

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1020 (Prince George's County Delegation and Montgomery County Delegation)

Commerce and Government Matters

**Washington Suburban Sanitary Commission -
Competitive Action Program
PG/MC 18-00**

This bill codifies the existing Washington Suburban Sanitary Commission (WSSC) Competitive Action Program (CAP) and requires the WSSC to provide annual updates on the program's progress. The goal of the program is to reduce controllable operations and management costs to no more than \$196,229,896 by the end of fiscal 2002 and to no more than \$181,229,896 by the end of fiscal 2005. The cost reductions are to be achieved by utilizing best operations and management practices, reducing staff through attrition, improving efficiency through the use of additional training and new technology, and capitalizing on cost-saving opportunities provided by energy deregulation. At the end of each fiscal year, the WSSC must submit a report on the program's progress to the county executives, county councils, and county delegations of Prince George's and Montgomery counties. The reports will focus on the actions and recommendations of CAP work teams already in place.

This bill is effective July 1, 2000, and sunsets June 30, 2005.

Fiscal Summary

State Effect: None.

Local Effect: No effect on Prince George's County nor Montgomery County finances. WSSC expenditures for operations and management costs would be reduced though overall expenditures might not be affected. The WSSC could fulfill reporting requirements with existing resources.

Small Business Effect: Minimal.

Analysis

Current Law: Although not required by law, the WSSC CAP has been operating since 1997. The bill codifies the goals of the program and the strategies that will be used to achieve those goals.

Background: In 1994, the WSSC contracted with a consulting firm to get advice on how to improve internal efficiency. At that time, approximately 40% of the rates paid by WSSC customers funded only the debt service on capital facilities built by the commission. The consulting firm determined that the WSSC was 21% less productive than the most efficient private water and wastewater utilities, and the CAP was designed as a method to improve on this assessment. The WSSC CAP uses teams of employees that focus on specific areas of the commission's organization, work practices, and WSSC functions. Advice from the teams is used to alter practices and make the WSSC more competitive and efficient.

However, concerns about the lack of efficiency at the WSSC persisted, and in 1998 the General Assembly, in passing legislation to increase the system development charge that WSSC imposes on new developments, created a task force to examine privatization of the WSSC (Chapter 713 of 1998). One of the recommendations made by the task force in its September 1999 report was that the WSSC continue the CAP.

Local Expenditures: If the CAP is successful, WSSC's operations and management expenditures would be reduced. It is possible that the WSSC could then re-direct the savings towards capital improvements, debt reduction, or other endeavors. The CAP was begun in 1997 with the goal of reducing the 1996 levels of controllable operations and management costs, estimated at that time to be approximately \$221 million, by \$25 million by fiscal 2002. To date, WSSC advises that these costs have been reduced by \$10.3 million. However, it further advises that the 1996 estimate was based on raw data and that the definition of controllable costs used to derive that estimate is currently being reviewed and will most likely change.

Small Business Effect: To the extent that CAP improvements reduce or maintain current water and sewer service rates, all customers, including small businesses, would benefit.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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