

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 890 (Montgomery County Delegation and Prince George's County Delegation)

Appropriations

Budget and Taxation

**Washington Suburban Sanitary Commission - Contracting Authority –
Revenue Bonds
MC/PG 109-01**

This bill alters the contracting authority and the revenue bond authority of the Washington Suburban Sanitary Commission.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: None.

Local Effect: WSSC revenues could increase by \$300,000 in FY 2002 exclusive of revenue bond income and WSSC expenditures could increase by up to \$240,000 in FY 2002. The number and amount of revenue bonds issued cannot be reliably projected. Montgomery and Prince George's counties' revenues and expenditures would not be directly affected.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: This bill:

- expands the contracting authority of the Washington Suburban Sanitary Commission (WSSC) to enter into public/private partnerships currently not authorized by law;

- expands the products, services, technology, expertise, and intellectual property that the WSSC may sell, lease, or license;
- authorizes the WSSC to issue revenue bonds in any amount with a maturity not to exceed 50 years;
- requires that projects, contracts, or transactions utilizing revenue bonds shall be entered into only through the use of a limited liability company, limited liability partnership, limited partnership, or other comparable limited liability entity or arrangement;
- authorizes the WSSC to finance initial program development costs or other project costs for public/private partnership contracts and agreements from funding sources other than revenue bond proceeds only if those costs are reimbursed from project revenues;
- provides that funding of initial program costs may not, in any year, exceed an amount equal to 3% of the gross revenues of the WSSC from water consumption charges and sewer charges for the immediately preceding fiscal year; and
- provides that any net revenues earned from projects and contracts entered be used to stabilize or reduce rates and reduce debt.

The bill also requires the WSSC to include projects and contracts pursuant to this bill in the capital and operating budgets for the next fiscal year.

WSSC may issue and sell revenue bonds to finance or refinance all or part of the costs of projects. The bonds must be authorized by resolution and would be repaid with project revenue streams. The bonds would not be considered to constitute a pledge of the faith and credit of the WSSC or any other taxing power and would be tax-exempt at the local and State levels. In addition, the bill provides that WSSC contracts made pursuant to this bill would have the same legal standing as contracts between the State and other parties.

Current Law: The WSSC is not authorized to enter into business relationships with private firms or to sell revenue bonds in support of new projects. The WSSC, before January 15 of each year, is required to prepare capital and operating budgets for the next fiscal year.

Background: The WSSC is exploring opportunities to maximize its assets. WSSC's attempt to secure work on Bolling Air Force Base revealed WSSC's lack of legal authority to enter into public/private partnerships and lack of funding mechanisms. The expanded legal authority to enter into public/private partnerships would allow WSSC to work on projects outside of Montgomery and Prince George's counties by utilizing staff experience and knowledge, technology, and other work products to produce income. Joint ventures include, but are not limited to, working with local utilities to read meters and issue customer bills; design, build, and operate projects for other utilities; performing

laboratory analyses for other entities; and licensing proprietary software to other governmental entities. WSSC advises that gross revenues for water consumption and sewer charges in fiscal 2000 were \$300 million. Accordingly, 3% of gross revenues of water consumption charges and sewer charges are \$9 million.

Local Fiscal Effect: WSSC revenues could increase depending on the sales of products, services, technology, expertise, and intellectual property in the public/private partnerships. The WSSC estimates that revenues will exceed costs by 15% to 20% each year.

The WSSC estimates increased revenues of \$300,000 could be realized in fiscal 2002 from leasing staff to other entities, performing laboratory services for other utilities, and conducting training programs. The WSSC estimates that revenues for fiscal 2003-2006 could increase by \$5 million to \$8 million per year. These revenues would be driven by sales from laboratory services, sales of process control programming software, conducting training programs, providing utility services to Department of Defense bases, and partnering on design, build, and operate projects.

WSSC expenditures could increase by \$80,000 to \$240,000 in fiscal 2002 due to material costs in providing laboratory services and overhead costs in sending staff to other sites. Expenditures for fiscal 2003-2006 could increase by \$4 million to \$6.4 million per year. These costs would be driven by payroll, rent, capital borrowing, and high operating costs of utility plants.

Additional WSSC income and debt authority with the goal of financial savings could decrease sewer and water costs for residents and businesses in Montgomery and Prince George's counties. WSSC advises that residents of Montgomery and Prince George's counties are not likely to see current fees decrease; however, WSSC expects the profits to reduce future fee increases by maximizing assets.

Small Business Effect: The proposed legislation could negatively impact small firms that provide similar services. It is unlikely that WSSC is directly competing with small firms in the area because of WSSC's special intellectual property knowledge. Small businesses could benefit from legal partnerships with WSSC in the pursuit and completion of water and sanitary projects.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Washington Suburban Sanitary Commission, Prince George's County, Department of Legislative Services

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