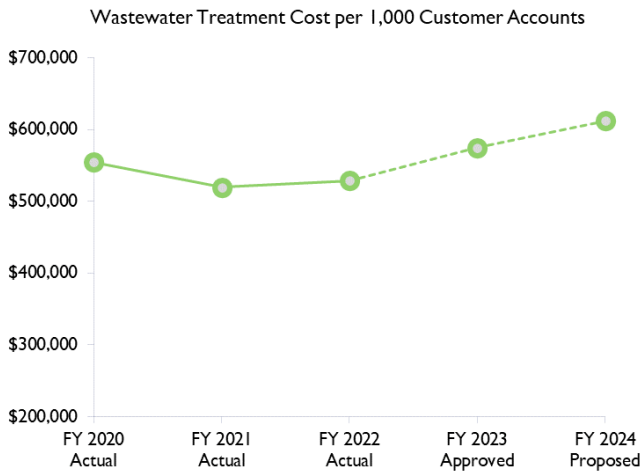
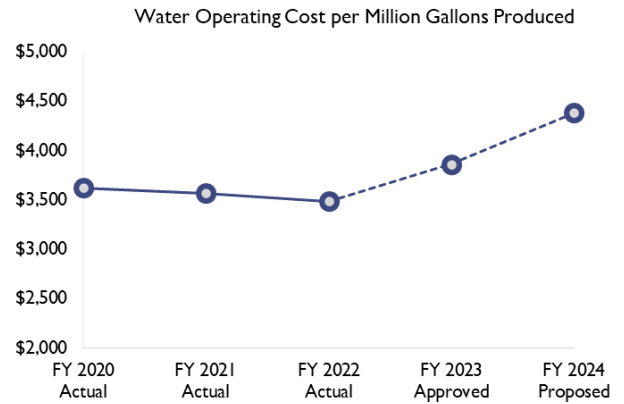
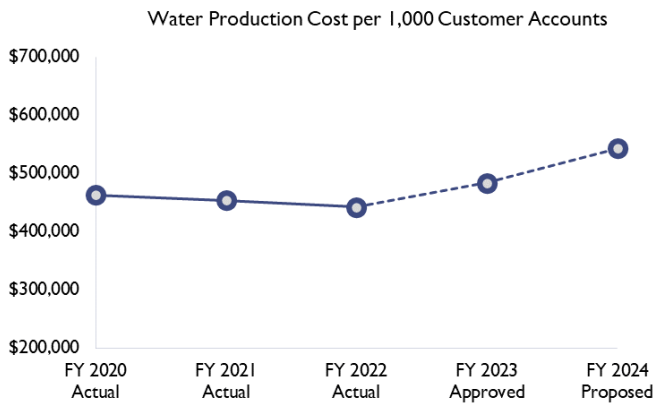


Note: Permit should be less than Plant

PERFORMANCE OF KEY SERVICES (Continued)

Water and Wastewater Operations

WSSC Water’s top priority is to continuously provide a safe and reliable supply of drinking water that meets all strict federal Safe Drinking Water Act standards. At the same time the agency works closely with local and national professional and research organizations, as well as with state and County agencies and the EPA, to ensure that our treatment methods are cost-efficient and consistent with current research findings. Despite inflation and the increased maintenance cost of our infrastructure systems, the agency continues to focus on being fiscally responsible with the water and wastewater operating costs. In the graph below showing the Wastewater Treatment Cost per 1,000 Customer Accounts, the FY 2022 cost is higher than in FY 2021 due to increased chemical costs. Similarly, the Wastewater Operating Cost per Million Gallons of Sewage Treated graph also shows the FY 2022 result higher than in FY 2021, also primarily due to the increase in chemical expenses.



Note: FY 2023 and FY 2024 are budgeted, not actual.

SECTION II
ORGANIZATIONAL BUDGETS AND MEASURES

ORGANIZATIONAL BUDGETS AND MEASURES

This section discusses expenses by organizational unit, assumptions related to WSSC Water's workforce and compensation, including retiree benefits. In addition, this section highlights the role, mission and core activities of each organization within the agency. It also provides goals, outcomes and measures for key performance metrics measured by the agency.

COMPARATIVE EXPENSES BY ORGANIZATIONAL UNIT ALL OPERATING AND CAPITAL FUNDS

Organization	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Change	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Governance & General Manager's Office								
Commissioners'/Corporate Secretary's Office*	2.0	\$ 590,990	2.0	\$ 477,706	2.0	\$ 490,357	-	\$ 12,651
Office of the Inspector General*	9.3	1,597,799	10.0	1,605,603	10.0	1,668,842	-	63,239
General Manager's Office	7.9	1,480,745	9.0	1,595,403	8.0	1,824,198	(1.0)	228,795
General Counsel's Office	24.7	7,332,817	29.0	10,562,152	29.0	10,690,162	-	128,010
Strategy & Partnerships								
Intergovernmental Relations Office	4.0	546,589	4.0	753,368	4.0	775,495	-	22,127
Strategy & Innovation Office	13.6	4,820,655	14.0	3,029,434	14.0	3,099,212	-	69,778
Communications & Community Relations Office	14.0	2,033,635	16.0	2,506,802	16.0	2,406,076	-	(100,726)
Human Resources Department	31.4	7,044,268	39.0	8,008,350	40.0	8,824,509	1.0	816,159
Customer Service Department	118.3	14,502,468	94.0	16,721,325	125.0	16,307,123	31.0	(414,202)
Operations								
Asset Management Division	5.6	1,945,946	7.0	2,636,714	7.0	2,680,815	-	44,101
Police & Homeland Security Office	35.4	4,531,797	40.0	5,336,375	40.0	5,487,066	-	150,691
Engineering & Construction Department	346.1	408,767,686	375.0	598,225,774	379.0	659,840,530	4.0	61,614,756
Production Department	307.0	148,187,143	340.0	159,986,489	345.0	180,643,157	5.0	20,656,668
Utility Services Department	461.9	88,332,540	511.0	103,934,530	510.0	120,929,454	(1.0)	16,994,924
Administration								
Office of Supplier Diversity & Inclusion	8.6	1,041,251	10.0	1,220,583	10.0	1,350,416	-	129,833
Procurement Office	21.8	2,652,501	31.0	3,181,169	31.0	3,454,267	-	273,098
General Services Department	82.8	38,949,379	98.0	38,834,334	99.0	56,249,817	1.0	17,415,483
Finance Department	59.7	7,627,397	64.0	8,221,268	64.0	8,425,887	-	204,619
Information Technology Department	87.3	53,085,927	103.0	56,299,284	103.0	61,091,863	-	4,792,579
Other								
Human Resources Non-Departmental	-	27,557,301	-	33,781,806	-	32,624,782	-	(1,157,024)
Finance Non-Departmental								
Debt Service	-	289,213,777	-	328,523,374	-	333,201,310	-	4,677,936
PAYGO	-	27,585,000	-	31,016,000	-	44,000,000	-	12,984,000
Other (Social Security, Retirement, etc.)	-	32,949,761	-	54,603,458	-	59,818,218	-	5,214,760
Retirement Trust Chargeback	-	(769,300)	-	(1,673,547)	-	(1,632,330)	-	41,217
Total	1,641.4	\$1,171,608,072	1,796.0	\$1,469,387,754	1,836.0	\$1,614,251,226	40.0	\$ 144,863,472

(*) Commissioners (6) and Inspector General (1) not included in totals for workyears. However, funds shown in table do provide for associated workyear expenses

Note: Explanations of workyear and budget variances are included in the department details of Section II

"Section II - Organizational Budget and Measures" in the upcoming FY 2024 Approved Budget book will be updated in the event the organizational structure is revised

ORGANIZATIONAL UNIT AND FUND MATRIX – ALL OPERATING AND CAPITAL FUNDS

For each organizational unit, the Organizational Unit and Fund Matrix illustrates the funds to which costs are charged.

Budget: Fund Type:	Operating			Capital		
	Water Operating	Sewer Operating	General Bond Debt Service	Water Supply	Sewage Disposal	General Construction
Governance & General Manager's Office						
Commissioners'/Corporate Secretary's Office	X	X	X	X	X	X
Office of the Inspector General	X	X	X	X	X	X
General Manager's Office	X	X	X	X	X	X
General Counsel's Office	X	X	X	X	X	X
Strategy & Partnerships						
Intergovernmental Relations Office	X	X	X	X	X	X
Strategy & Innovation Office	X	X	X	X	X	X
Communications & Community Relations Office	X	X	X	X	X	X
Human Resources Department	X	X	X	X	X	X
Customer Service Department	X	X				
Operations						
Asset Management Division	X	X				
Police & Homeland Security Office	X	X	X	X	X	X
Engineering & Construction Department	X	X		X	X	X
Production Department	X	X			X	
Utility Services Department	X	X		X	X	X
Administration						
Office of Supplier Diversity & Inclusion	X	X	X	X	X	X
Procurement Office	X	X	X	X	X	X
General Services Department	X	X	X	X	X	X
Finance Department	X	X	X	X	X	X
Information Technology Department	X	X	X	X	X	X
Other						
Human Resources Non-Departmental	X	X	X	X	X	X
Finance Non-Departmental						
Debt Service	X	X	X			
PAYGO	X	X				
Other (Social Security, Retirement, etc.)	X	X	X	X	X	X
Retirement Trust Chargeback	X	X	X	X	X	X

WORKFORCE AND COMPENSATION

The workforce and compensation assumptions approved for Fiscal Year (FY) 2024 incorporate the policy and guideline recommendations discussed in the Sections 4 and 6.

Salaries & Wages Summary

	<u>FY 2024 Proposed</u>	
	Work Years	Amount
Base Positions Funded Full Year	1,836	\$ 167,686,052
Overtime		7,809,862
Subtotal		175,495,914
Lapse on Base Positions*		(14,244,190)
Subtotal		161,251,724
Salary Enhancements		8,790,340
Salary - 6 Commissioners		78,500
Total	1,836	\$ 170,120,564

*Lapse is the reduction of gross salary costs due to vacancies and normal delays in filling positions.

Employee Benefits

The following employee benefits are funded in WSSC Water’s FY 2024 Proposed Budget through a combination of lump sum or payroll-based contributions.

FICA (Social Security & Medicare) – Contributions are collected each payday based on actual payroll. Since contribution rates and salary maximums change at the start of the calendar year, figures used in the budget represent an average of the projected changes for FY 2024. The employer rates are 6.2% for Social Security and 1.45% for Medicare.

Workers' Compensation – This is handled by the Human Resources Office. Contributions are set each year based on an actuarial valuation of exposures, past and projected claims experience and administrative expenses.

Group Insurance – The contributions for health insurance are actuarially determined, and the contribution for life insurance is based on fixed rates per coverage amounts based on an employee’s salary. Contribution rates are set based on various factors, including the fund balance in the Retiree Other Post-Employment Benefits (OPEB) Trust and claims cost experience.

Retirement System – WSSC Water maintains a retirement system for its employees which is intended to provide income during their retirement years. Annual employer contributions to the Employees’ Retirement Plan are actuarially-determined and set at a level percentage of pay. This ratio is currently 16.9% of pay and has remained consistent over a number of years. The Employees’ Retirement Plan is administered by an Executive Director who is appointed by the General Manager.

WORKFORCE AND COMPENSATION (Continued)

Employee Benefits (Continued)

Retiree Health Benefits Trust – The trust is a single employer contributory fund established to address the rising cost of life insurance and medical benefits for future retirees and beneficiaries. Through a trust vehicle, annual contributions by WSSC Water are set aside and actively invested. Employer contributions to the Trust are actuarially-determined and set at a level dollar amount above the annual retiree claims expense. This amount, \$5.4 million in recent years, has been contributed to the Trust in addition to the payments made to directly cover the costs of annual retiree claims. Over time, funding would be sufficient to pay for future retiree health benefits, as well as any accrued interest on the unfunded liability.

Employee and retiree benefits and related expenses are budgeted in two non-departmental organizations for Human Resources and Finance.

GOVERNANCE & GENERAL MANAGER'S OFFICE

Governance & General Manager's Office are comprised of the offices listed below.

Budget Summary

Governance & General Manager's Office	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Commissioners'/Corporate Secretary's Office*	2.0	\$ 590,990	2.0	\$ 477,706	2.0	\$ 490,357	-	\$ 12,651
Office of the Inspector General*	9.3	1,597,799	10.0	1,605,603	10.0	1,668,842	-	63,239
General Manager's Office	7.9	1,480,745	9.0	1,595,403	8.0	1,824,198	(1.0)	228,795
General Counsel's Office	24.7	7,332,817	29.0	10,562,152	29.0	10,690,162	-	128,010
Total	43.9	\$ 11,002,351	50.0	\$ 14,240,864	49.0	\$ 14,673,559	(1.0)	\$ 432,695

(*) Commissioners (6) and Inspector General (1) not included in totals for workyears. However, funds shown in table above provide for associated workyear expenses

COMMISSIONERS'/CORPORATE SECRETARY'S OFFICE

WSSC Water is governed by a six-member Commission of appointed officials.

The Commission provides oversight of WSSC Water and establishes policies for the operation of the agency within the legal framework of Division II of the Public Utilities Article of the Annotated Code of Maryland. Three Commissioners are appointed by the Prince George's County Executive and three by the Montgomery County Executive, subject to approval by the two respective County Councils.

The Corporate Secretary is a corporate officer responsible for overseeing the day-to-day operations of the Commissioners'/Corporate Secretary's Office and managing WSSC Water's corporate functions, to include organizing and facilitating agency meetings, drafting and posting official meeting agendas, preparing official meeting minutes, maintaining the agency's corporate seal and certifying documents on behalf of the agency. The Corporate Secretary also serves as the agency's registered agent, official custodian of records and liaison to customers and other stakeholders on behalf of Commissioners.



COMMISSIONERS'/CORPORATE SECRETARY'S OFFICE (Continued)

Mission Statement

To function as the official governing body of WSSC Water responsible for setting general policy for WSSC Water's operation, while providing leadership, guidance and oversight.

Core Activities

Public Oversight and Corporate Functions – The Commission provides public oversight of WSSC Water, conducts the corporate business of the agency, such as adopting rates and fees, reviewing management reports and approving contracts. The Commissioners collectively sit as the Audit Committee to monitor WSSC Water's audit processes, financial reporting processes, system of internal controls, and compliance with laws, regulations, and the WSSC Code of Ethics. The Corporate Secretary assists the Commissioners in conducting the corporate business, serves as WSSC Water's registered agent, serves as parliamentarian at the meetings of the Commission and prepares official meeting minutes for public inspection.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) is an independent office of WSSC Water. The OIG was established and is governed by the WSSC Office of the Inspector General Act, as promulgated under Maryland Public Code 17-601 et seq. (2018). The OIG reports to the Commission.

The OIG assesses the effectiveness and efficiency of WSSC Water operations and programs and serves to promote transparency for the agency stakeholders, as well as serving as the safety net for compliance with rules, regulations and overall best business practices. The OIG administers the Fraud, Waste and Abuse Hotline and investigates reported allegations.

The OIG is responsible for providing independent and objective recommendations that add value to and improve WSSC Water's programs and operations. The OIG helps the agency accomplish its mission by providing a systemic, objective and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within WSSC Water.

Mission Statement

To help WSSC Water meet its objectives in a fiscally transparent, sustainable and ethically responsible manner, by conducting independent audits, evaluations and investigations; making evidence-based recommendations to promote economy, efficiency and effectiveness; and preventing and detecting fraud, waste, abuse, mismanagement and misconduct within WSSC Water programs and operations.

Core Activities

Performance Audits – This activity includes engagements that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, to reduce costs, to facilitate decision-making by parties with responsibility to oversee or initiate corrective action and to contribute to public accountability.

Assurance Services – This activity provides an objective examination of evidence for the purpose of providing an independent assessment on risk management, control or governance processes for the organization. Examples may include financial, compliance, system security and due diligence engagements. Assurance audits add value by improving opportunities to achieve organizational objectives, identifying operational improvement and/or reducing risk exposure.

Attestation Engagements – This activity can cover a broad range of financial or nonfinancial objectives about the subject matter or assertion depending on the users' needs. In an attestation engagement, the subject matter or an assertion by a party other than the auditors is measured or evaluated in accordance with suitable criteria. The work the auditors perform and the level of assurance associated with the report vary based on the type of attestation engagement.

OFFICE OF THE INSPECTOR GENERAL (Continued)

Core Activities (Continued)

Special Request Audits – The OIG periodically receives requests for audit work from Commissioners, WSSC Water’s Board of Ethics and WSSC Water’s management and stakeholders. These are one-time audits of identified problem areas that are performed on a priority basis. All requests for special audits are carefully considered.

Fraud, Waste and Abuse Hotline – This activity provides a centralized reporting vehicle for WSSC Water’s employees, customers, contractors and other stakeholders of the agency to report suspected occurrences of fraud, waste and abuse anonymously, without fear of retaliation. The OIG staff includes Certified Fraud Examiners which serves as investigators of occurrences reported through the Fraud, Waste and Abuse Hotline.

GENERAL MANAGER'S OFFICE

As WSSC Water’s chief executive, the General Manager/CEO provides managerial direction to all agency operations and support functions and serves as the agency’s primary representative in relations with the Counties, state and other outside parties.



Mission Statement

To provide strategic direction to ensure WSSC Water provides safe and reliable water to customers, and returns clean water to the environment, all in an ethical, sustainable and financially responsible manner.

Core Activities

General Management – This activity includes coordinating and supervising the agency-wide activities of WSSC Water and recommending courses of action to the Commissioners. As the principal executive, the General Manager/CEO is responsible for all agency operations and functions.

GENERAL COUNSEL'S OFFICE

The General Counsel's Office (GCO) represents WSSC Water as legal counsel in judicial and administrative proceedings, advocating and defending its interests in those proceedings. This office educates agency personnel about legal requirements and preventable risk, and also investigates and resolves claims made against the agency.

Mission Statement

To provide legal representation to WSSC Water in a tradition of excellence in the quality of services provided to its clients, while maintaining the highest standards of professional ethics and integrity.

Core Activities

Legal Services – This activity provides legal advice, guidance and preventive legal measures on regulatory and administrative matters to WSSC Water staff and officials regarding statutory, regulatory and administrative matters. The office also assists in the lawful formulation, adoption, implementation and enforcement of WSSC Water's policies, procedures, rules, regulations and programs.

Claims – This activity involves investigating claims made against WSSC Water to determine liability exposure, assessing damages to determine appropriate settlement value, negotiating liability claims settlement and pursuing claims against responsible third parties for damages incurred by the agency, within delegated levels of authority.

Billed Work – This activity involves investigation of damage to WSSC Water's property caused by others, or damage WSSC Water causes to others.

Ethics Office Administration – The Ethics Officer administers the Code of Ethics and provides support to the Board of Ethics. Responsibilities include maintaining the Financial Disclosure Forms, managing the Lobbyist Registration Awareness Program and associated registration forms and preparing quarterly and annual reports for the Montgomery and Prince George's County Councils. The Ethics Officer handles ethics inquiries, provides ethics training and is responsible for monitoring WSSC Water's standards, policies and procedures to ensure compliance.

STRATEGY & PARTNERSHIPS

Strategy & Partnerships oversees the people and partnerships of the agency. The Deputy General Manager for Strategy & Partnerships provides leadership and guidance on building strategic collaboration with customers, legislators, businesses and other key stakeholders. These partnerships are essential to ensuring the General Manager’s vision for enhancing customer experience. The Deputy General Manager also oversees internal functions critical to employees, including human resources and fair practices. Strategy & Partnerships is comprised of the offices and departments listed below.

Budget Summary

Strategy & Partnerships	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Intergovernmental Relations Office	4.0	\$ 546,589	4.0	\$ 753,368	4.0	\$ 775,495	-	\$ 22,127
Strategy & Innovation Office	13.6	4,820,655	14.0	3,029,434	14.0	3,099,212	-	69,778
Communications & Community Relations Office	14.0	2,033,635	16.0	2,506,802	16.0	2,406,076	-	(100,726)
Human Resources Department	31.4	7,044,268	39.0	8,008,350	40.0	8,824,509	1.0	816,159
Customer Service Department	118.3	14,502,468	94.0	16,721,325	125.0	16,307,123	31.0	(414,202)
Total	181.3	\$ 28,947,615	167.0	\$ 31,019,279	199.0	\$ 31,412,415	32.0	\$ 393,136

Note: Variance explanations are available in the respective department details

INTERGOVERNMENTAL RELATIONS OFFICE (IRO)

The Intergovernmental Relations Office oversees WSSC Water's legislative agenda and represents the agency before elected bodies. The office is responsible for researching, developing, analyzing and lobbying for or against legislation impacting WSSC Water. In addition, the office also serves as a liaison between WSSC Water and elected officials.

Mission Statement

To analyze the impact of state and federal legislation on WSSC Water and act as the agency's representative before legislative bodies. The office cultivates and maintains key stakeholder relationships with elected, government, community, industry and business stakeholders to champion WSSC Water’s policy interests and obtain resources necessary to fulfill our mission of providing safe and reliable water, life’s most precious resource, and returning clean water to our environment, all in an ethical, sustainable and financially responsible manner.

Core Activities

Intergovernmental Relations – This activity focuses on the passage of WSSC Water’s legislative agenda, increasing communication with state and local governments and increasing the agency’s role in federal legislative issues.

STRATEGY & INNOVATION OFFICE

The Strategy & Innovation Office looks across the entire organization to identify where we can work smarter, collaborate and use data to make informed decisions. Led by the Chief Strategy & Innovation Officer, the office is comprised of the divisions in the following chart.

Organizational Structure



Mission Statement

To develop, communicate, execute and sustain strategic initiatives, innovation and enterprise risk management. The office is accelerating organizational performance through cohesive strategy planning and execution, knowledge management and the implementation of an organizational dashboard for impact and organizational effectiveness.

Budget Summary

Strategy & Innovation Office	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Chief Strategy & Innovation Officer	2.0	\$ 302,437	2.0	\$ 395,573	2.0	\$ 399,889	-	\$ 4,316
Strategic Performance Division	5.8	708,302	6.0	867,227	6.0	884,757	-	17,530
Innovation & Research Division	5.8	1,410,368	6.0	1,404,934	6.0	1,452,866	-	47,932
Organizational Development Division	-	2,399,548	-	361,700	-	361,700	-	-
Total	13.6	\$ 4,820,655	14.0	\$ 3,029,434	14.0	\$ 3,099,212	-	\$ 69,778

Explanation of Major Variances

The FY 2024 Proposed Budget did not materially change from the FY 2023 Approved Budget.

Highlights

- Supporting achievement of WSSC Water’s Strategic Plan by engaging employees, customers and Commissioners in the Strategic Plan update for FYs 2023-2025
- Developing WSSC Water’s Digital Strategy with IT, beginning with a high-level inventory of systems and data
- Facilitate organizational development to optimize Customer-to-Meter (C2M) billing system and processes

STRATEGY & INNOVATION OFFICE (Continued)

Accomplishments

- Enhanced the risk management process across the organization, provided training and facilitated risk workshops
- Enhanced digital transformation and digital WSSC Water community
- Continue to support leak detection strategies partnering with Utility Services Department
- Received Patent on Fire Hydrant Tool
- Completed various plant production improvements by developing innovative products including a solids bin de-clogging air cannon at Patuxent water filtration plant (WFP) and a solids pump repair rigging system, a lime silo high-flow chute adaptor and a sedimentation pump electric hoist crane, all at the Potomac WFP
- Continued research for the side-stream enhanced biological phosphorus removal pilot at Parkway Water Resource Recovery Facility (WRRF)
- Developed a business and marketing plan for the biosolids WSSC Water will produce at the new Piscataway Bioenergy facility

Racial Equity and Social Justice

- Strategy & Innovation Office (SIO) provides leadership to advance the full WSSC Water Strategic Plan ensuring clean safe reliable water to all customers and returning clean water to our environment. SIO leads production of Commission Performance Reports and Dashboards and has expanded quality data and research areas supporting racial equity and social justice initiatives. We also have facilitated Montgomery County Planning Department presentation to our Data Community on equity focus areas and have an upcoming Data Community presentation about Montgomery County census and neighborhood change. The additional quality data and knowledge in these areas helps WSSC Water with community outreach to provide enhanced customer and financial assistance to our most vulnerable customers.

OFFICE OF THE CHIEF STRATEGY & INNOVATION OFFICER

The Chief Strategy & Innovation Officer is responsible for leading and managing the Strategy & Innovation Office.

Core Activities

Management and Administration – This activity involves the management and supervision of the Strategy & Innovation Office. The Chief Strategy & Innovation Officer is responsible for creating an environment where innovative ideas and new ways of doing business are encouraged across the agency.

STRATEGIC PERFORMANCE DIVISION

The Strategic Performance Division engages employees in strategic planning and facilitates alignment with the WSSC Water strategic priorities by using data and risk analysis to inform decision-making. The division also provides internal consulting services on data analysis, enterprise risk, surveys, business planning and process improvement.

Core Activities

Strategic Planning – This activity supports the leadership team and Commissioners in charting WSSC Water's future. Key functions include strategic plan workshops, tracking plan achievement, Leaders on the Same Page meetings and employee outreach efforts.

STRATEGIC PERFORMANCE DIVISION (Continued)

Core Activities (Continued)

Enterprise Risk Management – This activity supports the leadership team in achieving the Commission's strategic objectives by designing and implementing the Enterprise Risk Management Plan. The program identifies, assesses, responds, monitors and reports risks and opportunities through regular activities, such as: risk management training, risk workshops, risk registers and enterprise risk reports.

Strategic Analytics – This activity identifies, collects and analyzes data to educate and inform business decisions. Key products include: WSSC Water's Digital Strategy, the Commission Performance Report, WSSC Water's Data Community, internal dashboards and American Water Works Association utility benchmarking.

INNOVATION & RESEARCH DIVISION

The Innovation & Research Division focuses on finding new ideas, technologies and process changes to improve operational efficiency, empower employees, develop new products and services, create new tools to compliment safe work practices, share our knowledge and expertise to benefit the industry, expand our partnerships and increase the sustainability of our infrastructure. The office also identifies, evaluates and pursues revenue opportunities created from innovative ideas and research.

Core Activities

Innovation and Research – This activity researches problems, develops possible solutions and tests results. The division applies ideas and solutions to increase internal and external customer value and productivity.

Business Development Activities – This activity involves the development, review and implementation of opportunities to generate non-rate related revenues through the sale of services or products.



ORGANIZATIONAL DEVELOPMENT DIVISION

Organizational Development (OD) is focused on increasing organizational effectiveness through changes in processes and systems. OD supports WSSC Water in adapting to change by facilitating cross-organizational teams to achieve anticipated business outcomes for transformational projects. The Organizational Division supports the Customer Service, Utility Services and Finance Departments in adapting to the C2M billing system.

Core Activities

Facilitation – This activity includes leading weekly meeting of business offices to share cross-organizational perspectives on system adaptation and prioritize fixes for quarterly technology releases. It plans OD work activities to improve business outcomes.

Process – This activity comprises of working with business leaders to document and streamline work processes through system re-configurations and robotic process automation. It provides quality assurance and operations support to fulfill tasks generated by systems.

People – This activity develops tailored communication on process and system changes resulting from quarterly releases, provide training on system changes and develop dashboards and data marts to assist managers in making data-driven decisions.

COMMUNICATIONS & COMMUNITY RELATIONS OFFICE

The Communications & Community Relations Office proactively communicates internally and externally while building relationships and strategic alliances throughout communities and industries. The office also provides the news media with timely and accurate information, manages crisis communications, oversees the content on the WSSC Water website and provides graphic and photographic services.

Mission Statement

To provide timely and accurate information that is designed to educate and inform the Communications & Community Relations Office's internal and external customers and enhance WSSC Water's image.

Core Activities

Media and Public Relations – This activity includes numerous functions which inform our customers, improve relationships with the media and constituencies and enhance WSSC Water's image. These functions include preparing news releases, conducting interviews with the press, briefing the media, performing public service announcements, conducting customer surveys and managing various platforms of social media.

Publications – This activity includes efforts related to the preparation and/or distribution of annual reports, brochures, booklets, newsletters, customer bill inserts and the transition of printed information to the agency's website.

Community Outreach – This activity includes informing customers and stakeholders in a variety of ways including attending community events, assisting with engineering and construction project meetings and organizing In Your Neighborhood meetings and STEAM education programs. We host our own programs while also supporting community fairs and large events organized by other agencies. The community outreach teams works with our Customer Service department to support the Customer Feedback Community and disseminate information related to Protecting Our Pipes and Fats, Oils and Grease (FOG), customer assistance programs, and tips for reducing water usage to customers across our service area.

Other Public Communications Projects – This activity involves preparing communications materials for requested meetings and events, coordinating tours for dignitaries, ordering promotional materials, producing informational videos and providing advisory services to other offices and teams on their communications needs or issues.

Internal Communications and Events – This activity informs WSSC Water employees about company news, events, policies and benefits, and coordinates special events, service awards ceremonies and giving campaigns. This activity also communicates WSSC Water's strategic priorities and values to the agency's staff.

Graphics, Photography and Videography Support – This activity provides support to all WSSC Water business units with needed graphics design and photographic and videographic services.

Web Content Administration – This activity includes overall management of WSSC Water's website and oversight of the web content publication process for each organization within the agency, including creating, updating and publishing public notices, feature tabs, news releases, photo galleries and the events calendar. This activity also recommends, drafts and edits website content to provide user-friendly information to WSSC Water customers and stakeholders; manages the content on the internal website (intranet); assists other offices and divisions on their training and content needs; and provides content for agency-wide activities, need-to-know business and messages from senior leadership.

HUMAN RESOURCES DEPARTMENT

The Human Resources (HR) Department is responsible for planning, administering and evaluating the WSSC Water's personnel related programs. It is also responsible for providing a safe, inclusive and healthy work environment for WSSC Water employees, administering occupational safety and health programs to ensure compliance with all federal, state and local regulation. The department also oversees the equal employment policies. Lead by the Director of HR, the department is comprised of the divisions in the following chart.

Organizational Structure



Mission Statement

To deliver best-in-class services and workforce development solutions that contribute to the success of WSSC Water through the attraction, retention and engagement of a talented and diverse workforce.

Budget Summary

Human Resources Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Human Resources Office	22.6	\$ 4,068,662	26.0	\$ 4,383,285	28.0	\$ 5,122,053	2.0	\$ 738,768
Occupational Safety & Health Division	8.3	2,914,241	9.0	3,119,107	9.0	3,150,665	-	31,558
Equity, Engagement and Inclusion Division	0.5	61,365	4.0	505,958	3.0	551,791	(1.0)	45,833
Total	31.4	\$ 7,044,268	39.0	\$ 8,008,350	40.0	\$ 8,824,509	1.0	\$ 816,159

Explanation of Major Variances

The FY 2024 Proposed Budget for the HR Department reflects an increase of approximately 10.2% above the FY 2023 Approved Budget. The increase is primarily due to the allocation of funds for the newly established Family and Medical Leave Insurance Program also known as Time to Care Act of 2022.

Interdivisional workyear transfers are made to address operational needs.

Highlights

- Managing ongoing COVID-19 response to maintain a safe working environment
- Development of the first WSSC workforce report and HR activity report

HUMAN RESOURCES DEPARTMENT (Continued)

Accomplishments

- Reorganized the Equity, Engagement and Inclusion Division
- Digitalization of HR files with the help of electronic data management
- Successfully negotiated a new three-year collective bargaining agreement contract

Racial Equity and Social Justice

- Implemented salary adjustments to modify equity adjustment across the agency.

HUMAN RESOURCES OFFICE

The Human Resources Office develops and maintains the employee benefit structures and the classification and compensation programs, conducts training courses and manages the employee recruitment functions. The Human Resources Office also provides counseling services on a variety of employee relations issues, and adheres to all applicable federal, state and local regulations. It is also responsible for providing a safe, inclusive and healthy work environment for WSSC Water employees, administering occupational safety and health programs to ensure compliance with all federal, state and local regulations. The office also supports the negotiation and management of any collective bargaining agreement.

Core Activities

Talent Development – This activity involves the development, planning and administration of corporate employee development including succession management and tuition assistance programs; career development and counseling; leadership, management and supervisory development; knowledge capture and transfer methodologies; computer skills training; and assisting operating units with externally provided technical training.

Benefits Administration – This activity involves the development, administration and communication of all employee and retiree benefit plans, leave programs and deferred compensation plan to ensure they meet all regulatory requirements and interfaces with GCO, payroll and other financial systems. This activity also provides for the employee wellbeing program, which incorporates opportunities for employees to become engaged to make healthier behavioral and lifestyles choices.

Employee and Labor Relations – This activity designs, implements and administers WSSC Water's human resources programs including, but not limited to employee relations, labor relations, accommodations, unemployment, onboarding, exit processes, policies and procedures. provides advice and guidance on human resources services to departments and staff offices on resolution of employee relations and labor relations matters. This activity provides support for collective bargaining; compliance with employment regulations; and policy development, implementation and interpretation as well as other assigned duties.

Compensation and Human Resources Information System – This activity develops, plans and manages the compensation program in alignment with WSSC Water's compensation philosophy and regulatory requirements, and manages the human resources information management system. This activity develops and maintains the classification and pay schedules, maintains job descriptions, performs market analysis and job evaluations to determine appropriate grade assignment, addresses salary issues provides report and data analysis and maintains employee records.

Talent Acquisition – This activity includes recruitment, internal staffing (promotions, transfers and voluntary demotions), assessment testing, selection, hiring and onboarding compliance processes. This function is also responsible for internship, apprenticeship and student cooperative program development, implementation and management. This function assists with contingent worker hiring, workforce planning, and statistical analysis of recruitment and staffing activities.

OCCUPATIONAL SAFETY & HEALTH DIVISION

The Occupational Safety & Health Division provides administration of the WSSC Water Safety and Health Program to ensure compliance with governing federal, state and the agency safety regulations. It is also responsible for providing a safe, inclusive and healthy work environment for WSSC Water employees, administering occupational safety and health programs to ensure compliance with all federal, state and local regulations.

Core Activities

Occupational Safety and Health – This activity provides for the development and supervision of the agency-wide programs to minimize the risk of injuries, accidents and damage to WSSC Water property. This activity develops and implements training and medical surveillance, performs safety audits and inspections, evaluates work practices, recommends safety improvements, ensures safe use of hazardous materials and reviews design of the agency facilities.

EQUITY, ENGAGEMENT AND INCLUSION DIVISION

The Equity, Engagement and Inclusion (EEI) Division ensures WSSC Water's compliance with EEO laws and practices, and address employee discrimination, harassment and retaliation issues and complaints in accordance with the agency's policies and procedures. The division transforms employee engagement with efforts to assess, design and implement initiatives that support H2O People by improving awareness of equity and inclusion.

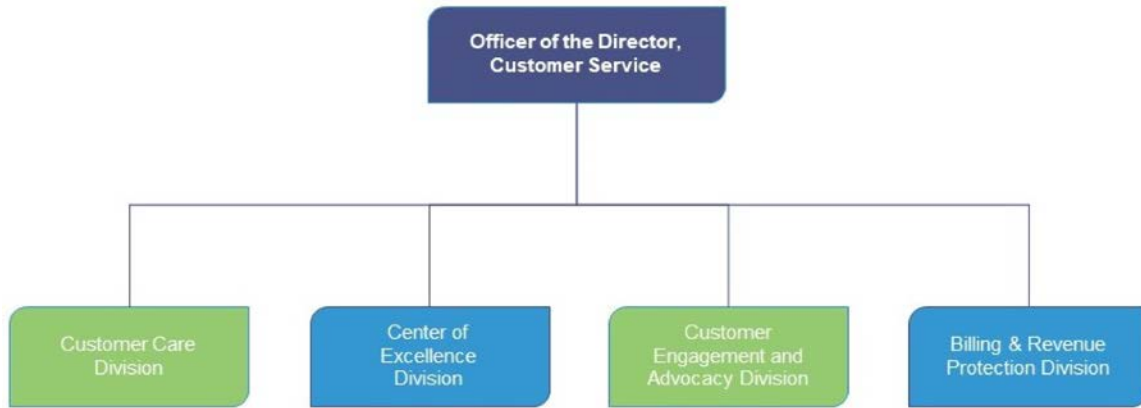
Core Activities

Equal Employment Opportunities – This activity directs the application of WSSC Water's equal employment principles and goals, and outlines the responsibilities of management, supervisory and non-supervisory personnel in fostering a spirit of equal employment opportunity. Also included in the activity are investigations of discrimination, harassment and retaliation claims in accordance with the agency's policy and procedures.

CUSTOMER SERVICE DEPARTMENT

The Customer Service Department is responsible for providing residential and commercial customers with timely, accurate, and responsive account services and customer financial assistance solutions to help pay their water and sewer bills. The Department helps customers understand the rates for water and sewer services, initiates start and stop services, and educates customers about topics ranging from water consumption to finding household plumbing leaks. Key priorities for the Customer Service Department include improving the overall customer experience and streamlining operations to improve customer satisfaction. Specific initiatives include continued stabilization and optimization of the customer-to-meter billing system, development and expansion of customer financial assistance programming, and customer self-service enhancements. Led by Director of Customer Service, the department is comprised of the divisions in the following chart.

Organizational Structure



Mission Statement

To provide a world-class customer experience to every customer, every time, by treating all customers in a friendly, helpful and professional manner.

Budget Summary

Customer Service Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Director, Customer Service	4.9	\$ 551,598	4.0	\$ 3,654,405	4.0	\$ 641,426	-	\$ (3,012,979)
Customer Care Division	62.0	6,276,092	54.0	6,076,209	60.0	6,568,992	6.0	492,783
Center of Excellence Division	6.9	674,530	5.0	735,372	12.0	1,542,103	7.0	806,731
Customer Engagement & Advocacy Division	6.1	771,342	6.0	829,950	6.0	849,710	-	19,760
Billing & Revenue Protection Division	38.4	6,228,906	25.0	5,425,389	43.0	6,704,892	18.0	1,279,503
Total	118.3	\$ 14,502,468	94.0	\$ 16,721,325	125.0	\$ 16,307,123	31.0	\$ (414,202)

Explanation of Major Variances

The FY 2024 Proposed Budget for the department reflects an increase of 31 workyears the cost of which is offset by \$3 million reduction in temporary services. The new positions are spread across 3 divisions: 6 to Customer Care, 7 to Center of Excellence and 18 to Billing & Revenue. Overall there is slight decrease in the budget.

CUSTOMER SERVICE DEPARTMENT (Continued)

Highlights

- Customer service optimization to improve performance in the Customer Call Center
- Continued funding for enhancements to financial assistance programs that will provide conservation kits, plumbing inspections for qualified customers and high bill leak adjustment assistance to qualified customers
- Continued development of customer financial assistance programming

Accomplishments

- Maintained billing timeliness by billing 99.9% of customer accounts in a timely manner
- Successfully transitioned to hybrid remote/in office customer service operations from fully remote operations
- Grew the number of customers enrolled in Customer Assistance Program (CAP) by over 10.0% from FY 2021
- Resumed turnoffs, reducing peak delinquencies by 14.5%, while continuing to offer generous payment plans to customers and supporting the Low-Income Household Water Assistance Program (LIHWAP), Maryland Homeowner Assistance Fund and several other assistance programs
- Expanded customer outreach and engagement including distribution of over 500,000 customer financial assistance inserts in bills and letters
- Implemented Customer Service Power BI dashboards and robotic process automation to provide reports and improve efficiency in processing
- Enhanced interactive voice response system and call management system to provide Spanish language information, self service, and customer service

Racial Equity and Social Justice

- WSSC Water recognized the devastating impact of the pandemic on our community and suspended late fees and water service turnoffs from March 2020 to August 2021. As turnoffs resumed, WSSC Water encouraged customers to establish payment plans to avoid turnoffs and supported LIHWAP, Maryland Homeowner Assistance Fund and several other assistance programs. We will continue robust customer engagement to connect with customers about financial assistance options. We will continue developing new customer financial assistance programs and implementing enhancements to further support vulnerable and hard-to-reach customers. Focus will be on reducing the barriers that prevent customers from accessing these programs.

OFFICE OF THE DIRECTOR, CUSTOMER SERVICE

Specific initiatives include optimization of the Customer-to-Meter (C2M) billing system, development and expansion of customer financial assistance programming and customer self-service enhancements.

Core Activities

Management and Administration – This activity involves the management and supervision of the Customer Care, Center of Excellence, Customer Engagement & Advocacy and Billing & Revenue Protection divisions.

CUSTOMER CARE DIVISION

The Customer Care Division serves as the voice of WSSC Water for customer oriented services and is comprised of the Customer Service Center and Research & Communications Section. The division responds to general and complex customer requests, such as customer assistance with billing matters, research and analysis and assisting our walk-in customers.

Core Activities

Customer Correspondence – This activity addresses written correspondence received from WSSC Water customers. Inquiries and communications received via letter, fax or electronic mail are entered into the C2M database to accurately reflect the customer's account history.

Dispute Resolution/Refund Hearings – This activity focuses on all aspects of the dispute resolution and/or refund hearing process and the administrative functions necessary to track, evaluate and prepare information associated with the hearings.

Customer Account Inquiry (Non-Emergency) – This activity addresses customers’ billing issues stemming from telephone conversations and walk-in inquiries. Specifically, this activity includes analyzing account records regarding household customer water use habits; generating work orders; scheduling and evaluating field service activities in the C2M database such as inspections, field investigations and restoration of service; and educating customers on such topics as sources of water loss, water conservation and customer assistance programs.

Goals, Objectives and Outcome Measures

Goal: Provide a quick response to customer problems or system emergencies. Strategic Priority: Enhance customer experience

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Provide timely response to customer queries	Percentage of calls answered (non-emergency calls)	80.0% / 87.0%	71.0% / 87.0%	90.0%	90.0%
Reliable, consistent and timely billing	Accounts billed on-time	99.8% / 99.5%	99.9% / 99.8%	99.9%	99.9%

CENTER OF EXCELLENCE DIVISION

The Center of Excellence Division provides centralized strategies and resources for the Customer Service Department, including workforce scheduling, forecasting and resource allocation; quality assurance, training and coaching; employee engagement and performance-based management; and innovative business process and customer service technology strategies for the enterprise.

Core Activities

Workforce Management, Quality Assurance and Training – This activity includes developing and managing strategies related to workforce optimization, quality assurance, employee engagement, departmental performance and training.

Process and Technology – This activity includes developing and managing strategies via continuous process improvement and technological innovation.

CUSTOMER ENGAGEMENT & ADVOCACY DIVISION

The Customer Engagement & Advocacy Division serves as an advocate for all customers for resolving complex customer service issues and promoting effective customer relationships. This division informs communities and stakeholders about WSSC Water priorities and projects and promotes customer assistance programs and initiatives.

Core Activities

Customer Awareness – This activity focuses on educating WSSC Water external customers on water conservation and publishing and distributing material on WSSC Water’s contributions to the surrounding communities. The activity also involves informing customers of any projects or events that will impact their water and sewer service.

BILLING & REVENUE PROTECTION DIVISION

The Billing & Revenue Protection Division manages billing and collections operations, billing adjustments and corrections and revenue analysis and management. The division partners with the Utility Services Department to handle account collections and turn-offs and support timely and effective meter reading.

Core Activities

Billing and Revenue Protection – This activity ensures effective and efficient billing, accounts receivable collection functions and fraud management. Additionally, the division assesses and authorizes requests for billing adjustments, manages delinquent accounts and reconciles billing.

Water and Sewer Bill Composition and Printing – This activity comprises the design, composition, printing and distribution of electronic and paper water and sewer bills to customers.

Customer Account Maintenance – This activity is associated with processing bill adjustments granted to customers who meet the adjustment policy criteria, updating adjustments to customer accounts in the C2M database and investigating refund requests, which may result in customer account modifications.

Monthly Bill Customer Account Inquiry – This activity determines appropriate actions to ensure that customers are billed accurately, particularly large users. The activity also ensures that malfunctioning meters which inaccurately measure consumption are properly identified, investigated and either repaired or replaced.

OPERATIONS

Operations refers to the departments critical to the planning, design, construction, operation and maintenance of the agency’s water and sewer services. The Deputy General Manager for Operations provides leadership, oversight and guidance regarding facility planning, construction, maintenance and operations, as well as maintenance and repair of the agency’s vast water distribution and sewer collection systems, ensuring continuous delivery of life’s most precious resource. The offices and departments that fall under Operations are listed in the table below.

Budget Summary

Operations	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Asset Management Division	5.6	\$ 1,945,946	7.0	\$ 2,636,714	7.0	\$ 2,680,815	-	\$ 44,101
Police & Homeland Security Office	35.4	4,531,797	40.0	5,336,375	40.0	5,487,066	-	150,691
Engineering & Construction Department	346.1	408,767,686	375.0	598,225,774	379.0	659,840,530	4.0	61,614,756
Production Department	307.0	148,187,143	340.0	159,986,489	345.0	180,643,157	5.0	20,656,668
Utility Services Department	461.9	88,332,540	511.0	103,934,530	510.0	120,929,454	(1.0)	16,994,924
Total	1,156.0	\$ 651,765,112	1,273.0	\$ 870,119,882	1,281.0	\$ 969,581,022	8.0	\$ 99,461,140

Note: Variance explanations are available in the respective department details

ASSET MANAGEMENT DIVISION

The Asset Management Division is responsible for the development and implementation of world class asset management strategies and practices in order to balance the competing goals of maximizing the level of service we deliver to our customers, while at the same time minimizing the lifecycle cost of the assets and the business risk exposure of the agency; sustaining the infrastructure to continue delivering the highest level of reliable water and wastewater service; optimizing decision-making processes; and maximizing the utilization of existing resources.

Mission Statement

To implement asset management strategies to strengthen current asset management practices and develop an Enterprise Asset Management Plan which identifies the infrastructure needs for a 30-year planning period and is utilized to develop a 10-year fiscal plan.

Core Activities

Asset Management Program – This activity involves the development and implementation of the WSSC Water Asset Management Program. The program includes the development of asset management plans, processes and procedures for all WSSC Water facility assets, water transmission and distribution assets, wastewater collection assets and support service facility assets. This effort is being delivered in multiple phases over a number of years. In addition, the office oversees WSSC Water’s Project Needs Validation Process, which focuses on identifying the most effective solution based upon lifecycle costs, risk and level of service.

Business Case Evaluations – This activity performs evaluations to determine the most effective solutions to validated needs based upon lifecycle cost, business risk exposure and level of service.

POLICE & HOMELAND SECURITY OFFICE

The Police & Homeland Security Office is responsible for safeguarding the agency's real property; providing for the safety of WSSC Water personnel, customers and visitors to our facilities; investigating theft of service cases; investigating illegal discharge of substances into the wastewater collection system; and investigating complaints of criminal activity which occur on agency property.



Mission Statement

To provide the highest quality critical infrastructure security, police and emergency management services to WSSC Water to protect the people, resources and infrastructure operated by the agency.

Core Activities

Security Services – This activity provides security for employees and visitors to the agency-owned property and facilities. This involves conducting proactive patrols of all WSSC Water properties and facilities; implementing and proactively monitoring centralized physical and electronic security systems; expanding and improving the performance of electronic security systems; enforcing all rules, regulations and laws regarding forestry, the environment and protection of natural resources; and providing proprietary guard services to WSSC Water facilities.

Investigative Services – This activity involves investigation into civil, criminal and administrative matters, and/or incidents involving the agency property or personnel. Also included are background investigations of contractors and potential agency employees, theft of water service, and illegal waste dumping.

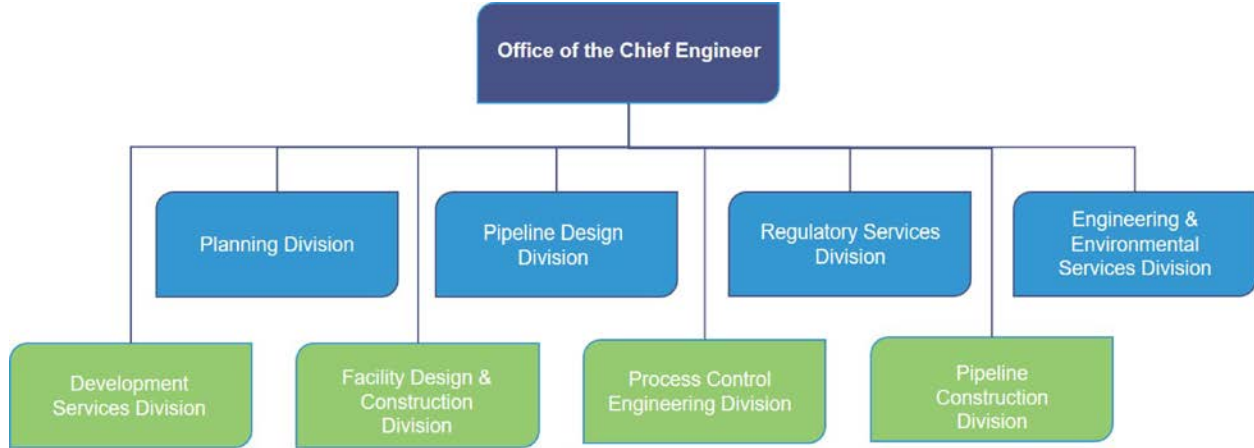
Emergency Management – This activity includes coordination of the entire preparedness cycle - planning, training and exercising, for emergency situations and disasters. This activity is also responsible for assisting in the agency-wide coordination of response to large-scale emergency incidents and disasters and coordinating with state and local government public safety agencies during those incidents. Emergency management includes updating of emergency response, operations and Continuity of Operations Plans (COOP). In particular, COOP is an effort within individual executive departments and agencies to ensure continued performance of essential functions during all-hazards, both natural and man-made. Emergency management also includes management of and improving follow-through on improvement planning processes and after-action reports following emergency exercises and real-world incidents.

Risk and Threat Assessment and Mitigation – This activity involves conducting risk and resiliency assessments and revision of emergency response plans under the America's Water Infrastructure Act (S. 3021; Public Law 115-270, enacted October 23, 2018). Utilities must also review and, if necessary, revise these documents at least every five years. The law requires community water systems to complete risk and resiliency assessments that have considered physical risks posed by malicious actors and natural disasters, as well as risks from cyber threats. The assessments must consider possible impacts to treatment and distribution infrastructure, as well as intakes and source water. Systems are also required to assess their computer and automated systems, chemical use and storage, operations and maintenance, monitoring practices and financial infrastructure.

ENGINEERING & CONSTRUCTION DEPARTMENT

The Engineering & Construction (E&C) Department manages the planning, design and construction of the water and sewer systems throughout the Washington Suburban Sanitary District (WSSD), and serves as the water and sewer regulatory body that protects the system and the public. The department emphasizes continuous improvement through the development and management of its people, the efficient use of existing and emerging technologies and the use of scientific, engineering and business knowledge to proactively solve practical problems. Led by the Chief Engineer, the department is comprised of the divisions shown in the following chart.

Organizational Structure



Mission Statement

To provide engineering and regulatory expertise to plan, design and build necessary infrastructure as well as operational support for delivering safe water and wastewater services in a timely, cost-effective and environmentally sound manner.

Budget Summary

Engineering & Construction Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Chief Engineer	1.8	\$ 269,792	2.0	\$ 11,109,747	2.0	\$ 12,017,853	-	\$ 908,106
Development Services Division	49.4	5,484,755	50.0	5,723,377	50.0	5,841,886	-	118,509
Planning Division	13.8	20,161,481	14.0	81,122,525	14.0	85,204,730	-	4,082,205
Facility Design & Construction Division	27.0	151,041,617	31.0	192,333,080	31.0	182,098,509	-	(10,234,571)
Pipeline Design Division	35.6	17,979,392	41.0	32,539,744	44.0	36,209,265	3.0	3,669,521
Process Control Engineering Division	12.2	2,753,873	14.0	2,715,341	14.0	2,838,633	-	123,292
Regulatory Services Division	73.4	7,120,178	78.0	7,493,947	80.0	7,918,577	2.0	424,630
Pipeline Construction Division	78.5	195,566,720	83.0	251,766,991	83.0	315,060,783	-	63,293,792
Engineering & Environmental Services Division	54.4	8,389,878	62.0	13,421,022	61.0	12,650,294	(1.0)	(770,728)
Total	346.1	\$ 408,767,686	375.0	\$ 598,225,774	379.0	\$ 659,840,530	4.0	\$ 61,614,756

ENGINEERING & CONSTRUCTION DEPARTMENT (Continued)

Explanation of Major Variances

The FY 2024 Proposed Budget for the E&C Department reflects an overall increase of 10.3% from the FY 2023 Approved Budget. The operating budget for the department increased by \$4.4 million, an increase of 8.1%. The increase is associated with an increase in the water reconstruction work and is offset in part by a decrease in sewer reconstruction work. The department's capital budget increased by \$57.2 million or 10.5%. Recent rise in inflation is the primary source of the increase to the capital budget coupled with the FY 2023 reductions. This resulted in an increase to water rehabilitation and sewer and water reconstruction work and is offset in part by a decrease in the Piscataway Bioenergy project.

Overall, 5 new positions are added to the E&C department that consists of 2 plumbing inspectors and 3 project managers for the water and sewer infrastructure projects. Additional work years changes were done to address the department's operational needs.

Highlights

- WSSC Water continues to comply with all aspects of the Sanitary Sewer Overflow Consent Decree with all sewer assets completed and the required 2-year monitoring period that follow
- WSSC Water Potomac WFP Consent Decree Program was in design and construction during FY 2022 and FY 2023. The Potomac solids handling building expansion is continuing construction in FY 2023 and has a projected completion date of February 2023. The gravity thickener expansion construction will begin in FY 2023 and has a projected completion of July 2025. The sediment basin backwash improvements are currently under construction in FY 2023 and has a projected completion date of January 2026
- The Piscataway Bioenergy project construction started in FY 2020 and will continue in FY 2023 with a estimated completion date of November 2024

Accomplishments

- The distribution and transmission main replacement programs completed 29.8 miles of rehabilitation in FY 2022

Racial Equity and Social Justice

- The E&C Department implements projects and strives to minimize contract spending disparities in support of the Office of Supplier Diversity and Inclusion (OSDI). The department collaborates with SIO in the production of Commission Performance Reports in the areas of racial equity and social justice.

OFFICE OF THE CHIEF ENGINEER

The Chief Engineer is responsible for leading and managing the E&C Department.

Core Activities

Management and Administration – This activity involves the management and supervision of the E&C Department. The Chief Engineer is responsible for leading capital project delivery, regulatory compliance processes, process controls for water and wastewater treatment facilities, and environmental initiatives.

Unsigned System Extension Permit (SEP) – This activity reserves funds for developer projects that do not yet have a signed SEP, in the event WSSC Water has to proceed with development.

DEVELOPMENT SERVICES DIVISION

The Development Services Division is responsible for the integrity of WSSC Water's water and sewer system through oversight of the planning, design and construction of developer-built water and sewer extensions, WWPS and relocations. The division also reviews all plumbing, gas-fitting and house connection permit applications; issues permits; collects related fees and charges; administers the System Development Charge (SDC) reimbursement process; and reviews and processes site utility plans, service connection submittals and applicant built construction packages and Release for Service Requests.

Core Activities

Development Design – This activity includes three stages of design: planning, design review and construction coordination for developer-built land development projects. Planning includes hydraulic analysis, determining the adequacy of existing mains and requirements for the size and alignment of new water and sewer mains, easements and coordination with other jurisdictions. Design review encompasses the review and approval of construction plans of new and/or relocated developer-built water and sewer mains for both WSSC Water and privately-owned systems associated with new development and issuance of all house connection, plumbing and site utility installation permits. Construction coordination involves review and approval of plan revisions during construction, as well as processing partial and final releases and working with other WSSC Water divisions to close-out and store as-built data for completed projects.

Permits – This activity includes reviewing plumbing, gas-fitting and house connection permit applications and issuing permits within the WSSD. It also ensures regulatory requirements are met and assesses and collects levies, related fees and charges.

PLANNING DIVISION

The Planning Division responsibilities are three-fold. First, it is responsible to ensure adequate capacity of the water treatment, transmission, distribution, and storage systems, as well as the wastewater treatment, collection and conveyance systems for both existing and future customers. Secondly, it is responsible to develop projects and perform preliminary engineering before they are transferred to the design teams in order to expedite the project delivery process. Part of this effort includes several infrastructure replacement programs including water mains, wastewater pumping stations, force mains, and pre-stressed concrete cylinder pipe (PCCP). Lastly, it is responsible to develop new, and manage existing, regional cooperative agreements with adjoining jurisdictions and other agencies with whom WSSC Water shares resources, and to provide technical resources that advise the agency concerning any proposed State and Federal policy initiatives, laws and regulations that may impact its activities. This includes review and approval of all invoices related to WSSC Water's relevant share of the wastewater CIP projects for the District of Columbia Water and Sewer Authority (DC Water) and Charles County.

Core Activities

Need Analysis & Facility Planning – This activity identifies and develops water and sewer system capacities through computerized hydraulic modelling and identifies deficiencies and solutions to mitigate them. This work is limited to CIP-sized facilities and can include development-related needs. It also develops long-range flow projections, provides technical support for County 10-year water and sewer plan revisions and prepares quarterly reports on available capacity.

Special Investigations and Technical Support – This activity provides operational support for planned and emergency shut-downs, and analysis for PCCP and transmission system inspections and rehabilitation. This work also includes preparing and submitting the annual water audit and water loss reduction plan required by MDE.

Flow Monitoring & Reporting – This activity monitors wastewater flows, reviews data, and develops sewer meter flow reporting used for billing and system operations.

Regulatory Permitting & Compliance – This activity includes the analysis of and response to proposed regulatory initiatives, coordination of comments on proposed legislation and evaluation of environmental legislation that may impact WSSC Water.

PLANNING DIVISION (Continued)

Core Activities (Continued)

Regional Water & Wastewater Management – This activity oversees payments to DC Water for WSSC Water's share of construction at the Blue Plains Advanced Wastewater Treatment Plant (Blue Plains) and other wastewater collection and conveyance facilities located in Washington, D.C. The division also oversees capital billing and reviews the preparation of Blue Plains and Mattawoman WRRF (located in Charles County) CIP projects. This activity also includes developing new and managing existing agreements with adjoining jurisdictions such as Howard County, the City of Bowie and the City of Rockville, as well as regional water supply cooperative agreements and planning activities through the Interstate Commission on the Potomac River Basin (ICPRB).

Replacement Planning – This activity pertains to all planning work associated with the water main, wastewater pump station, force main, large valve and meter valve replacement and facility replacement programs.

PCCP Investigations and Analysis – This activity represents all work associated with the planning efforts on the PCCP replacement program.

FACILITY DESIGN & CONSTRUCTION DIVISION

The Facility Design & Construction Division administers and manages the design, construction and inspection of major water, wastewater and biosolids facility projects and programs. The division also oversees special projects and planning studies.

Core Activities

Facility Planning and Design – This activity funds and manages select architecture and engineering contracts and in-house resources designing major facility projects and investigating specific WSSD areas needing additional facilities serving existing and future customers.

Facility Construction – This activity funds and manages facility construction projects, including ensuring contract terms, general conditions, project designs and specifications are fulfilled; reviewing submittals; processing contractor requests for information; reviewing and processing monthly and final payment requests; administering and negotiating change orders; evaluating claims; and closing out the project.



PIPELINE DESIGN DIVISION

The Pipeline Design Division is responsible for managing pipeline designs in the CIP and water and sewer main reconstruction programs; pipeline designs for water and sewer relocations associated with road improvement projects for the state, Counties and municipalities; and reviewing water and sewer relocations to ensure compliance with WSSC Water guidelines.

Core Activities

Pipeline Design – This activity prepares and manages contract design documents for CIP water and sewer main projects and the water and sewer reconstruction programs, including project scope preparation and design, overseeing consultants, performing technical reviews, industry analysis and benchmarking studies, coordinating community outreach and acquiring rights-of-way permits.

Water and Sewer Relocations – This activity reviews construction plans for new roads and other WSSC Water, government agency and private sector construction. It also administers and monitors architectural and engineering contracts required for governmental road construction projects. In addition, the division prepares designs for relocating existing water and sanitary sewer systems.



Goals, Objectives and Outcome Measures

Goal: Rehabilitate and/or replace deteriorating water and Strategic Priority: Optimize Infrastructure wastewater infrastructure

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Design the number of miles for the Water Reconstruction Program as planned	Miles of water mains designed	27.9 / 25.0	25.0 / 25.0	10.0**	22.0
Design the number of miles for the Sewer Reconstruction Program as planned	Miles of sewer mains designed	29.4 / 25.0 *	27.5 / 33.0	33.0	33.0

(*) This targeted figure does not include the additional work in FY 2021 related to the holistic rehabilitation efforts to address infiltration and inflow in the Piscataway Basin.

(**) In FY 2023, the miles of water mains designed were reduced to 10.0 miles due to the CIP budget reductions.

PROCESS CONTROL ENGINEERING DIVISION

The Process Control Engineering Division designs, procures, configures and installs process control systems for new and existing facilities; improves automation for existing facilities; and maintains and repairs automation and Supervisory Control and Data Acquisition (SCADA) systems.

Core Activities

Corrective Maintenance – This activity provides corrective maintenance of all process control systems at WSSC Water facilities.

Enhancement and Upgrade Maintenance – This activity includes software programming and configuration enhancements, hardware upgrades and process control system improvements.

Inventory Management – This activity orders, receives and performs database management of materials and inventory.

New Facility Support – This activity participates in design reviews to integrate, install and program new process control equipment for newly constructed facilities, including managing contractual agreements with vendors.

REGULATORY SERVICES DIVISION

The Regulatory Services Division is responsible for the federally mandated pretreatment (industrial discharge control) program; the Fats, Oils and Grease (FOG) Program; and the implementation and enforcement of the Plumbing and Gas-Fitting Regulations including cross-connection/backflow requirements. The division regulates discharges into the sewer system; samples discharges from industrial users; inspects food service facilities; conducts investigations; responds to spills of hazardous materials entering the sewer system; monitors and inspects cross connections to prevent backflow contamination; maintains the Plumbing and Fuel Gas Code; maintains engineering design and meter design standards; reviews and approves plumbing and gas-fitting engineering designs; and inspects the installation of commercial and residential plumbing and gas-fitting systems, plumbing and gas fixtures/appliances and grease abatement systems.

Core Activities

Code Planning and Plans Review – This activity plans, develops and maintains the technical aspects of WSSC Water's Plumbing and Fuel Gas Code along with performing all plumbing and gas-fitting engineering design reviews and approvals.

Cross Connection – This activity includes inspection of backflow prevention devices, maintenance of inspection records and all activities associated with the WSSC Water backflow prevention program.

Plumbing and Gas-Fitting Inspections – This activity inspects for proper permitting and installations, in compliance with WSSC Water's Plumbing and Fuel Gas Code, of installed commercial and residential plumbing and gas-fitting systems and grease abatement systems for construction projects.

Industrial Discharge Control Program – This activity monitors and controls industrial/non-domestic and hauled waste discharged into WSSC Water's sanitary sewer systems in compliance with all government regulations and investigates, samples, permits and reviews industry reports to confirm industry regulation compliance.

Fats, Oils and Grease (FOG) Program – This activity monitors and controls the food service industry discharge of fats, oils and grease into the sewer systems; investigates sanitary sewer blockages and overflows resulting from FOG discharges; and initiates enforcement actions.

PIPELINE CONSTRUCTION DIVISION

The Pipeline Construction Division is responsible for the management and inspection of water supply and wastewater collection pipeline construction contracts, as well as associated contracts for house connections, paving and landscaping.

PIPELINE CONSTRUCTION DIVISION (Continued)



Core Activities

Construction Management – This activity provides for management and inspection for all pipeline construction projects, including new house connections, pipeline relocations, site utilities and rehabilitations. Rehabilitation contracts include water and sewer replacement, water main cleaning and lining, large water meter replacement, cathodic protection, house connection renewals and sewer main lining. It also includes inspection of work performed by others, such as developers and relocations by state, County, and municipal agencies.

Street Repair and Restoration – This activity manages and inspects street and landscaping restoration contracts, including processing internal patch tickets, issuing work orders, supervising consultant paving inspectors, inspecting sites, coordinating permit requirements with County regulators and managing contractor payments.

Contract Document Review – This activity reviews prepared construction and bid contract documents to achieve quality, cost effectiveness and timeliness in the deliverables.

Goals, Objectives and Outcome Measures

Goal: Rehabilitate and/or replace deteriorating water and wastewater infrastructure and **Strategic Priority:** Optimize Infrastructure

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Replace the number of miles for the Water Reconstruction Program as planned	Miles of water mains replaced	26.3 / 23.0	26.8 / 29.0	23.0 **	25.0
Rehabilitate the number of miles of sewer mains and lateral lines for the Sewer and Trunk Sewer Reconstruction Programs as planned	Miles of sewer mains and lateral lines rehabilitated	24.5 / 38.0 *	27.5 / 42.0	42.0	25.0

(*) This figure does not include the additional work in FY 2021 related to the holistic rehabilitation efforts to address infiltration and inflow in the Piscataway Basin.

(**) In FY 2023, the miles of water mains replaced were reduced to 23.0 miles due to the CIP budget reductions.

ENGINEERING & ENVIRONMENTAL SERVICES DIVISION

The Engineering & Environmental Services Division provides a full range of in-house civil, mechanical and electrical engineering support including: technical services for capital planning, design and construction; maintenance of engineering records and the Geographic Information System (GIS); environmental engineering and science support; infrastructure management; and land services (rights-of-way, land acquisition and recordation and land surveys).

Core Activities

Construction Contract Services – This activity reviews and produces contract bid documents for all construction, rehabilitation and new and renewal house connection contracts. The division also calculates and validates engineer bid estimates and contractor market responses.

GIS Services – This activity develops and maintains the web-based Enterprise Geographic Information System (EGIS) including: development, installation and programmatic oversight; collaboration with government agencies and other entities; and providing GIS data access to WSSC Water employees and other entities.

Electrical and Mechanical Support – This activity provides electrical and mechanical support including: asset management, ongoing project engineering and construction projects, research and evaluation of associated materials and methods and emerging technologies and traditional practices. The activity includes facility master plans, standardization, in-house engineering and technical support.

Civil Engineering Support – This activity provides in-house general civil, hydraulic, structural, corrosion and geotechnical engineering expertise to support asset management. It includes reviewing pipeline and facility designs, specification documents, manuals and guidelines, studies, shop drawings and preparing contract documents and specialty designs.

Infrastructure Management – This activity includes the Dam Safety and Inspection Program and the Corrosion Management Program. The Dam Safety and Inspection Program includes monthly water supply dam inspections and repair recommendations, piezometer readings, silt measurements and preparation of the annual dam report submitted to the state. The Corrosion Management Program includes monitoring approximately 1,500 corrosion test stations, providing and coordinating corrosion design and repair recommendations and developing and maintaining corrosion design guidelines.

Property and Rights-of-Way Acquisition – This activity provides real estate acquisition and rights-of-way support relating to new development, capital pipelines and facility projects. The services include preparing land plats and documents, legal descriptions and sketches and maintaining the real property inventory. Mapping is reviewed and entered into the EGIS.

Surveys – This activity provides water and sewer design surveys through completion of final as-built drawings for maintenance and future design. It also includes locating structures for maintenance and field verification of assets for the EGIS.

Engineering Records – This activity supports quality control and tracking of engineering plans and as-built drawings, including scanning, indexing and uploading record drawings into WSSC Water's Webmap.

Process Engineering and Water Quality Studies – This activity provides treatment process expertise and services for in-house projects, external studies and designs related to treatment of water and wastewater, including managing biosolids and related permits. The division ensures quality process engineering and site-specific services to meet regulations. In addition, it is the technical liaison with industry foundations and agencies to give WSSC Water access to research efforts and results.

Water Resources Protection – This activity develops strategies for water quality assessment and protection, including coordinating with outside agencies to pursue watershed and source water quality protection, collecting water samples, long-term modeling of land use on raw water and obtaining grant funding for evaluation and preventive measures.

Pollution Prevention Studies – This activity develops and implements pollution prevention plans/studies protecting water, air and soil from possible WSSC Water discharge of pollutants.

Environmental Assessment, Permitting and Enforcement – This activity manages environmental assessments, including wetlands evaluations, forest conservation efforts, archaeological historical studies and water quality evaluations. The division administers WSSC Water's Utility Erosion and Sediment Control Program and the Public Tree Care Program. The division also reviews and approves design plans, issues permits, conducts field inspections and enforces WSSC Water regulations for utility construction erosion and sediment control.

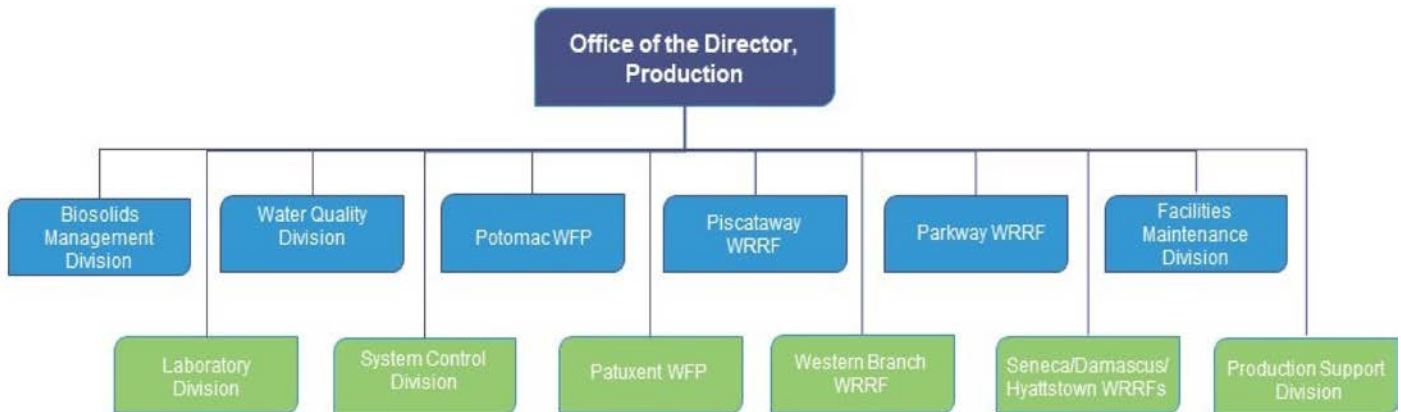
Electronic As-Built Prep – This activity prepares pipeline rehabilitation as-built contracts using AutoCad, including integrating the Global Positioning System (GPS) units to transmit digital appurtenance locations to AutoCad. The AutoCad results are then transmitted to EGIS.

PRODUCTION DEPARTMENT

The Production Department is committed to meeting two primary objectives: to provide our customers with a safe and reliable supply of drinking water that meets or exceeds all Federal and State standards and regulations; and protect public health and the environment by returning a clean wastewater effluent back to the environment. WSSC Water's yearly recognition by the Partnership for Safe Water and Peak Performance Award Programs is indicative of our commitment to provide our customers with the best water and wastewater services possible. Led by the Production Director, the department is comprised of the divisions shown in the following chart.



Organizational Structure



Mission Statement

To provide a safe and reliable supply of drinking water, and to produce a high quality wastewater effluent that provide high quality, cost-effective operation and maintenance of the agency's water supply, dams and reservoirs, water filtration plants, water distribution facilities, wastewater collection facilities, wastewater resource recovery facilities, biosolids management programs and laboratories.

PRODUCTION DEPARTMENT (Continued)

Budget Summary

Production Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Director, Production	2.3	\$ 405,037	3.0	\$ 524,117	4.0	\$ 1,340,265	1.0	\$ 816,148
Biosolids Management Division	7.8	853,204	17.0	5,480,840	18.0	12,379,439	1.0	6,898,599
Laboratory Division	28.9	4,332,429	29.0	4,244,295	30.0	4,614,614	1.0	370,319
Water Quality Division	7.2	1,121,528	10.0	2,045,666	12.0	5,433,549	2.0	3,387,883
Systems Control Division	30.8	6,022,510	32.0	8,883,683	32.0	10,529,471	-	1,645,788
Potomac Division	33.8	10,560,501	35.0	9,186,003	35.0	13,712,754	-	4,526,751
Patuxent Division	23.8	4,727,084	25.0	5,046,458	25.0	5,992,602	-	946,144
Piscataway Division	23.1	8,646,177	25.0	9,275,674	25.0	8,245,659	-	(1,030,015)
Western Branch Division	29.6	14,087,063	29.0	13,537,594	29.0	12,755,149	-	(782,445)
Parkway Division	18.3	3,642,835	22.0	3,642,888	22.0	4,143,250	-	500,362
Seneca/Damascus/Hyattstown Division	30.6	7,288,360	32.0	6,531,621	32.0	7,601,906	-	1,070,285
Facilities Maintenance Division	59.9	16,548,217	68.0	20,128,848	68.0	20,568,422	-	439,574
Production Support Division	10.9	69,952,198	13.0	71,458,802	13.0	73,326,077	-	1,867,275
Total	307.0	\$ 148,187,143	340.0	\$ 159,986,489	345.0	\$ 180,643,157	5.0	\$ 20,656,668

Explanation of Major Variances

The FY 2024 Proposed Budget reflects an increase of approximately 12.9% over the FY 2023 Approved Budget. More than 48% of this increase is due to large increases in the cost of chemicals. Additional increases are attributed to the Lead and Copper Rule Compliance project; increased DC Water operational costs on regional sewage disposal; funding for Triadelphia Reservoir hydraulic dredging; and innovation and research projects.

Overall, the Production Department increased by five workyears. This comprised of one new workyear to support the Biosolids Management Program, one new workyear for the Laboratory Division, one new workyear for the Water Quality Division to support the revised federal Lead and Copper Rule, one new workyear for the Production Support Division and one workyear transferred from the Engineering & Environmental Services Division to the Water Quality Division.

Highlights

- Supporting the Biosolids Master Plan
- Leading the revised Lead and Copper Rule Compliance Program, including all activities related with lead service line inventory and replacement over the next 5 years
- Staffing for the Biosolids Management Division is nearly complete, one additional Electrical & Mechanical workyear was added; one new workyear for the Water Quality Division to begin compliant operations under the revised federal Lead and Copper Rule
- Water tank rehabilitation is underway for four elevated tanks
- Designing the dredging of Little Seneca Reservoir to remove sediment collected in the forebays

Accomplishments

- FY 2022 marked WSSC Water's 104th year without a drinking water violation
- Both Potomac and Patuxent WFPs earned the prestigious Partnership for Safe Water Presidents Award, the only two water filtration plants in Maryland to win the award
- Five WRRFs earned National Association of Clean Water Agency Peak Performance Awards in 2022

OFFICE OF THE DIRECTOR, PRODUCTION

The Production Director is responsible for the oversight and operation of the Production Department.

Core Activities

Management and Administration – This activity involves the management and supervision of the Department. It also involves coordination with other regional agencies, supports employee certifications and employee association memberships.

BIOSOLIDS MANAGEMENT DIVISION

The primary focus of this division is on receiving the biosolids from all WSSC Water's WRRFs and producing an exceptional quality Class A product suitable for beneficial reuse while producing renewable energy.



Core Activities

Biosolids Management Program – The program plans, organizes and directs the activities of WSSC Water's Anaerobic Digestion and Combined Heat and Power facility, consisting of thermal hydrolysis pre-treatment, mesophilic anaerobic digestion, cake receiving, dewatering operations, side stream treatment and combined heat and power processes and equipment. The program also manages all the contractual and regulatory issues related to biosolids and residuals.

LABORATORY DIVISION

This division is responsible for the operation and maintenance of WSSC Water's laboratory facilities and for providing high quality analytical data to the agency and other organizations for the benefit of public health and environmental quality.

Core Activities

Laboratory Services – This activity operates and maintains a state-of-the-art Environmental Protection Agency certified laboratory providing the highest quality analytical data to WSSC Water and other organizations for the benefit of public health and environmental quality. The activity handles all laboratory testing necessary to operate the treatment processes, including biological, organic, and metals testing; analyzing the chemical and physical properties of a variety of liquid, solid and gaseous samples; and optimizes treatment processes in order to meet or exceed the requirements of the Safe Drinking Water Act and other federal and state regulations.

LABORATORY DIVISION (Continued)



WATER QUALITY DIVISION

This division establishes a unified, central structure in which all water quality issues are managed, so the agency's water quality goals are met consistently and reliably. This division is responsible for management and coordination of drinking water regulatory compliance activities, implementation and operation of water quality surveillance and response programs, response to stakeholder and customer inquiries on water quality and proactive planning on water quality.

Core Activities

Water Quality Program – The program's core functions include compliance with drinking water regulations, drinking water contamination monitoring and response, as well as customer and stakeholder support on water quality issues. Specifically, the division performs planning, management and operation of all Safe Drinking Water Act compliance activities including monitoring and reporting, identification and resolution of current and upcoming water quality problems, implementation of surveillance and response programs to better detect contamination events and communicating with customers and stakeholders to address their water quality concerns.

SYSTEMS CONTROL DIVISION

This division is responsible for the operation and maintenance of the water distribution system's pumping stations, water storage tanks, throttling valves, specialty valves, electrically operated valves and associated instrumentation. The division operates and maintains SCADA systems through the Control Center, monitoring remote water and wastewater facilities to ensure reliable service and minimizing environmental damage. The ultimate goal of the division is to provide reliable and safe water throughout the distribution system. The division also operates and maintains three dams and the raw water reservoirs impounded behind them. Operations on the Patuxent River dams to include notifications with emergency management personnel during flooding events.

Core Activities

Operations – This activity involves the operation and maintenance of the water distribution system's pumping stations, water storage tank throttling valves, specialty valves, electrically operated valves, associated instrumentation and three dams and their impounded raw water.

SYSTEMS CONTROL DIVISION (Continued)

Core Activities (Continued)

Maintenance – This activity maintains and operates the agency's Patuxent reservoirs to protect water quality. This activity also performs maintenance required by the dam regulatory offices and the maintenance of the watershed recreational areas. In addition, this activity provides support to the Communications & Community Relations Office for its community outreach events. During drought years and during the current Brighton Dam rehabilitation project, this unit has removed silt from the upper reservoir reaches to regain reservoir storage.

Maintenance Support Services – This activity is associated with monitoring, controlling, and enhancing process systems associated with treatment, distribution, and collection for water and wastewater systems. This activity also monitors real time energy costs to minimize the Commission's electrical costs. In addition, this activity supports project planning, project design, and project construction of new facilities within the WSSD. When necessary, the WSSC Water's Emergency Operating Center is directed within this area.

Water Storage Facilities Maintenance – This activity oversees the maintenance of the agency's water storage facilities. In addition to the routine recoating of the water storage facilities every 20 years on coating systems whose recommended life expectancy is every 15 years, this activity also involves working with the Facilities Design and Construction Division on 9 major tank rehabilitation projects.



POTOMAC AND PATUXENT WFPs

These two WFPs are responsible for the operation and maintenance of their respective facilities, providing high-quality, cost-effective maintenance and continual operation of the agency's water filtration plants, water distribution facilities and water supply dams.

Core Activities

Operations – This activity is associated with monitoring, controlling and enhancing process systems associated with water treatment to meet or exceed rigorous federal water quality standards under the Safe Drinking Water Act as well as monitoring and reporting of the plant discharge pursuant to the requirements of the federal Clean Water Act. This activity also monitors and controls the chlorine residual levels entering the water system to maintain water safety to the customer tap as well as conducts annual enhanced coagulation to reduce chlorine by-product formation in the water system.

POTOMAC AND PATUXENT WFPs (Continued)

Core Activities (Continued)

Maintenance – This activity is comprised of maintenance activities, from preventative to reactive to enhancement, for the agency’s WFPs. Preventative maintenance is performed on a regular or scheduled basis and is designed to lengthen the service life of plant equipment. It also provides for inspections necessary to monitor the operation of this equipment, which in turn reduces reactive maintenance costs. Enhancement maintenance is performed to improve or enhance a functional piece of plant equipment, system or facility and to reduce the costs associated with correcting faulty or failing equipment components, grounds, structures, process or safety concerns in order for the facilities to meet permit requirements.

Activity Indicators

Workload Data	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Average daily filtered water to the distribution system (MGD)	162.8	161.2	163.0	162.0



PISCATAWAY, WESTERN BRANCH, PARKWAY, SENECA, DAMASCUS AND HYATTSTOWN WRRFs

These WRRFs are responsible for the operation and maintenance of their respective facilities, providing high quality, cost effective maintenance and continual operation of the agency’s wastewater collection facilities and WRRFs. The facilities produce effluent that meets all requirements for discharging into waters of the State of Maryland; utilize the biosolids generated in an environmentally beneficial manner; and operate and maintain wastewater pumping stations to convey wastewater without overflows.

Core Activities

Operations – This activity is associated with monitoring, controlling, and enhancing process systems associated with wastewater collection and water resource recovery. The process systems include controlling and monitoring processes with wastewater in its fluid stage and controlling and monitoring solids processing as well.

Maintenance – This activity is comprised of maintenance activities, from preventative to reactive to enhancement, for the agency’s WRRFs. Preventative maintenance is performed on a regular or scheduled basis and is designed to lengthen the service life of plant equipment. It provides for inspections necessary to monitor the operation of this equipment, which in turn reduces reactive maintenance costs. Enhancement maintenance is performed to improve or enhance a functional piece of equipment, system or facility, and the costs associated with correcting faulty or failing equipment components, grounds, structures, processes or safety concerns in order for the facilities to meet permit requirements.

PISCATAWAY, WESTERN BRANCH, PARKWAY, SENECA, DAMASCUS AND HYATTSTOWN WRRFs (Continued)

Activity Indicators

Workload Data	Wastewater Treated Flow (MGD)			
	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Piscataway WRRF	28.4	24.2	27.7	26.8
Western Branch WRRF	26.1	21.9	24.0	23.6
Parkway WRRF	6.8	6.1	6.6	6.5
Seneca/Damascus/Hyattstown WRRFs	17.8	16.3	17.4	17.2

FACILITIES MAINTENANCE DIVISION

This division provides specialized maintenance services for the Production Department facilities and general facility maintenance and renovation services for all WSSC Water facilities.

Core Activities

Maintenance Support Services – This activity provides operational support and maintenance services for all of the agency’s facilities and properties. This activity includes specialized maintenance services such as electrical, mechanical, instrumentation, welding, metal fabrication and carpentry services, which are provided in the form of enhancements, repairs, replacements and preventative and predictive maintenance services. This activity also includes all buildings and grounds maintenance and repairs.

PRODUCTION SUPPORT DIVISION

The primary focus of this division is on establishing, and coordinating execution of, asset management practices and procedures for the Production Department; and training.

Core Activities

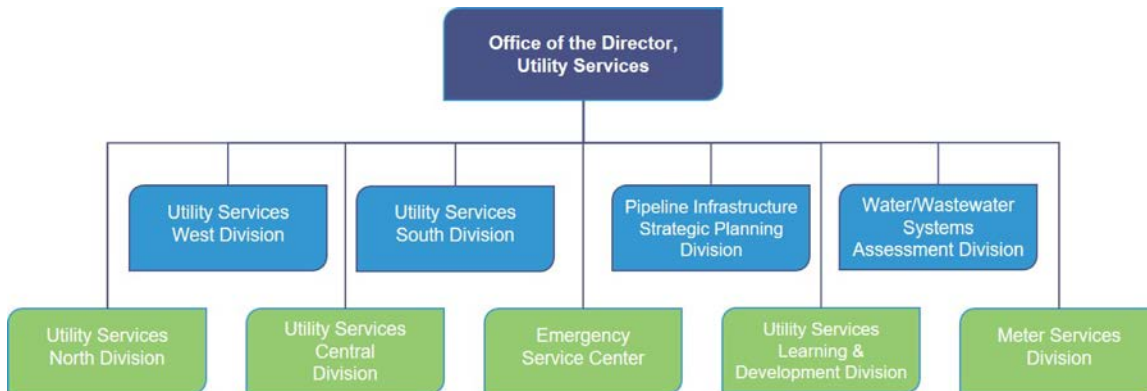
Production Support – This activity includes facility support through asset management, contract management, and training. It also includes management of the shared operation and maintenance costs for utilities in other jurisdictions, and shared costs to support coordination of regional water supply issues and water system emergencies.

UTILITY SERVICES DEPARTMENT

The Utility Services Department is directly responsible for maintaining the distribution and collection systems including all of WSSC Water’s water and sewer mains, thus ensuring the consistent flow of water and outflow of wastewater within the WSSD and preserving the infrastructure in order to provide quality service for customers. Led by the Utility Services Director, this department is comprised of the nine divisions shown in the Organizational Structure chart.



Organizational Structure



Mission Statement

We are entrusted by our community to maintain the water and wastewater infrastructure and protect the environment – all to serve WSSC Water’s customers.

UTILITY SERVICES DEPARTMENT (Continued)

Budget Summary

Utility Services Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Director, Utility Services	10.3	\$ 5,592,152	10.0	\$ 9,212,824	10.0	\$ 19,898,804	-	\$ 10,685,980
Utility Services North Division	57.3	7,552,231	59.0	6,985,308	59.0	7,094,308	-	109,000
Utility Services West Division	52.7	7,981,098	60.0	8,089,880	60.0	8,214,987	-	125,107
Utility Services Central Division	56.0	7,178,737	62.0	9,039,482	62.0	9,148,796	-	109,314
Utility Services South Division	54.3	7,474,611	58.0	8,619,775	58.0	8,528,731	-	(91,044)
Emergency Service Center	19.9	1,525,316	19.0	1,786,804	19.0	1,839,021	-	52,217
Pipeline Infrastructure Strategic Planning Division	26.4	9,375,160	37.0	11,890,086	37.0	12,206,866	-	316,780
Utility Services Learning & Development Division	6.5	750,005	7.0	847,395	7.0	872,904	-	25,509
Water/Wastewater Systems Assessment Division	75.1	30,166,228	83.0	36,848,034	82.0	37,530,873	(1.0)	682,839
Meter Services Division	103.4	10,737,002	116.0	10,614,942	116.0	15,594,164	-	4,979,222
Total	461.9	\$ 88,332,540	511.0	\$ 103,934,530	510.0	\$ 120,929,454	(1.0)	\$ 16,994,924

Explanation of Major Variances

The FY 2024 Proposed Budget for the Utility Services Department reflects an overall increase of 16.4% from the FY 2023 Approved Budget. The increase is primarily (1) increases in system reconstruction project costs after prior COVID-19 related deferrals, (2) salaries and wages, (3) the additional and reinstated and innovation programs for meter field services and metallic pipe condition assessment, and (4) the impact of inflation on materials.

Highlights

- Continuing focus on large meter testing, repair and replacement
- Performing inspections on metallic water mains using new and emerging technologies
- Implementing new work and asset management software to replace legacy maintenance management information system, to provide both asset and work management capabilities for the Utility Services Department to manage WSSC Water's linear infrastructure. The new application solution will meet business needs and allow for expansion, refinement and growth, while incorporating critical business processes

Accomplishments

- Implemented the first full year of using satellite leak detection generating a total of 236 points of interest to improve the efficiency of our leak detection program and reducing the amount of water loss in the system
- Exceeded goal of 2 miles for water main replacements completed by WSSC Water crews by completing a total of 3.2 miles
- After the COVID-19 pandemic we safely resumed in home services and implemented appointment based activities to assist in reducing the amount of past due accounts by over 12,500

UTILITY SERVICES DEPARTMENT (Continued)

Racial Equity and Social Justice

- The Utility Services Department is developing the Racial Equity and Social Justice (RESJ) criteria to be incorporated into the Asset Management Program for evaluation of the water/wastewater improvement projects.

OFFICE OF THE DIRECTOR, UTILITY SERVICES

The Utility Services Director is directly responsible for the operation, maintenance and repair of the water and sewer mains throughout the WSSD.

Core Activities

PCCP Program Management – This activity provides for the engineering, design, construction, inspection, investigation and analysis/assessment of PCCP.

UTILITY SERVICES NORTH, WEST, CENTRAL AND SOUTH DIVISIONS

These divisions maintain WSSC Water's distribution and collection systems, including all of the agency's water and sewer mains and water meters, thus ensuring the consistent flow of water and outflow of wastewater within their geographical regions and preserving the infrastructure to provide quality service for the agency's customers.



Core Activities

Maintenance – This activity involves performing measures designed to lengthen the service life of water and sewer mains. This includes providing regular interval flushing to minimize discolored water, and regularly locating and exercising large valves to ensure system operability. These measures seek to minimize or avoid costlier corrective maintenance activities. Adjustment, repair and replacement of components after failure within the water distribution and wastewater collection systems are also included in this activity.

Inspection Maintenance – This activity involves routine and emergency inspection of integral components of the water distribution and wastewater collection systems. The primary objective of this activity is to respond to and assess emergency maintenance requests from customers.

UTILITY SERVICES NORTH, WEST, CENTRAL AND SOUTH DIVISIONS (Continued)

Core Activities (Continued)

Capital Project Support – This activity involves the maintenance crews’ support of capital construction projects, such as water main shut downs, locating and exposing facilities, and new house connections. Also included is contract administration for PCCP rehabilitation, including pipe replacement, pipe repairs, joint repair, mobilization and excavation. The timing and approach to rehabilitation is determined following PCCP inspection and assessment. Rehabilitation of these mains provides value to the customer by minimizing the risk of failure and ensuring a safe and reliable water supply.

Field Crew Scheduling – This activity involves scheduling water main shutdowns.

Goals, Objectives and Outcome Measures

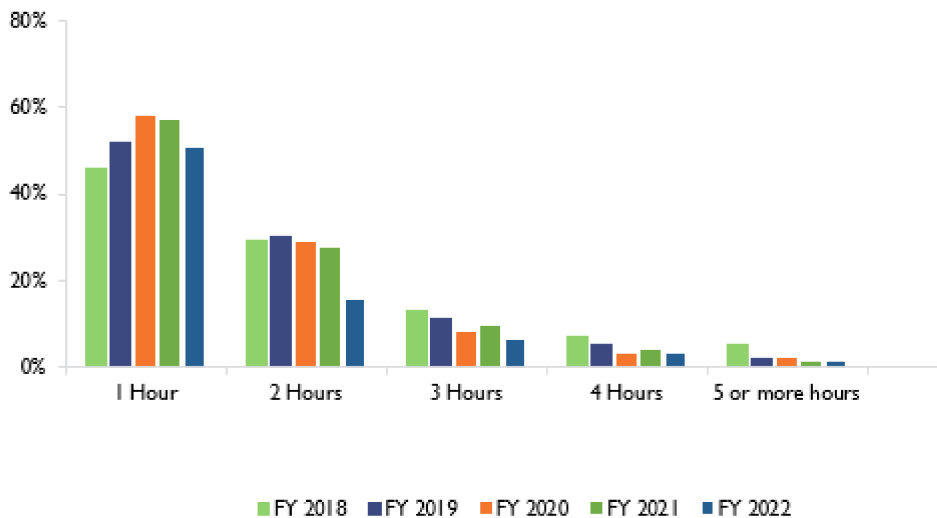
Goal: Accurately account for water produced in the distribution system Strategic Priority: Optimize Infrastructure

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Reduce service interruptions due to water main breaks	Number of breaks per 100 miles of water main	33 / 34	28 / 34	34	34

Emergency Response

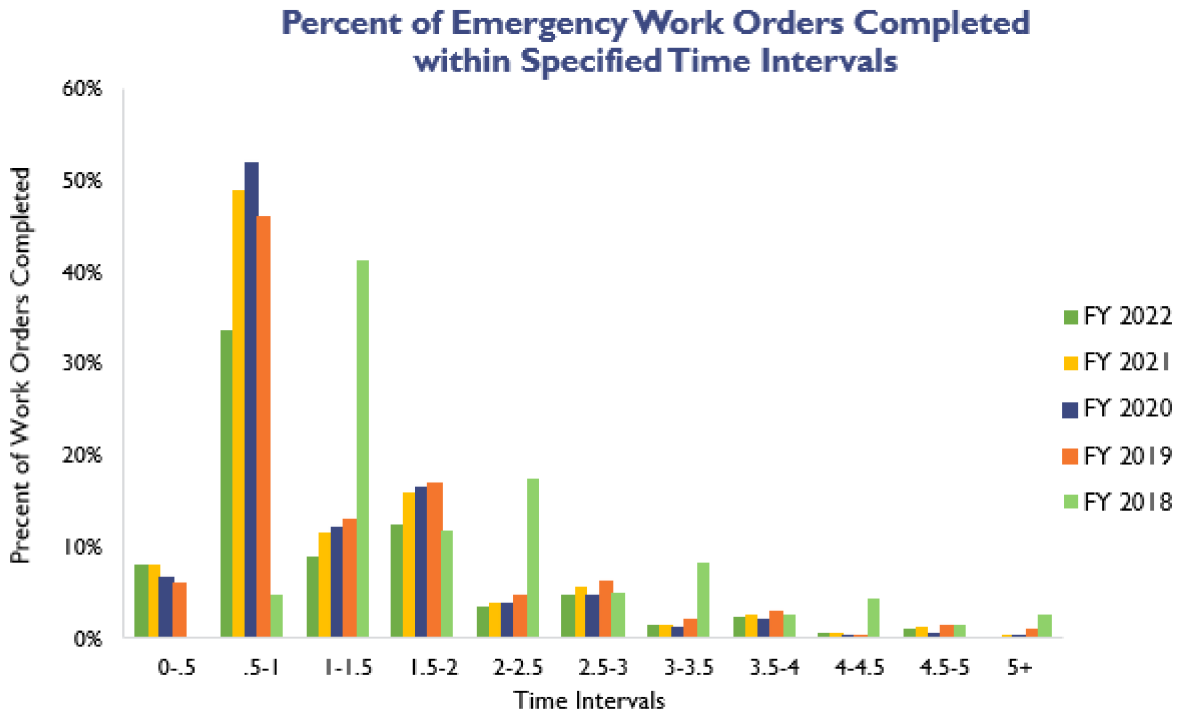
During FY 2022, 23,393 emergency work orders were initiated in response to customer or system emergencies, a 7.2% decrease from FY 2021. WSSC Water’s objective is to provide a first response to these emergencies in less than 2 hours, a reasonable and necessary response time based upon feedback from customers. As illustrated in the next graph, WSSC Water responded to approximately 42.0% of emergency calls in less than 1 hour and to 63.0% in less than 2 hours with an average response time of 1.1 hours.

Percentage of Emergency Responses within Specified Times



The following graph shows the distribution of emergency work order completion times in FY 2022. Most emergency work orders required less than 2-hours to complete.

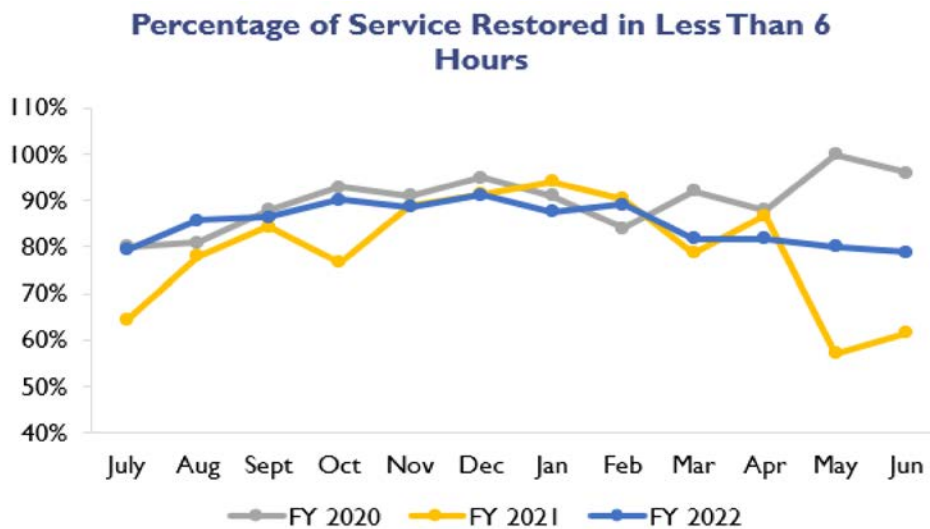
UTILITY SERVICES NORTH, WEST, CENTRAL AND SOUTH DIVISIONS (Continued)



Restoration of Water Service

WSSC Water's objective is to restore normal service to our customers within 24 hours from the time the agency is notified of an emergency, and to limit the actual time a customer is without water service to less than 6 hours. During FY 2022, more than 32,719 customers, or approximately 7.0% of WSSC Water's customers, experienced a temporary suspension in water service while a water main was shut down following a water main break or other emergency. The following graph indicates the percentage of affected customers whose water service was restored in less than 6 hours after a water main was shut down and returned to service. For FY 2022, the average time customers were without water service was 4 hours, with 79.7% having water service restored within the targeted 6 hour goal.

FY 2023 response times may be impacted due to budget reductions.



UTILITY SERVICES NORTH, WEST, CENTRAL AND SOUTH DIVISIONS (Continued)

Sewer Line Blockage

The goal of the line blockage analysis program is to prevent a customer who experiences a sewer backup due to a problem in the WSSC Water's sanitary sewer system from suffering a second backup. When a customer reports a sewer backup, a maintenance crew responds to confirm the backup and determine the cause. Once confirmed, a crew is dispatched to address the problem, generally within 2 hours. The customer is notified the following business day that a follow-up line blockage investigation has been initiated. The sewer main is immediately recleaned to avoid another backup during the investigation process, and a closed-circuit television inspection of the sewer line is performed within 5 days of the backup to evaluate the structural integrity. All pertinent data is then reviewed and analyzed to determine what action is necessary to prevent a recurrence of the backup. After a decision is made, the customer is notified of any planned action, and the appropriate preventive maintenance or rehabilitation action is scheduled and subsequently implemented.

The overall program objective is to prevent a second backup in 95.0% of the cases processed. For FY 2022, the agency was successful in preventing a second backup in 72.0% of these cases. The Proactive Maintenance Program, along with preventive maintenance optimization and the use of new technologies such as smart covers, has enabled WSSC Water to pursue its objective more diligently.

Sewer House Connection Renewal

The sewer house connection renewal program replaces sewer house connections when structural problems have caused customer backups. Damaged or deteriorated sewer house connections are replaced as necessary to ensure that customers do not suffer repeated sewer backups into their homes. The program objective is to prevent a second backup after WSSC Water has confirmed there is a problem with the service. During FY 2022, more than 465 house connections met the criteria for sewer renewal.

EMERGENCY SERVICE CENTER

The Emergency Service Center is a 24/7 emergency call center to assist customers with water and sewer related emergencies. The center also dispatches work to field deployed maintenance staff to ensure the work is completed and accurately captured in WSSC Water's maintenance management system. The Emergency Service Center supports several departments within the agency such as Customer Service, Production, E&C and Communications & Community Outreach.

Core Activities

Radio Dispatching – This activity communicates with field inspectors and WSSC Water crews to investigate reports of emergencies and receive updates on field maintenance activities 24/7; updates maintenance records and arranges for resolution of problems; and operates base radio station equipment, dispatch emergency work orders to maintenance crews, cleaning companies, plumbers and other agency personnel as required.

Emergency Calls – This activity includes receiving and managing water and sewer related calls from customers within the WSSD.

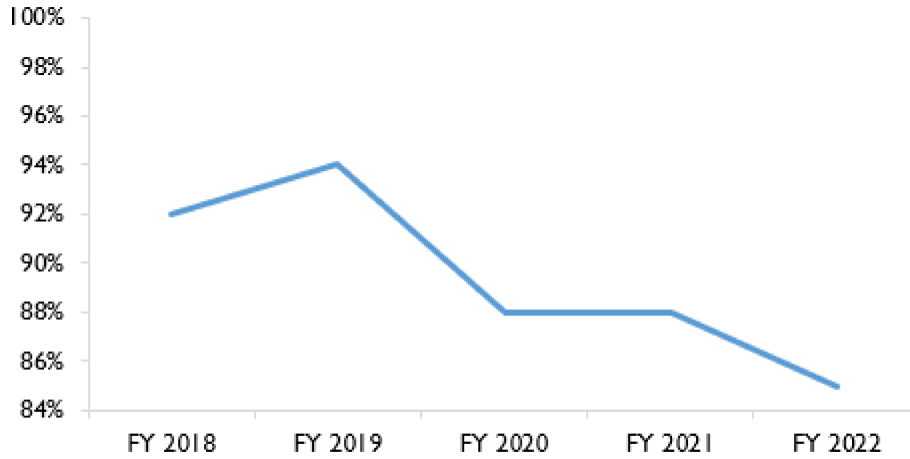
Customer Calls to the Emergency Service Center

During FY 2022, WSSC Water answered 85.0% of customer calls for emergency maintenance assistance, as shown in the graph below. Transitional challenges were experienced while the Emergency Service Center was renovated. The temporary relocation contributed to network outages with the Wi-Fi, operating system and the AvayaOneX phone system; thus, contributing to decrease in calls answered. The goal continues to be a 95.0% response rate.

A GIS application enables customers to report emergencies using their smart phones. The system complements the Maintenance Management Information System by placing needed information about leaks and other emergencies at the emergency dispatchers' fingertips, thereby allowing representatives to provide consistent and knowledgeable responses.

EMERGENCY SERVICE CENTER (Continued)

Percent of Emergency Service Center Calls Answered



The Center uses the Customer Notification System for mass notifications to customers, internal and external representatives.

PIPELINE INFRASTRUCTURE STRATEGIC PLANNING DIVISION

This division collects quality data to assist managing and administering predictive and preventive maintenance activities impacting WSSC Water’s pipeline infrastructure. The data is utilized to plan and schedule maintenance activities, develop water and wastewater asset management plans and improve business workflows within the Utility Services Department. The division is also involved in evaluating and tracking urgent assets and the prioritization of CIP projects/assets.

Core Activities

Planning – This activity is associated with the utilization of data to plan and schedule maintenance activities, the development of water and wastewater asset management plans, the improvement of business workflows and the prioritization of water and wastewater assets/projects.

Water Main Replacement – This activity is associated with in-house staff replacing water mains that are undersized or aged past their useful life. This function contributes to the reduction of discolored water complaints and service interruptions due to frequent main breaks and increased fire protection.

Goals, Objectives and Outcome Measures

Goal: Complete planned water main replacement miles

Strategic Priority: Optimize Infrastructure

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Replace the number of miles of water main by in-house staff as planned	Miles of water main replaced by inhouse crews vs. planned	3.6 / 2.0	3.2 / 2.0	2.0	2.0

UTILITY SERVICES LEARNING & DEVELOPMENT DIVISION

This division trains Utility Services employees and ensures the department's current work practices are operationally effective. This division searches for best practices and/or technology that will provide greater efficiencies and increase productivity in the various divisions of the Utility Services Department.

Core Activities

Research and Development – This activity identifies initiatives that increase productivity and efficiency; evaluating the cost impact of "best in class" business practices, with specific emphasis on training and technology integration; and evaluating new products and metering systems.

Design, Deliver and Evaluate Courses – This activity involves identifying training requirements, developing training materials, coordinating and providing training courses and evaluating course effectiveness. Course development includes specific business processes, computer skills, non-technical skills such as customer relations (telephone) etiquette and technical skills such as pipe repair.

WATER/WASTEWATER SYSTEMS ASSESSMENT DIVISION

This division is responsible for water distribution and transmission condition assessment activities in line with WSSC Water's effort to execute the Enterprise Asset Management Plan; proper maintenance of the wastewater collection system, including inspection; line blockage analysis; routine, preventive and emergency collection system cleaning; Sewer System Evaluation Surveys (SSES) for flow reduction; trunk sewer/creek crossing inspections; administration and reporting of SSO Consent Decree requirements; management of PCCP inspections; and oversight of Acoustic Fiber Optic (AFO) monitoring of major pipelines.

Core Activities

Planning – This activity provides the necessary management and administration related to compliance with the requirements of the federal SSO Consent Decree, and execution of the Line Blockage Analysis Program, which provides for review of sewer lines and service stoppage data, and recommendations for preventive maintenance sewer cleaning and other measures to eliminate repetitive backups and overflows.

Field Maintenance – This activity provides for the proactive cleaning and/or televising of sewer mains Proactive Maintenance Program; preventive sewer cleaning in order to reduce or eliminate the possibility of future sewer backups or overflows; corrective sewer main and service cleaning on an emergency basis; and closed circuit television inspection of sewer main lines and service laterals after a customer has experienced a sewage backup into their home or business. The analysis of related videos to provide a recommendation for preventive or corrective maintenance is also included.

Condition Assessment – This activity provides condition assessment of the agency's water distribution and transmission systems, as well as the wastewater collection and disposal systems. Condition assessment of the water systems (PCCP and non-PCCP mains) includes leak detection, acoustic testing and other related techniques to determine pipeline deficiencies and condition ratings. Condition assessment of the wastewater and collections systems involves the investigation of problem sewer basins and development of flow monitoring projects to evaluate the magnitude of the problem(s); physical surveys, smoke testing, dye testing and internal inspection to identify specific defects; SSES of selected basins for the purpose of identifying and eliminating extraneous flows; inspecting and documenting the condition of manholes, trunk sewer lines and creek crossings to identify and correct problems having the potential for causing sewer overflows; and managing and operating the flow surveillance components of WSSC Water's comprehensive sewer model.

Large Valve Assessment, Repair and Replacement – This activity provides inspection of the water transmission systems' large valves. This activity systematically inspects, exercises, repairs and replaces (when necessary) large diameter valves located throughout the system. Based upon results of valve condition assessments, annual valve rehabilitations are projected to be approximately 85 repairs and 2 replacements.

WATER/WASTEWATER SYSTEMS ASSESSMENT DIVISION (Continued)

Goals, Objectives and Outcome Measures

Goal: Identify deteriorating infrastructure through inspection, Strategic Priority: Optimize Infrastructure testing and monitoring

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Inspect the number of PCCP miles as planned	Miles of PCCP inspection performed vs. planned	13.0 / 18.0	18.0 / 18.0	17.4	18.0
Install acoustical fiber optic line to monitor PCCP water transmission mains as planned	Miles of AFO line installed vs. planned	6.9 / 10.0	5.3 / 10.0	10.0	10.0

Activity Indicators

Workload Data	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Approved	FY 2024 Proposed
Miles of sewer mains cleaned for preventive maintenance	646 / 650	615 / 650	650	650
Miles of mainline sewer televised for preventative maintenance program (WSSC Crews)	47 / 60	48 / 60	60	60
Miles of mainline sewer televised for proactive maintenance program (by contract)	131 / 200	116 / 200	200	200
Manholes inspected (by contract)	791* / 5,500	6,008 / 5,500	5,500	5,000

(*) This figure does not include the additional work in FY 2021 related to the holistic rehabilitation efforts to address infiltration and inflow in the Piscataway Basin.

METER SERVICES DIVISION

This division is responsible for the water meter evaluation, testing and replacement/repair program for large and small meters; and for reading the agency’s water meters to ensure accurate customer billing. Additional support services include fire hydrant meter leasing; warehousing, transporting and issuing of meters to customers; and research and development.

Core Activities

Temporary Fire Hydrant Meter Leasing and Maintenance – This activity involves administering WSSC Water’s Temporary Fire Hydrant Meter Leasing Program, which permits the temporary use of metered fire hydrants to individuals or firms. All fire hydrant meters are tested, repaired and maintained to further ensure proper registration and billing accuracy.

Flow Test – This activity involves routine inspection of the water distribution system and performing fire flow tests for outside agencies.

Small and Large Meter Testing, Repair and Flow Test – This activity involves routine inspection of the water distribution system and performing fire flow tests for outside agencies.

Small and Large Meter Testing, Repair and Replacement – This activity involves testing, repairing, and replacing small and large meters to ensure billing accuracy. Meters tested and repaired on a routine preventive maintenance basis are more likely to operate at optimum levels with fewer instances of inaccurate registration. Some meters lose accuracy over time and it may become necessary to replace them to ensure accurate registration for WSSC Water’s customers.

New Meters – This activity involves processing requests for both small and large meters from external customers and installing new meters. The primary function of this activity is to ensure that all activated meters are assigned an account number and properly billed.

Meter Reading – This activity is associated with providing timely and accurate meter readings in order to render customer bills based on actual usage.

ADMINISTRATION

Administration refers to the departments and offices providing centralized advisory and support services to WSSC Water. The Deputy General Manager for Administration is responsible for ensuring core activities align with and are in support of the General Manager’s strategic vision, goals and objectives. Administration is comprised of the departments and offices listed below.

Budget Summary

Administration	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of Supplier Diversity & Inclusion	8.6	\$ 1,041,251	10.0	\$ 1,220,583	10.0	\$ 1,350,416	-	\$ 129,833
Procurement Office	21.8	2,652,501	31.0	3,181,169	31.0	3,454,267	-	273,098
General Services Department	82.8	38,949,379	98.0	38,834,334	99.0	56,249,817	1.0	17,415,483
Finance Department	59.7	7,627,397	64.0	8,221,268	64.0	8,425,887	-	204,619
Information Technology Department	87.3	53,085,927	103.0	56,299,284	103.0	61,091,863	-	4,792,579
Total	260.2	\$ 103,356,455	306.0	\$ 107,756,638	307.0	\$ 130,572,250	1.0	\$ 22,815,612

Note: Variance explanation for the departments were available in the department's write-up.

OFFICE OF SUPPLIER DIVERSITY & INCLUSION

The Office of Supplier Diversity & Inclusion (OSDI) assists with the development of WSSC Water’s Minority Business Enterprise (MBE) and Small, Local Business Enterprise (SLBE) policies. The office seeks products and services from diverse and small businesses to ensure that the agency has a vendor base that is reflective of the community it serves.

Mission Statement

To create an inclusive purchasing environment while building sustainable relationships, expanding opportunities and cultivating growth of Small, Local and Minority Business Enterprises.

Core Activities

Small, Local and Minority Business Enterprise – This activity plans, manages, coordinates and monitors WSSC Water’s MBE and SLBE programs, in accordance with state law.

PROCUREMENT OFFICE

The Procurement Office, led by the Chief Procurement Officer, is responsible for acquiring all necessary commodities, supplies, and services, including professional services, necessary to support WSSC Water’s operations and functions and to oversee the bid and award process for all construction contracts.

Mission Statement

To provide unified Supply Chain Management function that ensure integrity and fairness, with centralized responsibility for oversight of solicitation, vendor selection, negotiation, award, contract administration, and reporting.

PROCUREMENT OFFICE (Continued)

Core Activities

Procurement Services – This activity involves purchasing all commodities, supplies, equipment, and services necessary to support WSSC Water’s operations, maintenance, and staff functions at the lowest possible price through public competitive bidding. This is accomplished through competitive solicitation processes which result in the award of contracts that are effectuated by purchase orders using master and blanket purchase orders, requests for proposals, invitations for bids, multi-year contracts, and procurement cards for small dollar items purchases. Also included in this activity are all contracting functions, from request to advertise through notice to proceed and maintenance of a complete contract file for all contracts regardless of contracting method.

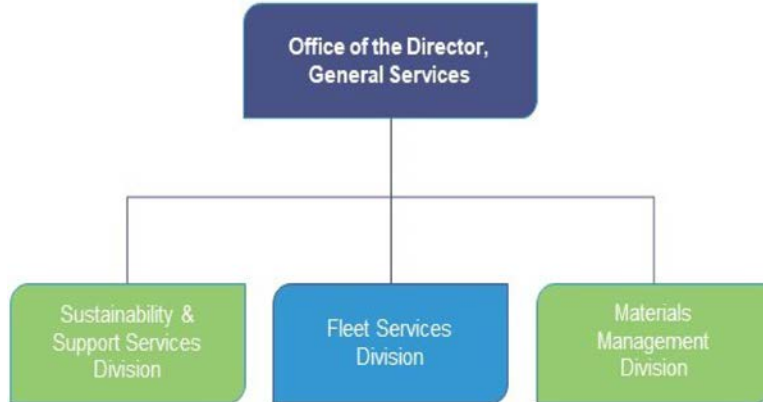
Operations and Administration – This activity involves implementing, maintaining, and administering programs for the agency’s supplier portal, training, policies and procedures, procurement card program management, and verification of vendor bonding and insurance. This activity also involves risk management and operations analysis; monitoring and reporting of suppliers’ participation on contracts; and through participation in outreach events with OSDI, providing information to prospective suppliers.

Strategic Sourcing – This activity involves managing the total cost of operation for WSSC Water by using a fact-based, data-driven process focused on cost savings, process improvements, supplier innovation, and category management.

GENERAL SERVICES DEPARTMENT

The General Services Department is responsible for fleet and fuel services; acquisition, warehousing and distribution of materials and supplies; office services; records management; sustainability services including energy management; property development; and space planning and management. Led by the Office of the Director, the department is comprised of the three divisions shown in the following chart.

Organizational Structure



Mission Statement

To plan, direct and coordinate the activities of a number of vital support services at WSSC Water including fleet management, warehousing and inventory management, mail and messenger services, printing and reprographic services, property development, space planning and records management.

Budget Summary

General Services Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Director, General Services	1.5	\$ 368,248	3.0	\$ 584,713	3.0	\$ 577,072	-	\$ (7,641)
Sustainability & Support Services Division	15.7	26,103,323	22.0	24,753,642	22.0	39,907,476	-	15,153,834
Fleet Services Division	40.4	9,963,558	46.0	10,431,499	46.0	12,350,938	-	1,919,439
Materials Management Division	25.2	2,514,250	27.0	3,064,480	28.0	3,414,331	1.0	349,851
Total	82.8	\$ 38,949,379	98.0	\$ 38,834,334	99.0	\$ 56,249,817	1.0	\$ 17,415,483

Explanation of Major Variances

The FY 2024 Proposed Budget reflects an increase of approximately 44.8% over the FY 2023 Approved Budget. The increase is primarily due to large increase in energy cost. Additional increases are attributed to the funding for the RGH Building Upgrades and the Anacostia Depot reconfiguration projects and the projected increases of fuel, fleet and equipment costs.

Overall, the department increased by one workyear to address the Department's operational needs.

Highlights

- Introduced the first hybrid unmarked police interceptor vehicle to the fleet
- GPS modules were upgraded in all vehicles to 4G connectivity, eliminating the need for fuel modules that had caused fueling errors and hardware costs

GENERAL SERVICES DEPARTMENT (Continued)

Highlights (Continued)

- As the first task in the Enterprise Document Management (EDM) program, the WSSC Water records retention schedule is being updated and approved by the Maryland State Archivist; task II of the EDM program is being implemented a pilot project to scan, store and manage HR Department's documents
- Multiple contracts were negotiated and approved with the Public Services Commission, Washington Gas Light and Montgomery County so that WSSC Water can supply natural gas and renewable natural gas to Montgomery County for use in their facilities and bus fleet
- The feasibility study for a micro-grid at the Potomac Water Filtration Plant was completed and a grant application for preliminary engineering was submitted to Maryland Energy Administration
- The control building at the Piscataway WRRF was remodeled with new modular furniture and locker facilities eliminating code violations and greatly improving working conditions
- Implemented a warehouse document management system to electronically store and search critical documents

Accomplishments

- Executed complete shop floor renovation at Laurel Garage utilizing processes to eliminate waste and inefficiencies in the workforce
- Installed a new 12,000-pound above-ground lift at Gaithersburg Garage and portable column lifts at Anacostia Equipment Shop
- Implemented key boxes for the Utility Services Department that are accessed with employee proximity cards
- Renovated the Utility Services Emergency Service Center including new electrical and communication cabling, modular furniture, operations console and finishes
- Disposed of or relocated materials being stored in a leased warehouse, saving hundreds of thousands of dollars on annual leasing
- Requested and received a new residential meter contract to support the operational backlog created by the indefinite deferral of the AMI project and the COVID-19 pandemic
- Initiated information technology projects to deploy barcoding technologies and improved the warehouse's online ordering application. Both initiatives intended to improve business efficiencies and reduce costs

OFFICE OF THE DIRECTOR, GENERAL SERVICES

The General Services Director is responsible for the oversight and operation of the General Services Department.

Core Activities

Management and Administration – This activity manages and supervises the three divisions in this department.

General and Administrative – This activity has a broad scope, ranging from supervising a fleet of vehicles and equipment (parts and supplies) to warehousing and inventorying, providing materials to support the maintenance, repair and operations of WSSC Water's infrastructure systems and facilities, providing printing, mailing, vending and cafeteria services, records archiving and document management, as well as real estate management, management and support services for facility planning, design and construction.

SUSTAINABILITY & SUPPORT SERVICES DIVISION

The Sustainability and Support Services Division manages sustainability and support services such as workspace planning, real estate, office services including reprographics and mail services, records management and energy management for WSSC Water. This division also works across the agency to optimize sustainable practices such as recycling and green facilities and construction.

Core Activities

Sustainable Planning Services – This activity provides sustainability services for WSSC Water, which includes space planning, design and greening of infrastructure. The agency is working towards Leadership in Energy and Environmental Design (LEED) certification for agency facilities and lowering the environmental impact of the work.

Office Services – This activity provides printing and reprographic services, mail services, food and vending services, asset management of furniture and office equipment and the disposal of surplus property.

Property Development – This activity involves the development, review and implementation of opportunities to generate non-rate related revenues through the sale or joint development of real estate properties, including surplus property.

Records Management – This activity provides records management for WSSC Water, including maintaining a current records inventory and moving towards electronic document management, as well as developing, sharing and maintaining records management policies and procedures across the agency.

Energy Management – This activity includes the management and procurement of wholesale electricity, natural gas and other fuels; the development of renewable energy sources such as wind, solar, hydro and biogas; the replacement of energy inefficient equipment and systems at WSSC Water facilities; and the development and maintenance of the Climate Change Program.



FLEET SERVICES DIVISION

The Fleet Services Division sources, purchases and maintains safe and reliable vehicles and work site equipment at six garages located in both Montgomery and Prince George’s Counties. The division is also responsible for purchasing fuel, maintaining underground tanks and fueling stations as well as purchasing electric vehicles, maintaining charging stations and monitoring the positive environmental impact of the addition of electric vehicles to the fleet.



Core Activities

Vehicle and Equipment Maintenance and Repair – This activity involves the distribution, inspection, maintenance, repair and quality control of a wide variety of vehicles, light and heavy equipment.

Fleet Contracting and Purchases – This activity involves developing specifications for the purchase of vehicles and equipment, major garage equipment and specialized field service units. This activity also includes purchasing and inventorying parts and supplies.

Fuel – This activity involves the purchase of fuel, the maintenance of underground fuel storage tanks and monitoring WSSC Water’s carbon emissions.

Activity Indicators

Workload Data	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Equipment fleet managed (pieces of equipment)	692	664	685	670
Vehicle fleet managed (number of vehicles)	951	933	930	930
Scheduled preventative maintenance completed on vehicles and equipment	3,318	3,061	3,400	3,400
Other (non-preventative maintenance) vehicle and equipment repairs	6,197	6,781	6,500	6,800

MATERIALS MANAGEMENT DIVISION

The Materials Management Division warehouses and provides the required materials to support the maintenance, repair and operations of the agency's infrastructure systems and facilities.

Core Activities

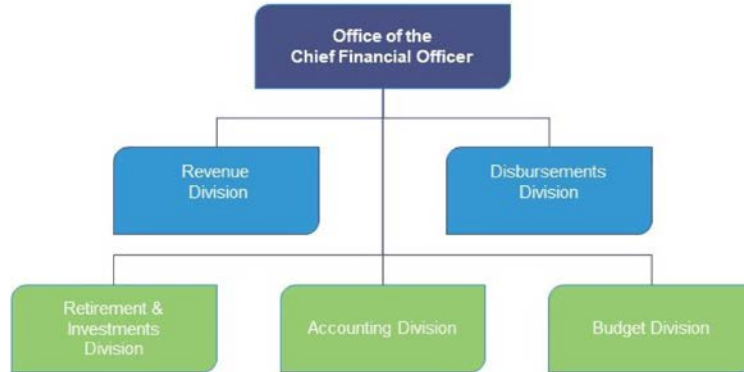
Warehousing – This activity involves administrative and physical functions associated with the storage and distribution of goods and materials required to support construction, maintenance and repair operations. These functions include receipt, identification, inspection, cycle counting, storage and issuance of material to customers, both internal employees and external construction contractors.

Materials Management – This activity involves the acquisition and management of materials stocked at WSSC Water's warehouses, and used by employees and contractors in the maintenance and repair of the distribution and collection systems. This includes receiving, storing and issuing materials; inspecting, testing and evaluating materials; developing new material specifications; and certifying the manufacturing processes, materials and plants.

FINANCE DEPARTMENT

The Finance Department maintains the fiscal integrity of WSSC Water and helps ensure available resources are efficiently allocated and productively used to provide value to agency customers at the lowest possible price. Led by the Chief Financial Officer, the department is comprised of the divisions listed below.

Organizational Structure



Mission Statement

To ensure the financial sustainability and fiscal integrity of WSSC Water by providing leadership and guidance on financial services and activities to a wide range of stakeholders in an ethical and responsible manner.

Budget Summary

Finance Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Chief Financial Officer	3.0	\$ 912,793	5.0	\$ 1,140,370	5.0	\$ 1,146,172	-	\$ 5,802
Retirement & Investments Division	6.0	974,033	6.0	1,022,544	6.0	991,286	-	(31,258)
Revenue Division	12.9	1,288,461	14.0	1,526,463	13.0	1,533,105	(1.0)	6,642
Accounting Division	16.2	1,746,184	16.0	1,713,562	17.0	1,887,090	1.0	173,528
Disbursements Division	13.1	1,295,917	14.0	1,391,992	14.0	1,412,277	-	20,285
Budget Division	8.5	1,410,009	9.0	1,426,337	9.0	1,455,957	-	29,620
Total	59.7	\$ 7,627,397	64.0	\$ 8,221,268	64.0	\$ 8,425,887	-	\$ 204,619

Explanation of Major Variances

The FY 2024 Proposed Budget for the Finance Department reflects an overall increase of 3.7% from the FY 2023 Approved Budget. The increase is primarily due to increases in salaries and wages.

Accomplishments

- WSSC Water successfully retained its AAA bond rating from all major credit rating agencies in the fall of 2022
- WSSC Water issued Convertible Consolidated Public Improvement (CPI) Refunding Bonds in May 2022 in the aggregate principal amount of \$702,467,000. As a result of the refunding sale, WSSC Water will realize a net present value savings (NPV) of approximately \$62.8 million
- Pension and OPEB funds remain well-funded despite market declines throughout 2022
- Implemented pension payroll system in 2022, with “go-live” date of July 1, 2022

FINANCE DEPARTMENT (Continued)

Accomplishments (Continued)

- Implemented e-payment system which provides the ability for customers to pay bills via the internet and voice response system
- Completed FY 2022 year-end audit and issued financial statements with unqualified opinion and no management letter
- Developed and executed a savings plan to offset revenue losses resulting from shifts in consumption patterns and lingering impacts of the COVID-19 pandemic
- WSSC Water was awarded the Government Financial Officers Association Distinguished Budget Presentation award for the 28th consecutive year
- Implemented the Governmental Accounting Standards Board Statement No. 87

Racial Equity and Social Justice

- The Finance Department diligently focuses on performing its mission, contributing to revenue and expense management to assure financial access to WSSC Water's essential services at the most reasonable costs to all populations

OFFICE OF THE CHIEF FINANCIAL OFFICER

The Office of the Chief Financial Officer is responsible for maintaining the fiscal integrity of WSSC Water through leadership, oversight and management of the Finance Department, keeping the agency on a solid financial footing.

Core Activities

Grants Administration and Capital Funding – This activity administers Maryland Water Quality loans and grant monies received from the EPA and the MDE. The office is also responsible for all efforts associated with bond and note operations, and Maryland Water Quality loan administration.

RETIREMENT & INVESTMENTS DIVISION

The Retirement & Investments Division is responsible for administering WSSC Water's Employees' Retirement Plan (Plan) for employees and retirees in accordance with the Plan and Internal Revenue Service regulations. The division also supports the Retirement and OPEB Plan's Board of Trustees in managing and investing Plan assets. The division is also responsible for investing WSSC Water's available funds in accordance with the agency's Investment Policy and applicable state laws.

Core Activities

Retirement Administration – This activity administers WSSC Water's Employees' Retirement Plan by providing retirement benefits counseling for employees and processing monthly annuity payments to retirees in accordance with the Plan and Internal Revenue Service regulations.

Investment Operations – This activity invests WSSC Water's funds in accordance with Maryland law.

REVENUE DIVISION

The Revenue Division is responsible for receiving, processing, depositing and recording all funds received by WSSC Water, in an accurate and timely manner. The division also recovers the agency's construction and related financing costs for non-program size water and sewer lines by assessing Front Foot Benefit Charges (FFBC) as outlined by the Annotated Code of Maryland.

Core Activities

Revenue Operations – This activity includes processing, depositing and recording all revenue received by WSSC Water, including payments for water and sewer bills, billed work invoices, grants, permits, and other miscellaneous revenue.

Assessments Preparation and Services – This activity identifies properties within Montgomery and Prince George's Counties that have newly constructed water and/or sewer mains, completed within the prior calendar year, to determine FFBC assessments. In addition, property usage reclassifications are identified, evaluated and recorded.

ACCOUNTING DIVISION

The Accounting Division is responsible for maintaining the financial books and records of WSSC Water and preparing financial statements that fairly present the fiscal position of the agency.

Core Activities

General Ledger – This activity maintains WSSC Water's books and records in a standard that allows the reporting of its operations and financial conditions in accordance with Generally Accepted Accounting Principles.

Research, Special Handling and Special Studies – This activity performs special analyses and studies on both regular and as-needed bases to support management initiatives and rate calculations ensuring that agency decisions and policies are based on accurate data and reliable financial information. In addition, it tests, implements and enhances information technology initiatives.

Capital Assets – This activity maintains, monitors, tracks, analyzes and reports on water and sewer lines, water distribution, wastewater collection, multi-purpose facilities, capital equipment and WSSC Water's vehicle fleet.

Invoicing and Delinquent Accounts – This activity compiles WSSC Water reimbursable costs, prepares invoices and monitors collections. Billings include damages to agency facilities, citations, special cost sharing arrangements, fire hydrant meter leases and final accounting for developer projects.

DISBURSEMENTS DIVISION

The Disbursements Division processes all disbursements, including payroll, maintains WSSC Water's debt service records and schedules, manages employee benefit plans' financial records and reconciles the agency's bank accounts.

Core Activities

Accounts Payable – This activity processes supplier and procurement card invoices, customer refunds and claims, travel advances, and employee reimbursements; generates disbursement checks; makes electronic payments; and makes note, bond principal and interest expense payments. This activity includes verification of payment request and procurement card policy compliance, travel regulations and 1099-Miscellaneous reporting.

Maintenance of Debt Service Records – This activity prepares, maintains and reconciles WSSC Water's notes program and debt service schedules and tables and prepares debt service information booklets.

Health, Dental and Other Benefits Accounting – This activity maintains and reconciles the financial records for the agency's benefit plans, including health care, dental and life insurance.

Bank Account Reconciliations – This activity prepares timely reconciliations of all WSSC Water bank accounts, including checking, collection, general receiving, disbursing, investment, payroll and restoration bank accounts.

DISBURSEMENTS DIVISION (Continued)

Core Activities (Continued)

Payroll Processing – This activity is responsible for the accurate and timely preparation, control and distribution of the bi-weekly payroll; complying with all federal and state regulations and reporting; and preparation and distribution of employee W-2 statements.

BUDGET DIVISION

The Budget Division is responsible for formulating, preparing, justifying and administering WSSC Water’s operating and capital budgets, and the six-year CIP, in accordance with Maryland state law. The division forecasts the impacts of budget and CIP decisions, provides staff support to the County Spending Affordability Groups and prepares the agency’s budget performance Monthly Status Report.

Core Activities

CIP and Budget Preparation and Administration – This activity prepares and transmits a proposed CIP budget by October 1st, and an operating and CIP budget by March 1st of each year to both Counties. Preparation includes developing assumptions, workload projections, guidance policies, project costs, expenditure timelines, procedures and formats, performance measures and analyzing the results, while maintaining relationships with the Counties regarding budgetary and fiscal policies. The budgets are presented to the General Manager, Commissioners and County staffs.

Financial Planning and Studies – This activity prepares long-range financial policies, conducts special studies and analyses including those driven by government mandates, prepares the agency’s Monthly Status Report and provides support to the Spending Affordability Groups.

Goals, Objectives and Outcome Measures

Goal: Produce a sound, affordable capital spending program Strategic Priority: Spend Customer Dollars Wisely

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Maintain the amount of rate supported water and sewer debt below 40% of total water and sewer operating expenditures	Ratio of water and sewer debt service to total water and sewer operating expenditures	38.3% / 37.3%	37.7% / 36.7%	37.5%	35.5%

Goal: Ensure the long-term fiscal stability and soundness of WSSC Water Strategic Priority: Spend Customer Dollars Wisely

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Maintain a debt service coverage ratio (DSCR) greater than or equal to 1.5 *	Ratio of debt service coverage	1.3 / n/a	1.6 / n/a	1.3	1.3

* WSSC Water's targeted DSCR has been revised from 1.10-1.25 range to >= 1.5 in order to address concerns raised by the rating agencies. The DSCR calculation has been revised in accordance with the rating agencies' methodology. The DSCR formula has been revised from Net Operating Revenue divided by Total Debt Service to Funds Available for Debt Service divided by Total Debt Service. Historical information has been updated accordingly. With revisions to the DSCR calculation, the targeted DSCR in FY 2021-2022 were not relevant and therefore marked as "n/a"

BUDGET DIVISION (Continued)

Goal: Minimize borrowing costs

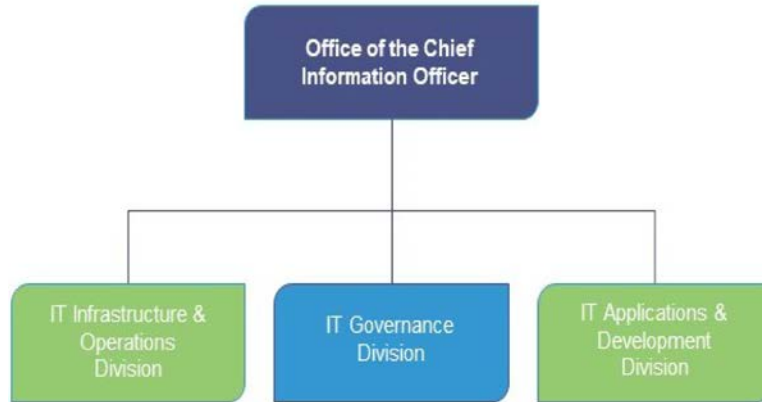
Strategic Priority: Spend Customer Dollars Wisely

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Maintain Fitch Ratings, Moody's Investor Service, and/or S&P Global Ratings bond ratings of AAA/Aaa/AAA	Bond ratings: (Fitch Ratings / Moody's Investor Service / S&P Global Ratings)	AAA/Aaa/AAA / AAA/Aaa/AAA	AAA/Aaa/AAA / AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA
Maintain a leverage ratio less than 10.0	Net Adjusted Debt / Adjusted Funds Available for Debt Service	10.6 / < 10.0	8.9 / < 10.0	< 10.0	< 10.0

INFORMATION TECHNOLOGY DEPARTMENT

The Information Technology (IT) Department provides information technology support services and resources (hardware, software and communications) to enhance customer service, to improve operational efficiencies and to reduce overall operating costs. The IT Department, led by the Chief Information Officer, is comprised of the divisions shown in the following chart.

Organizational Structure



Mission Statement

To lead technology efforts to support the strategic goals of the agency. The IT Department will provide leadership, expertise and resources in the ideation, development and deployment of innovative technologies and streamlined processes to improve efficiency, business interaction and customer access to the agency’s information and services.

Budget Summary

Information Technology Department	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Office of the Chief Information Officer	9.0	\$ 4,255,765	10.0	\$ 4,991,902	10.0	\$ 5,245,332	-	\$ 253,430
IT Infrastructure & Operations Division	31.6	17,865,422	35.0	18,783,457	35.0	20,569,463	-	1,786,006
IT Governance Division	15.5	5,879,460	19.0	8,414,459	19.0	7,546,011	-	(868,448)
IT Applications & Development Division	31.2	25,085,280	39.0	24,109,466	39.0	27,731,057	-	3,621,591
Total	87.3	\$ 53,085,927	103.0	\$ 56,299,284	103.0	\$ 61,091,863	-	\$ 4,792,579

Explanation of Major Variances

The FY 2024 Proposed Budget reflects an increase of approximately 8.5% above the FY 2023 Approved Budget. The increase is primarily due to updates to various systems. The budget also reflects an increase in the IT infrastructure and operations staff augmentation.

Highlights

- Expansion of mobile radio system for Utility Services Department. Approximately 100 additional radios will be installed within their fleets for more efficient intercommunications
- Installation of new Motorola radio dispatch console for the Police and Homeland Security Office

INFORMATION TECHNOLOGY DEPARTMENT (Continued)

Accomplishments

- Deployed planned potable water discharge application, which calculates and records planned potable water discharges and automatically reports to the Maryland Department of the Environment discharges at or exceeding 100,000 gallons
- Conducted full annual IT disaster recovery exercise
- Deployed retiree payroll pension system which replaced the 40-plus year-old legacy application
- Launched GIS Adopt a Fire Hydrant application for WSSC Water external customers. This application is accessible by WSSC Water customers and will allow them to adopt WSSC Water fire hydrants and augment WSSC Water’s ongoing customer education and customer relations efforts
- Launched the WSSC Water mobile application for users, allowing external customers to explore WSSC Water’s watershed and obtain more information about WSSC Water
- Launched the crew utilization dashboard for the Utility Services Department, giving more insight to WSSC Water field teams

Racial Equity and Social Justice

- The IT department diligently focuses on performing all its mission elements within the parameters of the approved budget, contributing to cost containment to assure economical access to WSSC Water's essential services at the most reasonable costs to all populations
- Our contracting approach assures a high level of participation by small, local and minority business enterprises contributing to development of small and disadvantaged business entities within and around WSSC Water's service area

OFFICE OF THE CHIEF INFORMATION OFFICER

The Office of the Chief Information Officer develops, maintains and supports the IT Strategic Plan while assessing technology solutions and implementation priorities to meet WSSC Water’s long-term business needs. The office is also responsible for IT security and risk management functions and for managing the IT budget and the procurement of IT products and services.

Core Activities

IT Security – This activity involves managing and developing the strategic direction for WSSC Water’s enterprise information technology security framework and activities. It encompasses all IT projects or initiatives directly supporting the agency’s cyber security programs.

IT Finance and Contract Administration – This activity provides accurate, timely and meaningful budget and financial information to support decision-making and effective and efficient management of resources for the successful operation of the IT applications and services provided to WSSC Water and its stakeholders and supports the procurement of goods and services in order to provide readily accessible IT services to the agency.

Goals, Objectives and Outcome Measures

Goal: Manage the IT budget in the most cost-effective and Strategic Priority: Spend Customer Dollars Wisely
fiduciary manner

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
IT invoices approved within IT to support net 30 payments	Percentage of IT invoices approved within 15 calendar days	94.0% / 90.0%	96.0 / 95.0%	97.0%	98.0%

IT INFRASTRUCTURE & OPERATIONS DIVISION

The IT Infrastructure & Operations Division is responsible for the day-to-day leadership and direction for all operational work efforts. This includes data center operations; voice, data, video networks; operating system hardware and software; computer infrastructure; and customer service and help desk operations. In addition, this division is responsible for planning, managing and operating complex IT systems to ensure system function, availability and performance.



Core Activities

IT Customer Support Operations – This activity supports WSSC Water’s information technology users through the IT solution center and platform technologies. The IT solution center is responsible for monitoring, maintaining and supporting all agency desktop, laptop and mobile workforce initiatives and operations. Platform technologies are primarily responsible for the agency’s server and storage infrastructure. This includes assessing, implementing and maintaining server and storage technologies; and developing an IT strategic plan to ensure the stability and availability of these foundational elements.

Network Operations Center – This activity provides day-to-day oversight and management of WSSC Water’s data centers, mainframe operations, data network and telecommunications infrastructure. This includes management of a mission-critical data center and infrastructure operation; and oversight of related infrastructure activities throughout the entire product lifecycle, from requirements gathering through implementation, and to all subsequent ongoing production and on-call support.

IT Architecture – This activity is responsible for collaborating with other IT teams on the design and planning of WSSC Water IT infrastructure. The IT Architect is also instrumental in disaster recovery planning, reviewing and testing of WSSC Water’s IT infrastructure.

Platform Technologies – This activity includes assessing, implementing and maintaining WSSC Water's server, storage, and backup infrastructure. This activity is also responsible for authentication and directory services along with Microsoft 365 support to include email, Microsoft Teams and other Microsoft technologies.

Voice and Data Networks – This activity is responsible for WSSC Water’s voice and data network infrastructure. This includes maintenance and support of routing and switching, firewalls, internet connections, Wi-Fi, Avaya private branch exchange, interactive voice response system, virtual private network, and contact center applications.

Telecommunications – This activity manages WSSC Water’s SCADA point-to-point microwave communications infrastructure. This activity is also responsible for maintenance and management support of uninterrupted power supply, telephone and network cabling, two-way radio communication and cellular tower leasing.

IT INFRASTRUCTURE & OPERATIONS DIVISION (Continued)

Goals, Objectives and Outcome Measures

Goal: Provide reliable computing services to all users in order to deliver information and data in the timeframes required to support decision Strategic Priority: Optimize Infrastructure

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Ensure high availability of critical business systems	Percentage of time that the critical systems are available	99.9% / 97.0%	99.9% / 97.0%	97.0%	97.0%
Ensure high availability of the network	Percentage of time that the network is available across all WSSC Water sites	99.9% / 97.0%	99.9% / 97.0%	97.0%	97.0%

IT GOVERNANCE DIVISION

The IT Governance Division is responsible for developing and operationalizing processes, plans, policies and performance metrics that aid IT in delivering efficient, cost-effective and reliable services that support WSSC Water’s strategic priorities. This responsibility includes project governance (IT project management and enterprise project management), business analysis, technical writing and quality assurance.

Core Activities

Project Management – The project management office promotes the adoption of project management best practices to support the successful and timely implementation of projects. Using standard methodology, tools and templates, the project management office provides core services of managing and monitoring projects and mentoring functional project managers.

Portfolio Management – The enterprise program management office assists the senior leadership team in the prioritization of project proposals which strongly support the realization of WSSC Water's strategic priorities.

Business Analysis – This activity includes analyzing and documenting current business processes and workflows in as-is diagrams, outlining process improvements, making recommendations to streamline business processes and workflows and documents the proposed future state in to-be diagrams. The core activities of business analysis include elicitation, facilitation, requirements development, business process analysis and business process re-engineering.

Technical Writing – This activity includes gathering, developing and publishing clear, high-quality documentation for business partners across WSSC Water. The team creates templates, maintains and updates documentation, edits material, formats content and sets standards for conciseness, clarity and consistency.

IT Quality Assurance – This activity concentrates on the software testing and software quality assurance processes across the software development lifecycle . Working in conjunction with various development teams to set objectives, scope and strategies for IT quality assurance at the agency, critical success factors are identified and various processes and strategies are developed to mitigate those risks through developing, testing and benchmarking of a toolkit and methodology.

IT Asset Management – The IT asset management group manages the cost, risk and compliance associated with IT hardware and software assets by creating and promoting processes and procedures in line with IT asset management best practices.

IT Hardware Compliance – This activity includes working with IT stakeholders to define, implement and validate processes for efficiently managing IT hardware assets throughout the lifecycle in alignment with IT asset management best practices and internal policies.

IT Software Compliance – This activity includes validating that software is being used in accordance with the license terms and conditions. The team works with application owners to identify compliance issues for proactive remediation as well as providing support during a software audit to ensure the best outcome for WSSC Water.

IT APPLICATIONS & DEVELOPMENT DIVISION

The IT Applications & Development Division is responsible for refining and implementing WSSC Water’s strategic technical vision and leading significant aspects of the agency’s IT development by fostering innovation, prioritizing technology initiatives and coordinating the evaluation, deployment and management of current and future technology systems across the agency.

Core Activities

Customer Care Information Systems – This activity maintains and supports Assessment Information System; Maintenance Management Information System; Fats, Oils and Grease program and Primavera/Analytics.

Innovation and Advanced Analytics – This activity supports the implementation of the agency-wide IT strategic plan for reporting and advanced analytics. This activity is responsible for the research, facilitation and promotion of IT innovations and advanced analytics; business intelligence and enterprise reporting function; back-end data warehousing; and analytical support to business users to enable strategic use of information across WSSC Water.

Application and Database Services – This activity supports application and database services, including web application development, and internet and intranet site support. Developers design, update and maintain web solutions for WSSC Water use, by development of strategies for middle tier and portal architecture, eCommerce, legacy to web migration, system requirements analysis, system design, programming, testing, implementation and system maintenance.

Geographic Information Systems – This activity manages WSSC Water's map-based enterprise technology solutions. This activity leads projects and initiatives related to GIS application development, custom tools, geodatabase design and implementation, maintenance and update of map databases, coordination of data acquisitions and development and updates of standards. The GIS Support Section works with external teams and collaborates with local, state and federal resources to strategize WSSC Water’s overall GIS approach; supports initiatives to consolidate and centralize data repositories; and researches, initiates and supports all GIS-related projects.

Procurement and Logistics – This activity maintains all the Oracle EBS procure-to-pay modules, retirement systems and several other applications used throughout WSSC Water. The Oracle EBS Procure-to-Pay application encompasses several modules including but not limited to purchasing, iProcurement, accounts payable and inventory along with several interfaces between these modules and other applications. In addition, this team holds responsibility for e-Permitting, Project Dox, P6, RIVA and Questica applications.

Human Resource Management System – This activity supports the general ledger, human resources, payroll, time and labor, advanced benefits and self-service systems. WSSC Water’s business units access these systems through the intranet network to accomplish agency business functions.

Database Administration – This activity supports hundreds of applications in variety of databases ranging from mainframe, Oracle and SQL Server. The Database Administration team provides support for Oracle Enterprise Resource Planning, EBS, ePermitting, GIS, SCADA, as well as in-house custom developed applications in various platforms. The Database Administration team supports various departments throughout WSSC Water and outside vendors.

Goals, Objectives and Outcome Measures

Goal: Provide reliable computing services to all users in order to deliver information and data in the timeframes required to support decisions
Strategic Priority: Optimize Infrastructure

Objectives	Outcome Measure	FY 2021 Actual / Target	FY 2022 Actual / Target	FY 2023 Target	FY 2024 Target
Ensure the availability of applications to support the agency	Percentage of time that the critical systems are available	99.9% / 97.0%	99.9% / 97.0%	97.0%	97.0%

OTHER

Other refers to expenditures essential to the operation of WSSC Water that are related to more than one department/office or those which do not fall within the functional assignment of any department/office. These expenses are related to items such as insurance premiums, Social Security, debt service, PAYGO and retirement benefits.

Budget Summary

Other	FY 2022 Actual		FY 2023 Approved		FY 2024 Proposed		Increase / (Decrease)	
	Work Years	Amount	Work Years	Amount	Work Years	Amount	Work Years	Amount
Human Resources Non-Departmental	-	\$ 27,557,301	-	\$ 33,781,806	-	\$ 32,624,782	-	\$ (1,157,024)
Finance Non-Departmental								
Debt Service	-	289,213,777	-	328,523,374	-	333,201,310	-	4,677,936
PAYGO	-	27,585,000	-	31,016,000	-	44,000,000	-	12,984,000
Other (Social Security, Retirement, etc.)	-	32,949,761	-	54,603,458	-	59,818,218	-	5,214,760
Retirement Trust Chargeback	-	(769,300)	-	(1,673,547)	-	(1,632,330)	-	41,217
Total	-	\$ 376,536,539	-	\$ 446,251,091	-	\$ 468,011,980	-	\$ 21,760,889

Explanation of Major Variances

The FY 2024 Proposed Budget for Other reflects an overall increase of 4.9% from the FY 2023 Approved Budget primarily due to (1) increased PAYGO contributions, (2) debt service increases due to new bond sales and interest rates, (3) increased payments to Social Security and Retirement funds and (4) increased contingency funds.

HUMAN RESOURCES NON-DEPARTMENTAL

Human Resources Non-Departmental budgets for payments associated with group life insurance, accidental death and dismemberment insurance, accidents and sickness, health care programs and unemployment insurance.

FINANCE NON-DEPARTMENTAL

Finance Non-Departmental budgets for payments associated with insurance premiums, Social Security, the WSSC Water Employees' Retirement Plan and the health care trust for OPEB. Debt service, bond sales expenses and bond coupon payment redemption expenses are also included under this organization.

RETIREMENT TRUST CHARGEBACK

Retirement Trust Chargeback accounts for retirement and investments expenses related to the operations of the retirement trust that will be paid by the trust.

APPENDICES

APPENDIX A
ECONOMIC INDICATORS AND TRENDS

Top 20 Customers - Water and Sewer Usage

Rank	Name of Customer
1	National Institutes of Health
2	University of Maryland
3	Department of Public Works Howard County
4	Leisure World
5	General Services Administration (GSA)
6	U.S. Navy
7	Southern Management Corp
8	National Institute of Standards and Technology (NIST)
9	Joint Base Andrews
10	Gaylord
11	Franklin Park Apartments
12	MedImmune LLC
13	Prince George's County Central Services
14	MGM Resorts
15	Pepsi Cola
16	Advance Conservation Technology
17	Keys Energy Center
18	Wheaton Plaza Shopping Center
19	Coca Cola Bottling Company
20	Enclave Holding LLC

ACTIVE CUSTOMER ACCOUNTS

WSSC Water Active Customer Accounts for Montgomery and Prince George's Counties as of the end of the fiscal year.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Customer Accounts Both Counties	460,072	460,825	463,755	466,884	468,929
Percent Change (%)	0.1%	0.2%	0.6%	0.7%	0.4%

By Type of Customer*					
Residential	440,164	440,087	442,536	445,503	442,968
Percent Change (%)	0.1%	0.0%	0.6%	0.7%	-0.6%
Commerical and Industrial	16,921	16,852	17,455	17,402	21,843
Percent Change (%)	-1.4%	-0.4%	3.6%	-0.3%	25.5%
Government and Other	2,987	3,886	3,764	3,979	4,118
Percent Change (%)	0.2%	30.1%	-3.1%	5.7%	3.5%

By Type of Property*					
Single-Family Residence	341,514	341,093	341,776	343,414	343,851
Townhouse	90,880	91,244	92,883	94,823	96,209
General Commercial	16,915	16,844	17,446	16,050	13,202
Garden Apartment	3,911	3,890	3,861	3,978	3,977
Multi-Unit (Individually Metered)	2,630	2,619	2,615	2,626	2,624
High-Rise Apartment	442	442	426	468	473
Other	3,780	4,693	4,748	5,525	8,593
	460,072	460,825	463,755	466,884	468,929

* Data source: WSSC Water's Customer-to-Meter (C2M) customer billing system

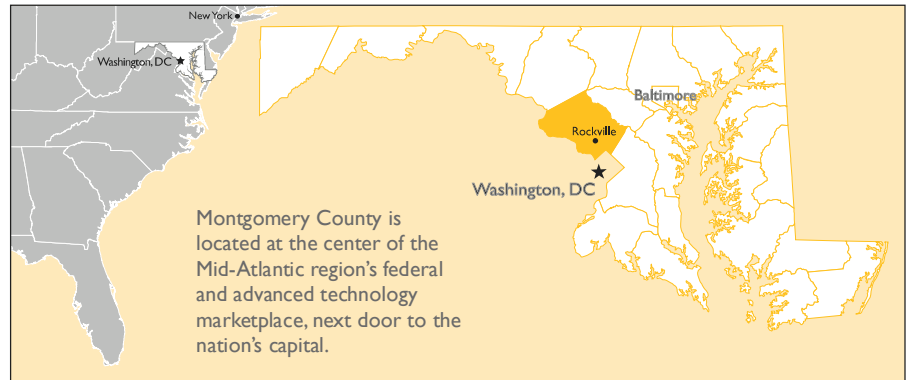
The following pages include economic facts for Montgomery County and Prince George's County, published Maryland Department of Commerce.

Brief Economic Facts

MONTGOMERY COUNTY, MARYLAND

Montgomery County is Maryland's most populous jurisdiction and one of its most affluent, has a stable and significant office market, and is a major economic engine for the state. It is home to an array of ground breaking innovations such as mapping the human genome, developing life-saving therapies, building premier cybersecurity defenses, and driving world-class IT advancements. Federal facilities in the county include the National Institutes of Health, the National Institute of Standards and Technology, and the Food and Drug Administration. The county is also home to educational and research organizations such as the Johns Hopkins University's Montgomery County Campus, the Howard Hughes Medical Institute, the Henry M. Jackson Foundation, and the Universities at Shady Grove.

Montgomery County's private sector industries generate \$73.2 billion in economic output in areas including information technology, telecommunications, biotechnology, software development, aerospace engineering, professional services, and government/federal contractors. Leading private employers



include Adventist, Choice Hotels, Emergent BioSolutions, GEICO, Giant Food, HMSHost, Kaiser Permanente, Lockheed Martin, Marriott Intl., AstraZeneca, Supernus, Verizon, and WeddingWire.

Recent developments include the start of construction for the Purple Line, a 16-mile light rail from Montgomery County to Prince George's County, and completion of a new mixed-use development in the heart of the Wheaton Triangle called the Wheaton Revitalization Project.

LOCATION

Driving distance from Rockville:	Miles	Kilometers
Atlanta, Georgia	624	1005
Baltimore, Maryland	38	61
Boston, Massachusetts	436	702
Chicago, Illinois	670	1078
New York, New York	225	363
Philadelphia, Pennsylvania	136	219
Pittsburg, Pennsylvania	207	333
Richmond, Virginia	118	190
Washington, DC	16	26

CLIMATE AND GEOGRAPHY¹

Yearly Precipitation (inches)	43.5
Yearly Snowfall (inches)	24.9
Summer Temperature (°F)	74.4
Winter Temperature (°F)	35.1
Days Below Freezing	86.3
Land Area (square miles)	495.4
Water area (square miles)	10.1
Elevation (ft)	10 to 880

POPULATION^{2,3}

	Montgomery County Households	Montgomery County Population	Maryland part of Washington DC metro*	Maryland
2010	357,075	971,777	2,036,172	5,773,552
2020	368,000	1,051,816	2,226,589	6,055,802
2030**	399,150	1,112,690	2,324,580	6,254,500

*Frederick, Montgomery and Prince George's counties

**Projections

Selected places population (2010): Germantown 86,395; Silver Spring 71,452; Rockville 61,209; Bethesda 60,858; Gaithersburg 59,933; Aspen Hill 48,759; Wheaton 48,284

POPULATION DISTRIBUTION^{2,3} (2020)

Age	Number	Percent
Under 5	65,340	6.2%
5 - 19	200,590	19.1%
20 - 44	336,061	32.1%
45 - 64	283,256	27.0%
65 and over	162,414	15.5%
Total	1,047,661	100.0
Median Age		39.4 Years



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2022

Brief Economic Facts MONTGOMERY COUNTY, MARYLAND

LABOR AVAILABILITY^{3,4,5} (BY PLACE OF RESIDENCE)

Civilian Labor Force (2021 avg.)	County	Labor Mkt. Area*
Total civilian labor force	547,389	1,185,163
Employment	517,358	1,111,150
Unemployment	30,031	74,013
Unemployment rate	5.5%	6.2%
Residents commuting outside the county to work (2016-2020)	59,145 Number	14.4% Percent
Employment in selected occupations (2016-2020)		
Management, business, science and arts	320,180	57.3%
Service	82,859	14.8%
Sales and office	91,947	16.4%
Production, transp. and material moving	32,280	5.8%

*Frederick, Montgomery and Prince George's counties

MAJOR EMPLOYERS^{6,7} (2020-2021)

Employer	Product/Service	Employment
National Institutes of Health*	HQ/ medical research	17,535
Naval Support Activity Bethesda*	Medical services	10,204
U.S. Food and Drug Administration*	HQ / food & drug R&D & standards	8,500
Giant Food	Groceries	4,354
Adventist HealthCare	HQ / medical services	3,675
Government Employees Insurance (GEICO)	HQ / insurance	3,505
Marriott International	HQ / hotels & motels	3,500
Astrazeneca	HQ / pharmaceutical R&D & manufacturing	3,500
National Oceanic and Atmospheric Administration*	HQ / weather analysis & reporting	2,913
Kaiser Foundation Health Plan	Medical services	2,720
Montgomery College	Higher education	2,719
U.S. Nuclear Regulatory Commission*	HQ / utilities regulation	2,522
Holy Cross Hospital	Medical services	2,070
National Institute of Standards and Technology*	HQ / testing & standards; R&D	2,000
Infosys	Consulting	2,000
Henry M. Jackson Foundation for the Advancement of Military Medicine, The	HQ / R&D in the social sciences & humanities	1,959
Suburban Hospital	Medical services	1,887
Westat	HQ / contract research & surveys	1,750

Excludes post offices, state and local governments, national retail and national foodservice; includes higher education

*Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included

EMPLOYMENT⁴ (2020)

Industry	Estab-lishments	Annual Avg. Empl.	Empl. %	Avg. Wkly. Wage
Federal government	107	48,721	11.05	\$2,419
State government	12	1,275	0.29	984
Local government	246	41,108	9.32	1,440
Private sector	32,682	349,963	79.34	1,543
Natural resources and mining	60	912	0.21	996
Construction	2,471	23,825	5.40	1,385
Manufacturing	426	12,763	2.89	2,786
Trade, transportation and utilities	3,783	51,816	11.75	1,015
Information	563	9,079	2.06	2,293
Financial activities	3,106	28,087	6.37	2,586
Professional and business services	8,598	101,909	23.11	1,977
Education and health services	4,552	71,516	16.21	1,189
Leisure and hospitality	2,381	31,818	7.21	562
Other services	6,712	18,218	4.13	1,096
Total	33,047	441,068	100.00	1,628

Includes civilian employment only

HOURLY WAGE RATES⁴ (2021)

Selected Occupations	Median	Entry	Skilled
Accountants	\$39.14	\$26.61	\$52.14
Aerospace engineers	\$80.21	\$48.91	\$88.21
Assemblers and Fabricators	\$20.97	\$14.78	\$26.20
Bookkeeping/accounting clerks	\$23.51	\$17.23	\$28.80
Computer hardware engineers	\$61.62	\$40.56	\$70.46
Computer systems analysts	\$48.56	\$32.77	\$61.14
Computer user support specialists	\$29.13	\$19.60	\$34.48
Customer service representatives	\$18.40	\$13.83	\$23.98
Electrical engineers	\$59.13	\$39.24	\$68.82
Electronics engineering technicians	\$62.99	\$42.18	\$75.78
Freight, stock and material movers	\$14.91	\$13.94	\$18.61
Industrial truck operators	\$21.81	\$17.58	\$24.45
Information security analyst	\$60.19	\$36.15	\$71.34
Inspectors, testers, sorters	\$24.76	\$18.09	\$32.66
Machinists	\$29.74	\$22.25	\$35.61
Maintenance workers, machinery	\$29.18	\$17.32	\$34.05
Mechanical Engineers	\$54.50	\$37.34	\$65.26
Network support specialists	\$49.38	\$34.76	\$61.91
Packaging/filling machine operators	\$17.68	\$13.46	\$20.03
Packers and packagers hand	\$15.58	\$13.73	\$18.53
Secretaries	\$22.84	\$15.93	\$27.77
Shipping/receiving clerks	\$18.21	\$14.24	\$22.88
Stock clerks and order fillers	\$14.58	\$13.38	\$18.26
Telemarketer	\$14.87	\$12.13	\$18.33

Wages are an estimate of what workers might expect to receive in Montgomery County and may vary by industry, employer and locality

Brief Economic Facts MONTGOMERY COUNTY, MARYLAND

SCHOOLS AND COLLEGES^{3,8}

Educational Attainment - age 25 & over (2016-2020)

High school graduate or higher	91.4%
Bachelor's degree or higher	59.2%

Public Schools

Number: 135 elementary; 40 middle; 25 high, 1 career/tech
Enrollment: 158,231
Cost per pupil: \$18,229
Students per teacher: 13.5
High school career / tech enrollment: 17,011
High school graduates: 11,608

Nonpublic Schools Number: 315

Higher Education (2020)	Enrollment	Degrees
-------------------------	------------	---------

2-year institution

Montgomery College	20,037	3,110
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Major 4-year institutions

Uniformed Services University of the Health Sciences	NA	NA
Washington Adventist University	968	267

Universities at Shady Grove - Degree programs offered by 9 University System of Maryland institutions including UMCP, UMB, UB, UMBC, UMES, UMUC, Bowie, Salisbury and Towson.

Universities at Shady Grove - Degree programs offered by 9 University System of Maryland institutions including UMCP, UMB, UB, UMBC, UMES, UMUC, Bowie, Salisbury and Towson.

TAX RATES⁹

	Montgomery Co.	Maryland
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Corporate Income Tax (2022)	none	8.25%
Base – federal taxable income		

Personal Income Tax (2022)	3.20%	2.0-5.75%
Base – federal adjusted gross income		
*Graduated rate peaking at 5.75% on taxable income over \$300,000		

Sales & Use Tax (2022)	none	6.0%
Exempt – sales for resale; manufacturer's purchase of raw materials; manufacturing machinery and equipment; purchases of materials and equipment used in R&D and testing of finished products; purchases of computer programs for reproduction or incorporation into another computer program for resale		

Real Property Tax (FY 22)	\$0.7178	\$0.11
Effective rate per \$100 of assessed value		
In addition to this rate, there are some miscellaneous taxes and/ or special taxing areas in the county; in an incorporated area, a municipal rate may also apply		

Business Personal Prop. Tax (FY 22)	\$1.7945	none
Rate per \$100 of depreciated value		
Exempt – manufacturing and R&D machinery, equipment, materials and supplies; manufacturing, R&D and warehousing inventory		
In an incorporated area, a municipal rate may also apply; municipal exemptions may be available		

Major Tax Credits Available

Enterprise Zone, Job Creation, More Jobs for Marylanders, R&D, New Jobs, Biotechnology and Cybersecurity Investment, A&E District

INCOME³ (2016-2020)

Distribution	Percent Households		
	Montgomery County	Maryland	U.S.
Under \$25,000	9.20%	12.80%	18.40%
\$25,000 - \$49,999	11.50%	15.40%	20.60%
\$50,000 - \$74,999	12.50%	15.20%	17.20%
\$75,000 - \$99,999	11.60%	13.00%	12.80%
\$100,000 - \$149,999	19.20%	19.30%	15.60%
\$150,000 - \$199,999	12.70%	10.80%	7.10%
\$200,000 and over	23.50%	13.40%	8.30%
Median household	\$111,812	\$87,063	\$64,994
Average household	\$152,779	\$114,236	\$91,547
Per Capita	\$55,643	\$43,352	\$35,384
Total income (millions)	\$56,960	\$254,806	\$11,201,162

HOUSING^{3,10}

Occupied Units 2016-2020 372,825 (65.60% owner occupied)

Housing Transactions

Units Sold	15,671
Median Selling Price	\$530,000

*All multiple listed properties excludes auctions and FSBO

BUSINESS AND INDUSTRIAL PROPERTY⁶

Already home to over 300 biotech companies, the county is planning additional development along the I-270 and Rt. 29 corridors, adding to its global reputation as a technology center. Over 1.5 million sf of urban, transit-oriented office space is under construction in downtown Bethesda including Marriott's new corporate headquarters scheduled for completion in 2022. **Viva White Oak** - Broke ground in 2018 on a 300-acre mixed use devt. focusing on advanced technologies, adjacent to the new U.S. FDA HQ campus.

Montgomery College Germantown Campus Science and Technology Park - Up to one million sf planned, including an academic and training facility tied in with the college's biotech program, a business incubator, and build-to-suit facilities.

Business Incubators

Alexandria LaunchLabs (Gaithersburg); Bethesda Green; BioHealth Innovation (Rockville); Germantown Innovation Center; GovCon (Rockville); Rockville Innovation Center; Silver Spring Innovation Center

Market Profile Data (2019)	Low	Average	High
Land – cost per acre			
Industrial	\$146,200	\$972,430	\$2,500,000
Office	\$350,000	\$2,494,334	\$7,323,262
Rental Rates – per square foot			
Warehouse / Industrial	\$9.75	\$8.00	\$19.81
Flex / R&D / Technology	\$18.60	\$34.50	\$55.00
Class A Office	\$12.72	\$17.41	\$31.25

Brief Economic Facts MONTGOMERY COUNTY, MARYLAND

TRANSPORTATION

Highways: I-270 (“The Technology Corridor”), I-370, I-495, U.S. Route 29 and the ICC (MD 200); ten-minute access to I-95

Rail: 12 Metrorail stations, including three of the system’s busiest; 11 future Purple Line rail stops; Amtrak, MARC and CSX Transportation offer long-distance passenger and commuter service as well as freight rail service

Bus: 234 Metrobuses operating on 41 routes in the county, plus extensive service via the county’s Ride-On bus system

Truck: More than 130 local and long-distance trucking establishments

Water: Served by the Port of Baltimore with a 50’ channel; a leading U.S. automobile and break-bulk port; seven public terminals including the state-of-the-art Intermodal Container Transfer Facility

Air: Commercial passenger and air cargo services are available through Baltimore/Washington International Thurgood Marshall, Washington Dulles International, and Ronald Reagan Washington National Airports; commuter and corporate air service is available at the Montgomery County Airpark (4200’ runway)

RECREATION AND CULTURE

Parks and Recreation: More than 410 different parks, including national, state, regional and neighborhood, featuring tennis courts, ball fields and totalling 34,600 acres; more than 100 miles of trails provide recreational opportunities

Golf: Nine public golf courses, 22 private golf courses, and more than a dozen country clubs, including the Tournament Players Club at Avenel; county hosted the 2011 US Open at Congressional Country Club.

Sports: 11 public pools and 50 private community pools; public and private tennis courts throughout the county; year-round amateur and professional sports as well as thoroughbred racing.

Cultural: The Music Center at Strathmore’s 1,978-seat concert hall and adjacent education center; Olney Theatre Center in Olney; American Film Institute’s Silver Theatre, the Round House Theatre, Bethesda Blues and Jazz Supper Club, and the Fillmore featuring Live Nation in Silver Spring.

Arts & Entertainment Districts: Bethesda, Silver Spring, Wheaton.

Attractions: Clara Barton National Historic Site, National Capital Trolley Museum, Chesapeake & Ohio Canal National Historical Park, Sugarloaf Mountain Vineyard and Brookside Gardens.

Events: Sugarloaf Craft Festival, Montgomery County Agricultural Fair, SILVERDOCS Film Festival, Quicken Loans National Golf Tournament, and Seneca Creek State Park Light Festival.

UTILITIES

Electricity: Potomac Electric Power Company, Baltimore Gas and Electric and the Allegheny Power System; customers of investor-owned utilities and major cooperatives may choose their electric supplier

Gas: Natural gas supplied by Washington Gas; BGE serves the northern section of the county; customers may purchase gas from other natural gas suppliers

Water and Sewer: Washington Suburban Sanitary Commission (WSSC) maintains and operates the county’s water and sewer system; the City of Rockville operates its own water and sewer system

Telecommunications: Verizon Maryland, Comcast and RCN provide cable television, high-speed wired and wireless internet and telephone services in the county; services available include Ethernet, VoIP, and Verizon FiOS)

GOVERNMENT¹¹

County Seat: Rockville

Government: County executive and nine county council members elected for four-year terms; charter form of government allows for the separation of the executive from the legislative branch; lawmaking powers are vested in an elected legislative body

Marc B. Elrich, County Executive 240.777.2500

Gabriel Albornoz President, County Council 240.777.7964

Website: www.montgomerycountymd.gov

County Bond Rating: AAA (S&P); Aaa (Moody’s); AAA (Fitch)

Montgomery County Economic Development Corporation

David Petr, President and CEO 1801 Rockville Pike, Suite 320
Rockville, Maryland 20852

Telephone: 240.641.6700

Email: connect@thinkmoco.com

thinkmoco.com

Sources:

- 1 National Oceanic and Atmospheric Administration (1981-2010 normals); Maryland Geological Survey
- 2 American Community Survey
- 3 U.S. Bureau of the Census
- 4 Maryland Department of Labor, Office of Workforce Information and Performance
- 5 U.S. Bureau of Labor Statistics
- 6 Montgomery County Economic Development Corporation
- 7 Maryland Department of Commerce
- 8 Maryland State Department of Education; Maryland Higher Education Commission
- 9 Maryland State Department of Assessments and Taxation; Comptroller of the Treasury
- 10 Maryland Association of Realtors
- 11 Maryland State Archives; Maryland Association of Counties



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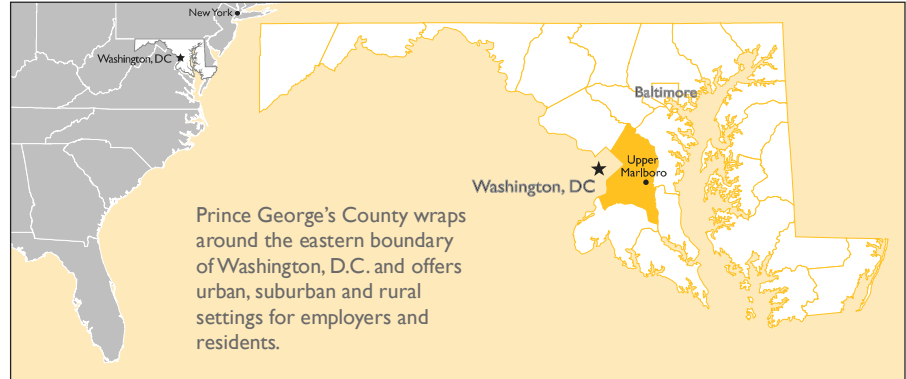
Brief Economic Facts

PRINCE GEORGE'S COUNTY, MARYLAND

Prince George's County wraps around the eastern boundary of Washington, D.C. and offers urban, suburban and rural settings. The region is served by three international airports and the Port of Baltimore. The county boasts a friendly business climate, skilled workers and an outstanding quality of life.

Prince George's has one of the largest technology and aerospace sectors in the state and a growing hospitality sector. Major private employers include SGT, Inovalon, Verizon, and MGM National Harbor; with private sector industries generating \$31.9 billion in economic output. Woodmore Towne Centre and National Harbor are recent, high-quality mixed-use developments, and Westphalia Town Center and Towne Square at Suitland Federal Center are currently under development.

Prince George's County has significant federal facilities, such as Joint Base Andrews, NASA Goddard Space Flight Center, FDA, NOAA, USDA Beltsville Agricultural Research Center, and



the U.S. Citizenship and Immigration Services headquarters currently under construction. Academic facilities include the University of Maryland College Park, the state's flagship public university, and other major institutions. The county's commitment to business growth is reflected by the recent location or expansion of 2U and Kaiser Permanente of the Mid-Atlantic. The county's healthcare sector is also growing, led by the UM Capital Region Medical Center currently under construction.

LOCATION

Driving distance from Upper Marlboro	Miles	Kilometers
Atlanta, Georgia	626	1007
Baltimore, Maryland	37	60
Boston, Massachusetts	433	697
Chicago, Illinois	703	1131
New York, New York	222	357
Philadelphia, Pennsylvania	133	214
Pittsburg, Pennsylvania	239	385
Richmond, Virginia	107	173
Washington, DC	18	29

CLIMATE AND GEOGRAPHY¹

Yearly Precipitation (inches)	44.1
Yearly Snowfall (inches)	13.9
Summer Temperature (°F)	75.8
Winter Temperature (°F)	36
Days Below Freezing	92
Land Area (square miles)	487
Water area (square miles)	12.2
Shoreline (miles)	119
Elevation (ft)	sea level to 440

POPULATION^{2,3}

	Prince George's County Households	Prince George's County Population	Maryland part of Washington DC metro*	Maryland
2010	304,050	863,420	2,036,172	5,773,552
2020	316,150	909,612	2,226,589	6,055,802
2030**	332,150	916,770	2,324,580	6,254,500

*Frederick, Montgomery and Prince George's counties

**Projections

Selected places population (2010): Bowie 54,727; Clinton 35,970; Chillum 33,513; College Park 30,413; South Laurel 26,112; Suitland 25,825; Laurel 25,115

POPULATION DISTRIBUTION^{2,3} (2020)

Age	Number	Percent
Under 5yrs	59729	6.6%
5 - 19 yrs	169801	18.7%
20 - 44 yrs	316249	34.7%
45 -64 yrs	243564	26.8%
65 and over	121208	13.3%
Total	910551	100.0
Median Age		37.5 Years



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2022

Brief Economic Facts

LABOR AVAILABILITY^{3,4,5} (BY PLACE OF RESIDENCE)

Civilian Labor Force (2021 avg.)	County	Labor Mkt. Area*
Total civilian labor force	502,972	1,185,163
Employment	465,458	1,111,150
Unemployment	37,514	74,013
Unemployment rate	7.5	6.2%

Residents commuting outside the county to work (2016-2020)	Number	Percent
	88,527	30.6%

Employment in selected occupations (2016-2020)		
Management, business, science and arts	197,693	40.9%
Service	95,631	19.8%
Sales and office	93,997	19.4%
Production, transp. and material moving	46,497	9.6%

*Frederick, Montgomery and Prince George's counties

MAJOR EMPLOYERS^{6,7} (2020-2021)

Employer	Product/Service	Employment
University System of Maryland	Higher education	20,250
Joint Base Andrews Naval Air Facility Washington**	Federal Military installation	17,500
U.S. Internal Revenue Svc. **	Federal Revenue Collection	4,735
	Federal Demographic Research	4,605
U.S. Census Bureau**		
WMATA	Public Transportation	3,546
NASA/Goddard Space Flight Ctr.	Federal, Space Research	3,000
United Parcel Service	Mail and package delivery	3,000
Prince George's Community College	Higher education	2,045
MGM National Harbor	Hotels and Gaming	2,000
Gaylord National Resort-Convention Ctr	Hotels and Conventions	2,000
ASRC Federal (Arctic Slope Regional Corp)	Research and Engineering	1,903
National Maritime Intelligence-Integration Office (NMIO)	Federal Maritime Intelligence Analysis	1,890
Verizon	Telecommunication	1,800
University of Maryland Capital Region Health	Medical services	1,800
CBMC Capital	Building Maintenance	1,800
U.S. Dept. Of Agriculture**	Federal Government	1,725
Knight Protective Services	Security Guard Service	1,500
MELWOOD HORT TRAINING CTR INC	Social services	1,400
National Oceanic and Atmospheric Admin**	Federal Weather Analysis and Reporting	1,375

Excludes post offices, state and local governments, national retail and national foodservice; includes higher education

*Includes UMCP, UMUC and Bowie State University

**Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included

EMPLOYMENT⁴ (2020)

Industry	Estab-lishments	Annual Avg. Empl.	Empl. %	Avg. Wkly. Wage
Federal Government	114	27,468	9.28	\$2,200
State Government	15	21,013	7.10	1,135
Local Government	298	39,420	13.31	1,368
Private Sector	16,014	208,174	70.31	1,104
Natural resources and mining	16	94	0.03	1,075
Construction	1,822	27,236	9.20	1,445
Manufacturing	327	7,214	2.44	1,266
Trade, Transportation, and utilities	3,396	55,992	18.91	883
Information	147	2,342	0.79	1,835
Financial activities	1,326	10,414	3.52	1,284
Professional and business services	3,350	37,164	12.55	1,525
Education and health services	2,398	32,161	10.86	1,152
Leisure and hospitality	1,692	27,776	9.38	488
Other Services	1,519	7,762	2.62	886
Total	16,442	296,077	100.00	1,243

Includes civilian employment only

HOURLY WAGE RATES⁴ (2021)

Selected Occupations	Median	Entry	Skilled
Accountants	\$38.66	\$25.94	\$50.94
Aerospace engineers	\$74.61	\$50.59	\$80.52
Assemblers and Fabricators	\$22.66	\$15.82	\$27.10
Biological technicians	\$28.86	\$19.01	\$32.26
Bookkeeping/accounting clerks	\$23.36	\$16.71	\$28.53
Computer hardware engineers	\$66.76	\$45.22	\$76.44
Computer systems analysts	\$48.13	\$31.59	\$58.47
Computer user support specialists	\$28.78	\$19.26	\$32.49
Customer service representatives	\$18.35	\$13.45	\$23.63
Electrical engineers	\$47.90	\$32.92	\$61.46
Electronics engineering technicians	\$64.80	\$46.26	\$77.37
Freight, stock and material movers	\$14.58	\$13.85	\$19.21
Industrial truck operators	\$22.38	\$17.83	\$25.71
Information security analyst	\$60.33	\$38.20	\$68.96
Inspectors, testers, sorters	\$22.71	\$15.16	\$31.14
Machinists	\$36.57	\$22.02	\$38.22
Maintenance workers, machinery	\$23.27	\$15.47	\$29.24
Mechanical Engineers	\$47.98	\$32.49	\$61.13
Network support specialists	\$49.38	\$35.95	\$61.98
Packaging/filling machine operators	\$16.90	\$13.08	\$20.83
Packers and packagers hand	\$16.35	\$13.50	\$19.01
Secretaries	\$22.80	\$15.98	\$29.01
Shipping/receiving clerks	\$18.26	\$14.17	\$22.76
Stock clerks and order fillers	\$14.91	\$13.37	\$18.89
Telemarketer	\$13.84	\$12.54	\$15.84

Wages are an estimate of what workers might expect to receive in Prince George's County and may vary by industry, employer and locality

Brief Economic Facts // PRINCE GEORGE'S COUNTY, MARYLAND

SCHOOLS AND COLLEGES^{3,8}

Educational Attainment - age 25 & over (2016-2020)

High school graduate or higher	87.2%
Bachelor's degree or higher	34.4%

Public Schools

Number: 121 elementary; 36 middle/combine; 24 high; 1 career/tech; 9 charter

Enrollment: 128,777

Cost per pupil: \$16,323

Students per teacher: 13.8

High school career / tech enrollment: 13,575

High school graduates: 7,762

Nonpublic Schools Number: 118

Higher Education (2020)

	Enrollment	Degrees
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2-year institution

Prince George's Community College	11,358	1,349
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4-year institutions

Bowie State University	6,250	1,164
Capitol Technology University	754	176
University of Maryland, College Park	40,709	11,320
University of Maryland Global Campus	59,679	14,352

Undergraduate and graduate courses are offered at the Laurel College Center through 6 Maryland public colleges/universities

Central Michigan and Embry-Riddle Aeronautical Universities offer courses at Joint Base Andrews.

TAX RATES⁹

	Prince George's County	Maryland
Corporate Income Tax (2022)	none	8.25%
Base – federal taxable income		
Personal Income Tax (2022)	3.20%	2.0-5.75%
Base – federal adjusted gross income		
*Graduated rate peaking at 5.75% on taxable income over \$300,000		
Sales & Use Tax (2022)	none	6.0%
Exempt – sales for resale; manufacturer's purchase of raw materials; manufacturing machinery and equipment; purchases of materials and equipment used in R&D and testing of finished products; purchases of computer programs for reproduction or incorporation into another computer program for resale		
Real Property Tax (FY 22)	\$1.0000	\$0.1120
Effective rate per \$100 of assessed value		
In addition to this rate, there are some miscellaneous taxes and/ or special taxing areas in the county; in an incorporated area, a municipal rate may also apply		
Business Personal Prop. Tax (FY 22)	\$2.50	none
Rate per \$100 of depreciated value		
Exempt – manufacturing and R&D machinery, equipment, materials and supplies; manufacturing, R&D and warehousing inventory In an incorporated area, a municipal rate may also apply; municipal exemptions may be available		

Major Tax Credits Available

Enterprise Zone, Job Creation, More Jobs for Marylanders, R&D, New Jobs, Biotechnology and Cybersecurity Investment, A&E District

INCOME³ (2016-2020)

Distribution	Percent Households		
	Prince George's Co.	Maryland	U.S.
Under \$25,000	10.6%	12.80%	18.40%
\$25,000 - \$49,999	14.8%	15.40%	20.60%
\$50,000 - \$74,999	17.1%	15.20%	17.20%
\$75,000 - \$99,999	14.6%	13.00%	12.80%
\$100,000 - \$149,999	21.0%	19.30%	15.60%
\$150,000 - \$199,999	10.9%	10.80%	7.10%
\$200,000 and over	10.9%	13.40%	8.30%
Median household	\$86,994	\$87,063	\$64,994
Average household	\$105,736	\$114,236	\$91,547
Per Capita	\$38,502	\$43,352	\$35,384
Total income (millions)	\$33,374	\$254,806	\$11,201,162

HOUSING^{3,10}

Occupied Units (2016-2020) 315,634 (62.10% owner occupied)

Housing Transactions

Units Sold	12,562
Median Selling Price	\$380,000

*All multiple listed properties excludes auctions and FSBO

BUSINESS AND INDUSTRIAL PROPERTY⁶

The county offers a range of business locations, including urban mixed-use developments at Metro stations, suburban office parks, a Foreign Trade Zone countywide, State Enterprise Zone, Opportunity Zones, and distribution and manufacturing parks with rail and highway access. The University of Maryland Discovery District provides opportunities for direct collaboration with one of the top universities in the nation. Class A office space with great access is available in Laurel, Calverton, Bowie, College Park, Beltsville, Greenbelt, Hyattsville, Largo, and many other locations.

Prince George's County enacted landmark legislation establishing a \$50 million Economic Development Incentive Fund (EDIF) that provides loans, guarantees and conditional loans for projects in the county that create jobs and investment.

Business Incubators

Bowie Business Innovation Center, Bowie Maryland International Incubator, College Park Prince George's County Innovation Station, Largo Technology Advancement Prog., Univ. of MD at College Park

Market Profile Data (2019)	Low	High	Average
Land – cost per acre			
Industrial	\$40,000	\$800,000	\$250,000
Office	\$125,000	\$2,000,000	\$300,000
Rental Rates – per square foot			
Warehouse / Industrial	\$3.75	\$14.48	\$7.31
Flex / R&D / Technology	\$6.00	\$19.00	\$11.14
Class A Office	\$16.00	\$36.00	\$21.14

Brief Economic Facts PRINCE GEORGE'S COUNTY, MARYLAND

TRANSPORTATION

Highways: I-95, I-495, U.S. 1, U.S. 50, U.S. 301, Baltimore Washington Parkway (MD 295), and Intercounty Connector (MD 200).

Mass Transit: MARC (MD Area Regional Commuter) serves the Baltimore-Washington corridor, with nine locations in the county; WMATA (Washington Metro Area Transit Authority) provides 70 bus routes and rail service; 15 stations on the Blue, Orange and Green Metro rail lines; local bus system with 28 routes.

Rail: CSX Transportation and Norfolk Southern Railway; Amtrak Metroliner passenger service from D.C. to New York with intermediate stops, including the Capital Beltway Station at New Carrollton; and the 16 mile/21 station Purple Line light rail transit system under construction, connecting Prince George's and Montgomery counties.

Truck: All major motor freight common carriers serve the county.

Water: Served by the Port of Baltimore, a leading U.S. automobile and break-bulk port, with a 50' channel and seven public terminals including the state-of-the-art Intermodal Container Transfer Facility; one of only four ports on the East Coast able to accommodate Neo-Panamax ships

Air: Baltimore/Washington International Thurgood Marshall Airport, accessible by bus, train and shuttle van; Ronald Reagan Washington National Airport, minutes from the Capital Beltway and accessible by bus and metro; and Washington Dulles International Airport, accessible by bus and car.

RECREATION AND CULTURE

Parks and Recreation: Maryland-National Capital Park and Planning Commission manages nearly 26,000 acres of parkland with over 90 miles of paved hiker/biker/equestrian trails; 127 neighborhood parks; 39 community centers; 27 recreational buildings; 10 aquatic facilities; three ice rinks; four golf courses; 214 tennis courts and an indoor/outdoor tennis facility; the Prince George's Equestrian Center and the Show Place Arena; an airport (the oldest in operation); a marina; and the Prince George's Sports and Learning Complex.

Sports: Comcast Center, Maryland Stadium, Samuel Riggs IV Alumni Center, FedEx Field (home of the Washington Redskins), and a 10,000 seat AA baseball stadium.

Cultural and Historical: Clarice Smith Performing Arts Center at the University of Maryland; many historical sites and museums; the Smithsonian Institutions, the Kennedy Center, and the National Gallery of Art are just across the county line in the nation's capital.

Arts & Entertainment District: Gateway Arts District

Attractions: Six Flags America theme park; MGM National Harbor, a luxury waterfront dining, retail, entertainment and gaming resort on the Potomac River; and Tanger Outlets with 80 designer and name brand stores.

UTILITIES

Electricity: Baltimore Gas and Electric, Potomac Electric Power Company, and Southern Maryland Electric Cooperative, Inc.; customers may choose their electric supplier

Gas: Natural gas supplied by Baltimore Gas and Electric and Washington Gas; customers may choose their gas supplier

Water and Sewer: Washington Suburban Sanitary Commission

Telecommunications: Verizon, Comcast, Level 3 Communications and others have significant fiber throughout the county; AT&T, Sprint, Cavalier, Cox, and other carriers and resellers also offer services on proprietary and leased lines

GOVERNMENT

County Seat: Upper Marlboro

Government: County executive elected at large and nine county council members elected by district for four-year terms; charter form of government allows for the separation of the executive from the legislative branch; lawmaking powers are vested in an elected legislative body

Angela D. Alsobrooks, County Executive 301.952.4131

Calvin S. Hawkins II, Chair, County Council 301.952.3700

Website: www.princegeorgescountymd.gov

Bond Rating: AAA (S&P); Aaa (Moody's); AAA (Fitch)

Prince George's County Economic Development Corporation

David Iannucci, President and CEO

1801 McCormick Drive, Suite 350

Largo, Maryland 20774

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Email: info@pgcedc.com

www.pgcedc.com

Sources:

1 National Oceanic and Atmospheric Administration (1981-2010 normals); Maryland Geological Survey

2 American Community Survey

3 U.S. Bureau of the Census

4 Maryland Department of Labor, Office of Workforce Information and Performance

5 U.S. Bureau of Labor Statistics

6 Prince George's County Economic Development Corporation

7 Maryland Department of Commerce

8 Maryland State Department of Education; Maryland Higher Education Commission

9 Maryland State Department of Assessments and Taxation; Comptroller of the Treasury

10 Maryland Association of Realtors

11 Maryland State Archives; Maryland Association of Counties



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APPENDIX B - GLOSSARY

Account Maintenance Fees	(Also referred to as AMF) A charge on customer water and sewer bills designed to recover the fixed cost of servicing a customer account independent of the amount of water used or sewage generated. The Account Maintenance Fee includes the cost of purchasing and reading meters; processing meter readings and generating, mailing, and collecting bills; and providing customer services. Prior to 1992, these costs were included in the water and sewer rate structure rather than identified and billed as a separate fee.
Accrual	The recognition of revenue or expenses at the time they are earned or incurred, regardless of when the money is received or paid out.
Accumulated Net Revenue	See Fund Balance.
Ad Valorem Tax	A property tax based “according to the value” of the property. Such taxes are levied on real and personal property according to the property’s assessed valuation and the tax rate.
Advanced Metering Infrastructure	(Also referred to as AMI) An automated system that communicates remotely with metering devices to measure, collect and analyze consumption data. The system includes both hardware and software and can provide comprehensive real-time information to both the consumer and the utility.
American Water Works Association	(Also referred to as AWWA) An international, nonprofit, scientific and educational organization providing water management solutions.
Applicant	Any firm, corporation, Municipality, agency, person, or persons who owns or develops property requiring water or sewer service provided by systems, facilities, and/or service connections within the Washington Suburban Sanitary District.
Asset Management Program	(Also referred to as AMP) A multi-year effort to create an organization-wide Asset Management Plan which identifies the infrastructure needs for a 30-year planning period. This information will serve as the basis for future investment decision making and management of water, wastewater, communications, and buildings and grounds infrastructure.
Authorized Workyears	Employee workyears that are funded in the adopted budget and may be filled during the budget year.
Balanced Budget	A financial plan showing estimated or planned revenues equaling expenses.
Biosolids	Solids produced as a byproduct of treating sewage to produce clean water; also referred to as sludge.

APPENDIX B - GLOSSARY

Blue Plains Advanced Wastewater Treatment Plant	(Also referred to as Blue Plains) The regional wastewater treatment plant owned and operated by the District of Columbia Water and Sewer Authority. Approximately 62.0% of the wastewater from the Washington Suburban Sanitary District is treated at Blue Plains. WSSC Water's shares in the operating and capital costs of Blue Plains in accordance with the terms of a regional agreement signed by the Maryland and Virginia suburbs and the District of Columbia.
Blue Plains Inter-Municipal Agreement	Provides for the inter-jurisdictional (Washington, D.C., Fairfax County, VA, Montgomery County, MD, Prince George's County, MD, and WSSC Water) allocation of wastewater flow capacity, including operating and capital costs associated with wastewater collection, treatment and biosolids management.
Bond	A written promise to pay a sum of money on a specific date at a specified interest rate.
Capital Budget	The annual request for capital funding for the first year of the Capital Improvements Program including those projects in the Information Only Section, new house connection construction, relocations and major systems contracts, water meter purchases, other engineering contracts, and for the associated administrative and support costs.
Capital Expenditures	An amount spent for the planned purchase of long-term assets (such as filtration/treatment plants and pump stations, storage, joint-use facilities, and equipment upgrades).
Capital Improvements Program	(Also referred to as CIP) The comprehensive presentation of capital project expenditure estimates, funding requirements, capital budget requests, and program data for the construction of all major water and sewerage projects planned by WSSC Water over a six-year period.
Capital Project	A WSSC Water effort involving expenditures and funding for the creation, expansion, renovation, or replacement of major facilities and other assets having relatively long lives. Expenditures within capital projects may include costs of planning, design, land, construction, contract supervision, and associated administrative and support costs.
Commission	A six-member Commission governing WSSC Water, comprised of three Commissioners appointed from each County by the County's Executive, confirmed by their respective County Councils. Each Commissioner serves a four-year term.

APPENDIX B - GLOSSARY

Consumer Price Index	(Also referred to as CPI) A measure that examines the change in the cost of a fixed basket of consumer goods and services, such as housing, utilities, transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging the changes; the goods are weighted according to their importance. The CPI is a commonly accepted indicator of inflation, as changes in CPI are used to assess price changes associated with the cost of living.
Cryptosporidium	A microbial contaminant of raw water that can potentially cause chronic or fatal intestinal disorders. In 1993, cryptosporidium was identified as the primary source of an outbreak of water-borne disease in Milwaukee that caused more than 400,000 illnesses and over 100 deaths.
Customer Assistance Program	(Also referred to as CAP) WSSC Water program providing financial assistance to approved residential customers.
Customer-to-Meter	Oracle Customer-to-Meter (C2M) is a billing system providing a comprehensive billing and customer service platform.
Debt Service	The annual payment of principal and interest on bonded indebtedness.
District of Columbia Water & Sewer Authority	(Also referred to as DCWASA or DC Water) Provides drinking water, sewage collection and sewage treatment to District of Columbia.
Energy Performance Program	(Also referred to as EPP) The program provides for the engineering audit, design and construction necessary to replace and upgrade energy consuming equipment and systems at all major WSSC Water facilities. The program stipulates a reduction in energy usage and costs greater than, or equal to, the annual capital costs to be incurred.
Engineering Support Program	(Also referred to as ESP) The consolidation of a diverse group of projects whose unified purpose is to support the extensive water and sewer infrastructure and numerous support facilities that are owned, operated, and maintained by WSSC Water. The ESP does not include major projects included in the CIP or projects to serve new development.
Enhanced Nutrient Removal	(Also referred to as ENR) Enhanced Nutrient Removal is the next step in the natural technological progression of wastewater treatment processes, starting with primary treatment, through secondary and advanced treatment, then biological nutrient removal, and now enhanced nutrient removal. Biological processes are used to further the removal of total nitrogen to levels as low as 3 mg/L and total phosphorus to 0.3 mg/L or less. The Maryland Department of the Environment (MDE) Chesapeake Bay 2000 Agreement calls for the use of ENR.

APPENDIX B - GLOSSARY

Enterprise Resource Planning	(Also referred to as ERP) An automated system that integrates all data and processes of a System organization into a unified system. A typical ERP system will use multiple components of computer software and hardware to achieve the integration. A key ingredient of most ERP systems is the use of a unified database to store data for the various system modules. The main benefits of implementing an ERP system are a single base of consistent information, tighter financial controls, ability to automate business processes, consolidation of redundant systems, improved system reliability, and improved long-term asset management.
Expenditure/Expense	Payment for an asset obtained or goods and services received.
Fats, Oils and Grease Program	(Also referred to as FOG) A federally mandated program that advises customers on how to properly manage fats, oils, and grease (FOG); monitors and controls the discharge of FOG from commercial food service establishments; investigates sanitary sewer blockages and overflows caused by FOG discharges; and initiates enforcement action to ensure appropriate corrective measures are taken.
Federal Open Market Committee	(Also referred to as FOMC) A Federal Reserve Board committee that sets monetary policy, including the interest rates that are charged to banks.
Fee	A charge for service to the user or beneficiary of the service. According to State law, charges must be related to the cost of providing the service.
Fiscal Policy	WSSC Water's policies with respect to revenues, spending, and debt management as the policies relate to WSSC Water services, programs, and capital investments. Fiscal policy provides a set of principles for the planning and programming of budgets, uses of revenues, and financial management.
Fiscal Year	(Also referred to as FY) The 12-month period to which the annual operating and capital budgets and their expenditure authorizations apply. WSSC Water's fiscal year starts on July 1 and ends on June 30.
Fixture Unit	(Drainage fixture unit or water supply fixture unit) A measurement of the probable discharge into the drainage system (sewer) or the probable hydraulic demand on the water supply (water) by various types of plumbing fixtures (bathtubs, lavatories, water closets, drinking fountains, etc.). For example, a drinking fountain corresponds to 0.5 drainage fixture units, while a conventional bathtub corresponds to 2.0 drainage fixture units.

APPENDIX B - GLOSSARY

Force Main	(Also referred to as FM) The discharge pipe from a wastewater pumping station through which flow is lifted under pressure to a higher elevation. A pipe of this type is used to overcome changes in topography by conveying flow over a ridge or other high point to a nearby, existing sewer line. This avoids the need to construct a longer conventional gravity line in another direction.
Fringe Benefits	Contributions made by WSSC Water to help underwrite the agency's share of the costs for Social Security and various pension, health, and life insurance plans provided to employees. Fringe benefits are centrally budgeted in non-departmental accounts.
Front Foot Benefit Charge	(Also referred to as FFB or FFBC) A charge assessed owners of property abutting WSSC Water's water mains and/or sewers who derive a benefit from the construction of these water mains and sewers. Revenue from front foot benefit charges is used to pay debt service on General Construction Bonds.
Fund	A set of interrelated accounts to record revenues and expenditures associated with implementing specific activities or achieving certain objectives in accordance with special regulations, restrictions, or limitations, and constituting an independent fiscal and accounting entity.
Fund Balance	The amount by which resources exceed the obligations of the fund. The beginning fund balance represents the residual funds brought forward from the previous fiscal year (ending fund balance). Fund balance is also referred to as Accumulated Net Revenue in this document.
General Bond Debt Service Fund	(Also referred to as GBDS) An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with paying the debt service on bonds issued to finance WSSC Water's general construction and administrative and support facility construction program; and for administering the agency's front foot benefit assessment activities.
General Construction Bond Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of designing and constructing WSSC Water's minor water supply and wastewater collection and disposal systems (water mains less than 16" in diameter and sewer mains less than 15" in diameter), and all administrative and support facilities. Water meters are also purchased from this fund.

APPENDIX B - GLOSSARY

Geographic Information System	(Also referred to as GIS) A system that integrates hardware, software, and data for capturing, storing, managing, analyzing, and displaying all forms of geographically referenced information. The technology can be used for scientific investigation, resource management, and development planning.
Goal	A long-term, attainable target for an organization – its vision of the future.
Green Bond	Bond instrument whose proceeds are exclusively applied to projects such as green buildings, pollution prevention and control, renewable energy, water quality, and climate change adaptation.
Haloacetic Acids	(Also referred to as HAAs) A group of chemicals that are formed when chlorine or other disinfectants used to control contaminants in drinking water react with naturally occurring organic and inorganic matter in the water. Five haloacetic acids (referred to as HAA5) that are regulated by the EPA: monochloroacetic acid, dichloroacetic acid, trichloroacetic acid, monobromoacetic acid, and dibromoacetic acid.
House Connection Charge	(Also referred to as H/C Charge) A fee set annually by WSSC Water to cover the cost of the installation of small diameter pipe between water and sewer mains and the owner's property line. House connections feed water to a dwelling, place of business, or other structure and convey domestic sewage into the main line sewer for transportation to a wastewater treatment facility.
Infiltration	Groundwater that flows into sewer lines due to defective pipes or manholes.
Inflow	Surface stormwater from rainfall that flows into sewer lines due to defective pipes or manholes.
Information Only Projects	The CIP document contains an Information Only Projects section. Projects in this section are not required to be in the CIP under Section 23-301 of the Public Utilities Article, WSSD Laws, Annotated Code of Maryland, but may be included for any number of reasons such as: fiscal planning purposes; the reader's improved understanding of the full scope of a specific set of projects; or in response to requests from County governments. Expenditures for Information Only projects are not included as part of the CIP six-year program costs but are shown separately on the bottom line of the financial summary in the front section of the CIP for informational purposes.
Infrastructure Investment Fees	(Also referred to as IIF) A fixed fee that funds a portion of the debt service associated with WSSC Water's water and sewer pipe reconstruction programs.

APPENDIX B - GLOSSARY

Justice40	Federal program to invest in climate change, clean energy and energy affordable and sustainable housing, training and workforce development, remediation and reduction of legacy pollution, and the development of critical clean water and wastewater infrastructure efficiency, clean transit, affordable and sustainable housing, training and workforce development, remediation and reduction of legacy pollution, and the development of critical clean water and wastewater infrastructure in disadvantaged communities.
Level of Service	The services, programs, and facilities provided by WSSC Water to its customers. The level of service may increase, decrease, or remain the same, depending upon needs, alternatives, and available resources.
Maryland Department of the Environment	(Also referred to as MDE) The Maryland Department of the Environment was created in 1987 to protect and preserve the State's air, water and land resources and safeguard the environmental health of Maryland's citizens. MDE's duties also encompass enforcement of environmental laws and regulations, long-term planning and research. MDE provides technical assistance to Maryland industry and communities for pollution and growth issues and environmental emergencies.
Maryland-National Capital Park and Planning Commission	(Also referred to as M-NCPPC) Founded in 1927 and chartered by the State of Maryland, it has geographic authority in the Montgomery and Prince George's County regions, planning and coordinating regional growth and development, including a system of parks and recreational locations.
Memorandum of Understanding	An agreement between parties indicating an intended common line of action.
Metropolitan Washington Council of Governments	(Also referred to as MWCOG) Non-profit association of 24 Washington, D.C. area local governments focused on housing, economic competitiveness and the Metro system.
Miscellaneous	Revenue derived from charges for late payment of bills and Front Foot charges; charges for repair of WSSC Water property (e.g., fire hydrants, water mains, sewer lines) damaged by individuals; charges for relocation of WSSC Water's water and sewer systems and/or facilities for the benefit of other parties (e.g., Maryland Department of Transportation and County Departments of Transportation); sewage handlers fees which are charged for discharging septic tank clean-out wastes into WSSC Water's sewerage system; antenna lease fees collected; and fees charged for the use of recreational facilities in WSSC Water's watershed areas.

APPENDIX B - GLOSSARY

Mission	A written declaration of an organization’s core purpose and focus. An example of a mission is “. . . to provide safe and reliable water, life’s most precious resource, and return clean water to our environment, all in an ethical, sustainable, and financially responsible manner.”
Nephelometric	A unit of measure to assess turbidity in a liquid sample by using an instrument called a nephelometer. A nephelometer passes light through a sample and the amount of light deflected is then measured.
Nephelometric Turbidity Units	(Also referred to as NTU) A measure of the clarity of water. Maintaining very low levels of filtered water turbidity is recognized as a means of effectively guarding against Cryptosporidium and other chlorine-resistant pathogens.
Non-Departmental	Expenditure items essential to the operation of WSSC Water which either do not fall within the functional assignment of any office or which provide for expenditures related to more than one office. Examples include fringe benefits and insurance.
Objective	A specific measurable and observable result of an organization’s activity which advances the organization toward its goal.
Operating Budget	A comprehensive financial plan by which WSSC Water’s operating programs are funded for a single fiscal year.
Other Post-Employment Benefits	(Also referred to as OPEB) Employees in the public sector may be compensated in a variety of forms in exchange for their services. In addition to salary, employees may earn benefits over their years of service that will not be received until their service has been severed due to retirement or other reasons. The most common type of post-employment benefit is a pension. Other post-employment benefits generally take the form of health insurance, dental, prescription drug, or other health care benefits. It may also include life insurance, legal services, or other benefits.
Outcome Measure	A measure of the degree to which an objective has been achieved. For WSSC Water, this usually corresponds to the impact of a service on an organization’s key responsibilities, especially the effect on citizens, customers, or other users of the service.
Pay-As-You-GO Financing	(Also referred to as PAYGO) The funding of capital expenditures with operating funds instead of debt.
Plumbing and Inspection Fees	A fee for WSSC Water’s inspection of all plumbing and gas fixtures installed in residential and commercial structures to ensure that such installations are in compliance with WSSC Water’s Plumbing and Gas-fitting Code.

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Potomac WFP Consent Decree	A court-enforced legal document that was negotiated between WSSC Water, the Maryland Department of the Environment, the United States Environmental Protection Agency, the United States Department of Justice, and a number of Citizen Groups that requires WSSC Water to take certain actions in order to reduce the amount of solids discharged back into the Potomac River.
Project Needs Validation Process	Systematically identifies and validates the water, wastewater and support services needs of WSSC Water, develops potential solutions to the validated needs and recommends a preferred solution.
Public Hearing	An opportunity for customers and the citizenry in general to voice opinions and concerns to appointed or elected officials. Section 17-202 of the Public Utilities Article of the Annotated Code of Maryland, requires that WSSC Water publish a budget before January 15, make it available to the public upon request, and hold a public hearing on the budget not less than 21 days after the budget is released for comment, but before February 15. Notice of WSSC Water's public hearings is sent to all customers. In addition, public hearing specifics (date, time, location, contact information, and procedures for testifying) are advertised in local and regional newspapers.
Quintile	A quintile is a statistical value that divides a dataset into five equal parts, each representing 20% (1/5 th) of the range of a given population. The first quintile represents the lowest 20% of the range (0% to 20%); the second quintile represents the second 20% of the population (20% to 40%); and so on.
Ready-to-Serve Charge	Comprised of the Account Maintenance Fees (AMF) and the Infrastructure Investment Fees
Reconstruction Debt Service Offset	(Also referred to as REDO) The use of surplus funds from the General Bond Debt Service Fund to offset a portion of the debt service cost of the Systems Reconstruction Program. REDO was established in FY 1983 to use the surplus that had accumulated in the General Bond Debt Service account to benefit all WSSC Water ratepayers on a long-term basis.
Regional Sewage Disposal	WSSC Water's share of the maintenance and operating costs of the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant.
Rockville Sewer Use	Revenue derived from payment by the City of Rockville for the city's share of the Regional Sewage Disposal charges.

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Salaries & Wages	A budget expenditure category for monetary compensation in the form of annual or hourly pay for work performed.
Sanitary Sewer Overflow Consent Decree	A court-enforced legal document that was negotiated between WSSC Water, the Maryland Department of the Environment, the United States Environmental Protection Agency, the United States Department of Justice, and a number of Citizen Groups that requires WSSC Water to take certain actions in order to improve the performance of the wastewater collection system and reduce the number of sanitary sewer overflows.
SDC Debt Service Offset	The use of a portion of System Development Charge (SDC) revenue to pay the debt service on bonds issued after FY 1993 to pay for growth-related CIP projects. (FY 1994 was the first year that the SDC was in effect.)
Sewage Disposal Bond Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of designing and constructing/reconstructing WSSC Water's major wastewater collection, storage, and disposal facilities, including all sewer mains 15" in diameter and larger, wastewater treatment plants, force mains, and wastewater pumping stations. The fund also covers the reconstruction of all sized sewer lines and lateral lines.
Sewer Operating Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of operating and maintaining WSSC Water's wastewater collection and disposal system.
Sewer System Evaluation Survey	(Also referred to as SSES) The Sewer System Evaluation Survey is an analytical evaluation of a sanitary sewer system to detect sewer pipe defects, blockages, and capacity problems through the use of techniques such as manhole inspections, trunk sewer inspections, smoke tests, dye tests, closed circuit television (CCTV), flow monitoring, rain monitoring, building service connection location/ inspection, and night flow isolations. The SSES is performed to determine the specific location of problems, estimate dry and wet weather flow rates, possible methods of rehabilitation, and the cost of rehabilitation/replacement.
Sewer Use Charges	Revenue derived from applying an increasing rate schedule per 1,000 gallons of water sold. The rate charged for each account is based upon the average daily water consumption by customer unit during each billing period.

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Significant Industrial User	(Also referred to as SIU) Defined by the Environmental Protection Agency as: (1) All industrial users subject to Categorical Pretreatment Standards under 40 CFR 403.6 and 40 CFR chapter I, subchapter N; (2) Any other industrial user that: discharges an average 25,000 gallons per day or more of process wastewater; contributes a process waste stream which makes up 5 percent or more of the average dry weather hydraulic or organic capacity of the treatment plant; or (3) is designated as a SIU by WSSC Water on the basis that the industrial user has a reasonable potential for adversely affecting the operation of WSSC Water's wastewater treatment plants.
Spending Affordability	(Also referred to as SAG) An approach to budgeting that assigns expenditure ceilings for the forthcoming year prior to the development of detailed budget estimates. Limits on new water and sewer debt, total water and sewer debt service, total water and sewer operating expenses, and the amount of the water and sewer bill increase are established each year by the Montgomery and Prince George's County Councils prior to WSSC Water's budget preparation. This process started with the FY 1996 budget.
Strategic Sourcing	Strategic planning and priority alignment to foster informed decision making using fact-based, data-driven processes.
Supervisory Control and Data Acquisition System	(Also referred to as SCADA) The technological system enabling WSSC Water to use automation to collect data from one or more (remote) facilities and send limited control instructions to those facilities.
Supply Chain Management	The identification, acquisition, access, positioning and management of resources an organization needs or potentially needs in the attainment of its strategic objectives.
System Development Charge	(Also referred to as SDC) A charge levied on new development to pay for the construction of major water and sewerage facilities needed to accommodate growth.
System Extension Permit	(Also referred to as SEP) A WSSC Water-issued permit for extensions to WSSC Water's system. This permit is required for the Applicant to build water and sewer systems that WSSC Water will, upon satisfactory completion, take over for maintenance and operations.
System Extension Process	Addresses projects undertaken by applicants to support future growth, serve one new residence or provide relief from a residential health hazard.

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Trihalomethanes	A group of potentially cancer-causing substances that can be present as low-level contaminants in finished water. Trihalomethanes can be produced as disinfection byproducts when the chlorine used to treat the raw water reacts with certain normally occurring organic contaminants present in the raw water.
Trunk Sewer	As defined in the Sanitary Sewer Overflow Consent Decree, “Trunk Sewer” refers to any sewer lines in WSSC Water’s Collection System that are 15” or greater in diameter, including components thereto, and stream-crossings.
Turbidity	Turbidity is the cloudy appearance of water caused by the presence of suspended matter. A turbidity measurement is used to indicate the clarity of water.
Turbidity Units	Turbidity units are a measure of the cloudiness of water. If measured by a Nephelometric (deflected light) instrumental procedure, turbidity units are expressed in Nephelometric turbidity units, or NTU.
U.S. Environmental Protection Agency	(Also referred to as EPA) U.S. Federal agency charged with overseeing waterways and water sources, decreasing water pollution and protecting drinking water from known and emerging contaminants that endanger public health.
Washington Suburban Sanitary Commission	(Also referred to as WSSC Water or agency) A Bi-County agency established by an act of the Maryland General Assembly responsible for planning, designing, constructing, operating, and maintaining water and sewerage systems in Prince George’s and Montgomery Counties.
Washington Suburban Sanitary District	(Also referred to as WSSD) The area served by WSSC Water, strict as specified by State law. The District includes nearly all of Prince George’s and Montgomery Counties, with the exception of the Municipalities of Bowie, Rockville, and Poolesville, and rural areas in northeastern Montgomery County and southeastern Prince George’s County.
Wastewater	Water that originates from a combination of domestic, industrial, commercial or agricultural activities and, due to sewer inflow or infiltration, may also include surface runoff or stormwater.
Water Consumption Charge	Revenue derived from the sale of water by applying an increasing rate schedule per 1,000 gallons of use. The rate charged for each account is based upon the average daily consumption during each billing period.

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Water Fund	Funded by customers, community members and WSSC Water employees to assist approved residential customers experiencing financial hardships paying water/sewer bills.
Water Operating Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of operating and maintaining WSSC Water's water supply and distribution system.
Water Supply Bond Fund	An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities associated with carrying out the activities of designing and constructing/reconstructing WSSC Water's major water supply and distribution facilities, including all water mains 16" in diameter and larger, water filtration plants, water pumping stations, and water storage facilities. The fund also covers the reconstruction of all sized water lines and lateral lines.
Workyear	A standardized unit for measurement of personnel effort and costs. A workyear is the equivalent of 2,080 work hours or 260 work days.

APPENDIX C - ACRONYMS

AFO	Acoustic Fiber Optic	H/C	House Connection
AL	Action level	ICPRB	Interstate Commission on the Potomac River Basin
AMF	Account Maintenance Fee	IIF	Infrastructure Investment Fee
AMI	Advanced Metering Infrastructure	IT	Information Technology
C2M	Customer-to-Meter	LCRR	Lead and Copper Rule Revisions
CAP	Customer Assistance Program	LIHWAP	Low-Income Household Water Assistance Program
CEO	Chief Executive Officer	LSL	Lead Service Line
CLF	Consolidated Lab Facility	MBE	Minority Business Enterprise
CIP	Capital Improvements Program	MDE	Maryland Department of the Environment
CIU	Categorical Industrial User	MGD	Million Gallons per Day
COOP	Continuity of Operations Plans	M-NCPPC	Maryland-National Capital Park and Planning Commission
CPI-W	Consumer Price Index for Urban Wage Earners & Clerical Workers	MVR	Meter, Vertical Turbine
DC Water	District of Columbia Water and Sewer Authority	MWCOG	Metropolitan Washington Council of Governments
DSCR	Debt Service Coverage Ratio	MWIFA	Maryland Water Infrastructure Financing Administration
DWRLF	Drinking Water Revolving Loan Fund	NTU	Nephelometric Turbidity Units
E&C	Engineering & Construction Department	OHEP	Maryland Office of Home Energy Programs
EBS	E-Business Suite	OIG	Office of the Inspector General
EGIS	Enterprise Geographic Information System	OPEB	Other Post-Employment Benefits
EPA	Environmental Protection Agency	OSDI	Office of Supplier Diversity & Inclusion
FEMA	Federal Emergency Management Agency	PAYGO	“Pay-As-You-GO” Financing
FFBC	Front Foot Benefit Charge	PCCP	Pre-stressed Concrete Cylinder Pipe
FICA	Social Security & Medicare	PPB	Parts per billion
FM	Force Main	REDO	Reconstruction Debt Service Offset
FOG	Fats, Oils, and Grease	RESJ	Racial Equity and Social Justice
FOMC	Federal Open Market Committee	SAG	Spending Affordability Guidelines
FSE	Food Service Establishment	SCADA	Supervisory Control and Data Acquisition
FTE	Full Time Equivalent = Workyear	SDC	System Development Charge
FY	Fiscal Year	SDWA	Safe Drinking Water Act
GAAP	Generally Accepted Accounting Principles	SEP	System Extension Permit
GFOA	Government Finance Officers Association	SIU	Significant Industrial User
GIS	Geographic Information System	SLBE	Small, Local Business Enterprise
GPD	Gallons per Day	SRF	State Revolving Fund
GPS	Global Positioning System	SSES	Sewer System Evaluation Survey
GRR	Galvanized Requiring Replacement		
HAA	Haloacetic Acid		

APPENDIX C - ACRONYMS

SSO	Sanitary Sewer Overflow
THM	Trihalomethanes
TL	Trigger level
WFP	Water Filtration Plant
WQRLF	Water Quality Revolving Loan Fund
WRRF	Water Resource Recovery Facilities
WSSC	Washington Suburban Sanitary Commission
WSSD	Washington Suburban Sanitary District
WWPS	Wastewater Pumping Station
WWTP	Wastewater Treatment Plant



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