



FY 2021
MONTHLY STATUS REPORT
OCTOBER 2020



Interoffice Memorandum

TO: CARLA A. REID
GENERAL MANAGER/CEO

VIA: JOSEPH F. BEACH
DEPUTY GENERAL MANAGER OF ADMINISTRATION ^{DS} JFB

FROM: PATRICIA A. COLIHAN
CHIEF FINANCIAL OFFICER ^{DS} PC

DATE: DECEMBER 7, 2020

SUBJECT: MONTHLY STATUS REPORT – OCTOBER 2020

Attached is the October Monthly Status Report on the budgetary and fiscal performance of the Commission. The report provides summary information delineating the Commission's current and projected financial status for Fiscal Year 2021 (FY'21). Beginning back in March 2020 we developed a Cost Savings Plan to address the impacts of the Covid-19 pandemic on our operations. This aggressive plan continues in FY'21 with planned expenditure reductions across all departments, debt related savings and adjustments, and the elimination of the PAYGO transfer for capital projects with a portion (\$10 million) preserved to support operating costs. Due to the uncertainty surrounding the duration and impact of the COVID-19 pandemic, we will continue to monitor our position and expect to modify our projections over the course of the fiscal year as new information becomes available. At this time, we are not making any changes to our projected financial results.

In the September report we lowered our revenue projections for interest income and water consumption and sewer use revenues. The projected sewer use revenue incorporates the reduction of \$12 million to recognize the previously identified need to re-baseline sewer use revenues due to historical trends. To address the projected revenue shortfall, the Cost Savings Plan remains in force across all departments, and includes the reduced PAYGO amount, a reduction in debt service expense, which is reflective of the restrained capital spending in FY'20 and anticipated lower spending in FY'21, and other adjustments.

CARLA A. REID
MONTHLY STATUS REPORT – OCTOBER
DECEMBER 7, 2020
PAGE 2

Our capital spending projection remains at 80% of budget at this time. As we continue to monitor our financial position, we expect to make additional reductions in future reports. Slower spending on bond funded projects may allow us to delay future bond sales, contributing to debt service savings in the operating funds.

The accumulated net revenue at year end is projected to be \$159.5 million (see page 2 of the report), of which \$80.9 million is restricted for our working capital reserve. Due to the impacts of the Covid-19 pandemic, fund balance amounts previously planned for use in the FY'22 through FY'24 budgets have been eliminated.

Beginning with FY'21 we have shifted away from water production to water consumption and sewer use data by tier as the basis for our modeling and revenue projections. The additional data points are expected to result in greater insight and more accurate forecasts of water and sewer revenue. Fiscal to date water consumption at 137.6 MGD is 1.1% above the five-year average, whereas, water consumption revenue is currently tracking slightly below budget due to more of the consumption occurring in the lower tiers (pages 3 & 4).

Other highlights of the October 2020 report are as follows:

Revenues

- Total revenues (all funds) through October were \$290.4 million or 35% of total budgeted.
- Total revenues (all funds) are projected to be \$784.1 million; \$44.4 million less than budgeted.

Expenses

- Total net expenses (all funds) through October were \$226.0 million or 27% of total budgeted.
- Total net expenses (all funds) are projected to be \$767.6 million; \$63.3 million less than budgeted.

Water Consumption

- Water consumption through October averaged 137.6 MGD (page 4).

Workyears

- Cumulative workyears through the end of October were 1,672 (page 5).

System Development Charge

- The available account balance through October was \$11.5 million. The account balance will be used during the year to fund water and sewer growth-related capital projects (page 13).

I recommend transmittal of the attached report to Prince George's and Montgomery Counties.

OPERATING FUNDS
CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES

(In Thousands)

	FY'20 ACTUAL	FY'21 APPROVED BUDGET	FY'20 ACTUAL THRU 10/31/19	FY'21 ACTUAL THRU 10/31/20	PROJECTED THRU 6/30/21
REVENUES					
Water Consumption and Sewer Use Charges	\$618,158	\$689,210	\$224,530	\$247,394	\$658,200
Use of Accumulated Net Revenue	11,341	8,000	0	0	8,000
All Other Revenues	135,690	131,248	42,629	43,028	117,873
TOTAL REVENUES	765,189	828,458	267,159	290,422	784,073
EXPENSES					
Operating Expenses	473,862	493,046	139,890	132,162	484,605
PAYGO	0	31,016	7,754	0	0
Debt Service Expense	292,322	325,593	96,832	101,938	307,400
GROSS EXPENSES	766,184	849,655	244,476	234,100	792,005
Less: Reconstruction Debt Service Offset	(11,600)	(9,500)	(3,866)	(3,167)	(9,500)
Less: SDC Debt Service Offset	(6,695)	(5,772)	(2,231)	(1,924)	(5,772)
Less: Premium & Underwriter's Discount Transfers	(7,904)	(3,500)	(967)	(3,051)	(9,151)
NET EXPENSES	739,985	830,883	237,412	225,958	767,582
NET REVENUE (LOSS) FOR YEAR	\$25,204	(\$2,425)	\$29,747	\$64,464	\$16,491

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

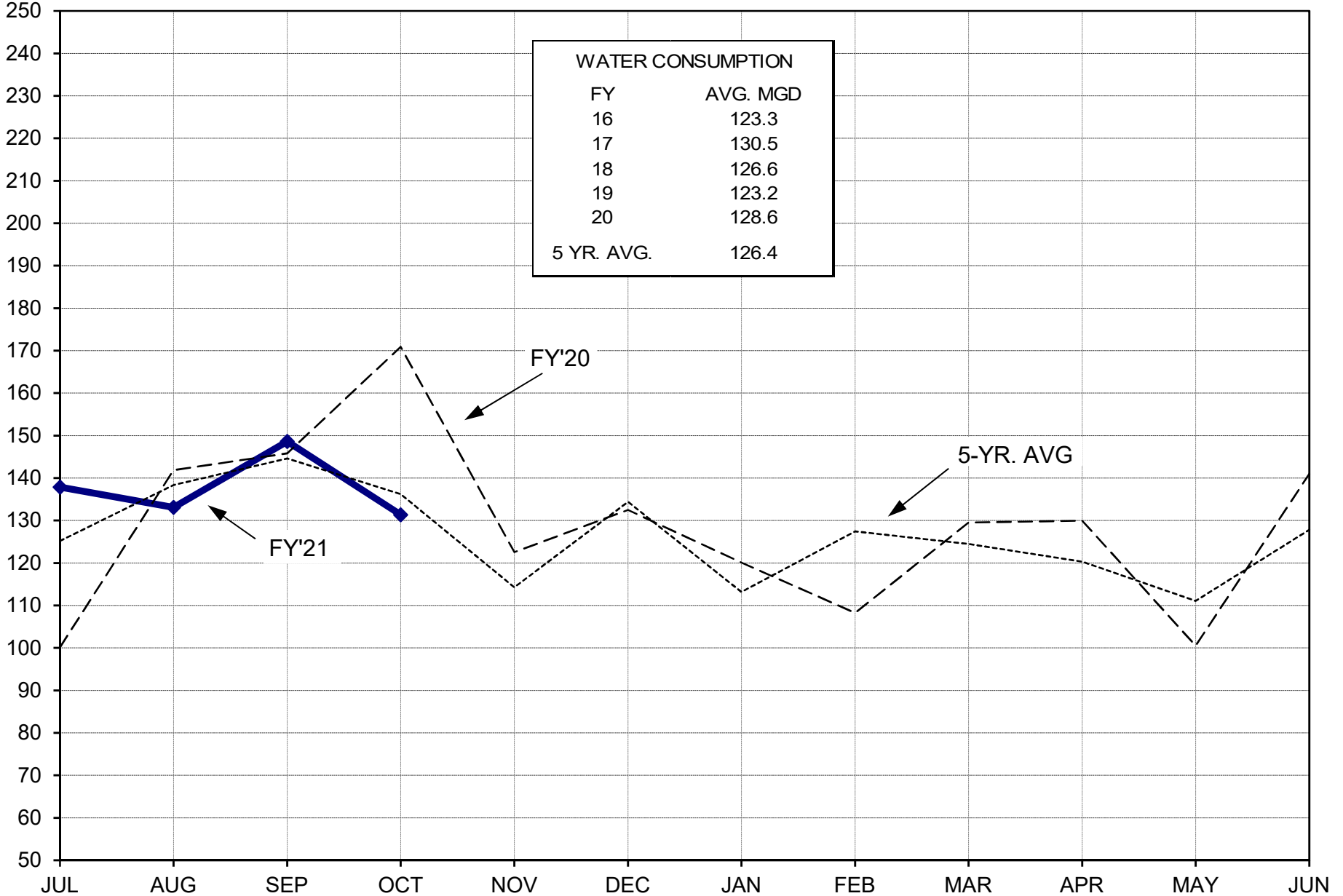
	FY'20 ACTUAL	FY'21 APPROVED BUDGET	FY'20 ACTUAL THRU 10/31/19	FY'21 ACTUAL THRU 10/31/20	PROJECTED THRU 6/30/21
REVENUES					
Water Consumption & Sewer Use Charges	\$618,158	\$689,210	\$224,530	\$247,394	\$658,200
Use of Accumulated Net Revenue	11,341	8,000	0	0	8,000
All Other Revenues	122,209	120,040	37,764	39,008	107,240
TOTAL REVENUES	751,708	817,250	262,294	286,402	773,440
EXPENSES					
Operating Expenses	472,147	491,141	139,393	131,635	482,700
PAYGO	0	31,016	7,754	0	0
Debt Service Expense	279,745	313,865	92,351	97,868	295,400
GROSS EXPENSES	751,892	836,022	239,498	229,503	778,100
Less: Reconstruction Debt Service Offset	(11,600)	(9,500)	(3,866)	(3,167)	(9,500)
Less: SDC Debt Service Offset	(6,695)	(5,772)	(2,231)	(1,924)	(5,772)
Less: Premium & Underwriter's Discount Transfers	(7,904)	(3,500)	(967)	(3,051)	(9,151)
NET EXPENSES	725,693	817,250	232,434	221,361	753,677
NET REVENUE (LOSS) FOR YEAR	\$26,015	\$0	\$29,860	\$65,041	\$19,763
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	132,931				147,733
NET REVENUE (LOSS) FOR YEAR	26,015				19,763
USE OF ACCUMULATED NET REVENUE	(11,341)				(8,000)
ACCUMULATED NET REVENUE - END OF YEAR	\$147,605				\$159,496 *
WATER CONSUMPTION (MGD)	128.6	122.1	139.7	137.6	122.1

* Includes Working Capital Reserve of \$80.9 million.

NOTE: Refer to Pages 8 and 9 for details of Water and Sewer Operating Funds.

WATER CONSUMPTION

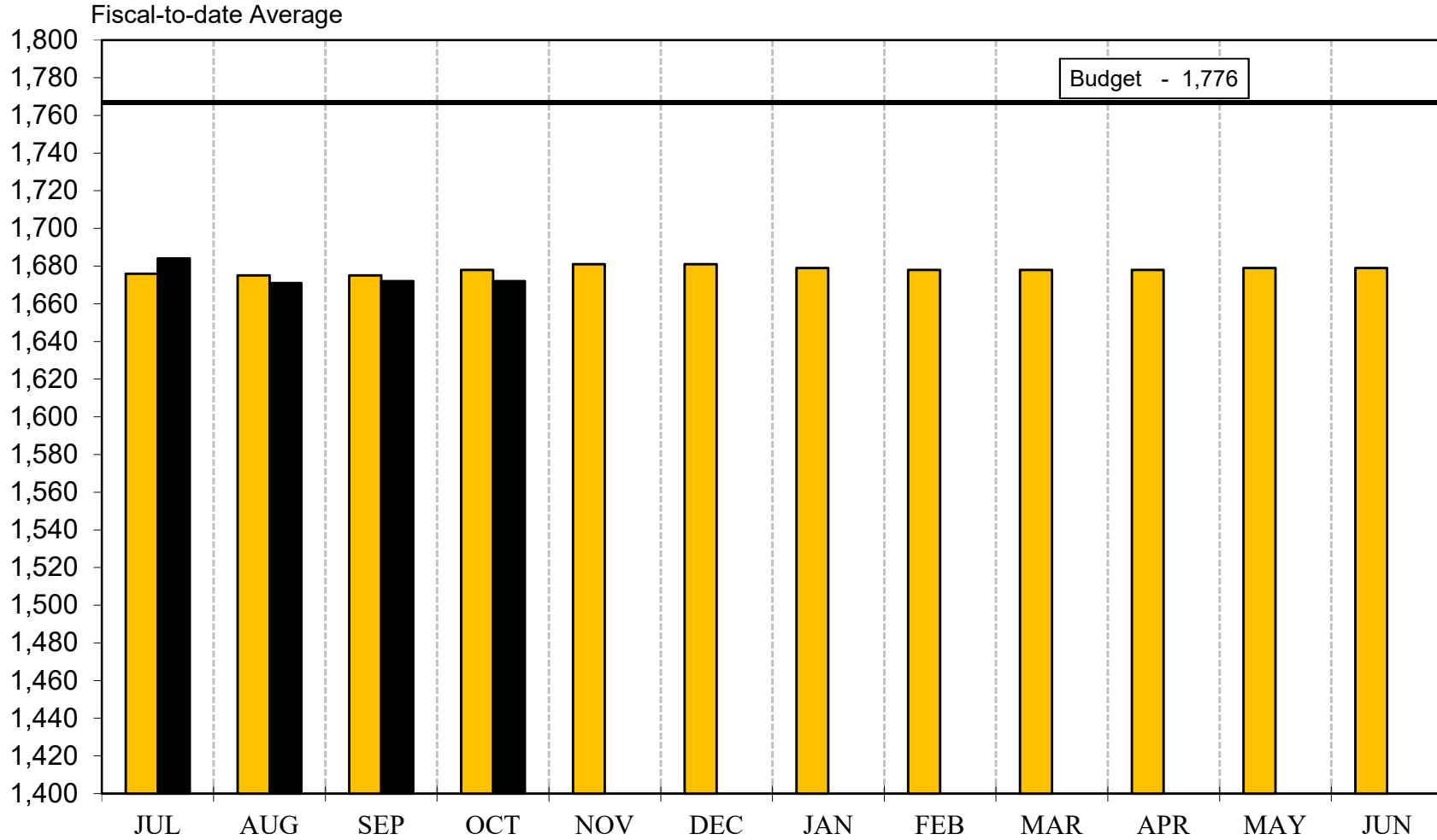
AVERAGE MGD



**FY'21
WATER CONSUMPTION**

<u>MONTH</u>	<u>MONTHLY AVERAGE (MGD)</u>	<u>FY'21 CUMULATIVE AVERAGE (MGD)</u>	<u>FY'20 CUMULATIVE AVERAGE (MGD)</u>
July	137.879	137.879	100.173
August	133.079	135.479	121.024
September	148.602	139.758	129.285
October	131.358	137.641	139.689
November			136.267
December			135.637
January			133.419
February			130.276
March			130.194
April			130.172
May			127.475
June			128.601

ACTUAL WORKYEARS



 FY'20	1,676	1,675	1,675	1,678	1,681	1,681	1,679	1,678	1,678	1,678	1,678	1,679	1,679
 FY'21	1,684	1,671	1,672	1,672	-	-	-	-	-	-	-	-	-

STATEMENT OF CAPITAL FUNDS INCOME AND EXPENDITURES
CAPITAL FUNDS TOTAL

(In Thousands)

	<u>FY'20 ACTUAL</u>	<u>FY'21 APPROVED BUDGET</u>	<u>FY'20 ACTUAL THRU 10/31/19</u>	<u>FY'21 ACTUAL THRU 10/31/20</u>	<u>PROJECTED THRU 6/30/21</u>
<u>GROSS FUNDS AVAILABLE</u>					
Bonds Issued and Cash on Hand	\$289,097	\$562,675			
Anticipated Contributions:					
Federal & State Grants	1,589	23,000			
System Development Charge	14,077	9,530			
Other	12,451	10,177			
Available for Current Construction	<u>317,214</u>	<u>605,382</u>			
<u>CAPITAL COSTS</u>					
Salaries & Wages	\$26,388	\$27,826	\$9,464	\$8,627	\$27,826
Contract Work	211,404	353,066	63,437	56,999	275,000
Consulting Engineers	44,478	77,182	7,500	6,327	50,000
All Other *	112,115	147,308	36,278	30,616	125,000
TOTAL COSTS	<u><u>\$394,385</u></u>	<u><u>\$605,382</u></u>	<u><u>\$116,679</u></u>	<u><u>\$102,569</u></u>	<u><u>\$477,826</u></u>

*Reflects the transfer of \$2.4 million of Bond Premium to the Water & Sewer Operating funds.

CONSOLIDATED STATEMENT OF OPERATING FUNDS, REVENUES AND EXPENDITURES

(In Thousands)

	FY'20 ACTUAL	FY'21 APPROVED BUDGET	FY'20 ACTUAL THRU 10/31/19	FY'21 ACTUAL THRU 10/31/20	PROJECTED THRU 6/30/21
REVENUES					
Water Consumption Charges	\$271,173	\$295,512	\$101,318	\$109,838	\$287,500
Sewer Use Charges	346,985	393,698	123,212	137,556	370,700
Account Maintenance Fees	35,922	32,360	10,651	10,902	30,800
Infrastructure Investment Fee	42,781	39,410	12,658	13,432	37,600
Front Foot Benefit & House Connection Assessments	12,824	10,378	4,599	3,949	10,378
Plumbing & Inspection Fees	14,425	14,470	4,764	5,582	14,490
Interest Income	5,364	10,600	2,083	198	575
Rockville Sewer Use	3,147	3,000	986	1,008	3,000
Use of Accumulated Net Revenue	11,341	8,000	0	0	8,000
Miscellaneous	21,227	21,030	6,888	7,957	21,030
TOTAL REVENUES	765,189	828,458	267,159	290,422	784,073
EXPENSES					
Salaries & Wages	132,574	128,370	45,441	43,925	126,244
Heat, Light & Power	15,534	20,423	5,341	5,960	19,400
Regional Sewage Disposal	56,414	58,000	17,207	18,179	58,000
All Other	269,340	286,253	71,901	64,098	280,961
PAYGO	0	31,016	7,754	0	0
Debt Service	292,322	325,593	96,832	101,938	307,400
GROSS EXPENSES	766,184	849,655	244,476	234,100	792,005
Less: Reconstruction Debt Service Offset	(11,600)	(9,500)	(3,866)	(3,167)	(9,500)
Less: SDC Debt Service Offset	(6,695)	(5,772)	(2,231)	(1,924)	(5,772)
Less: Premium & Underwriter's Discount Transfers	(7,904)	(3,500)	(967)	(3,051)	(9,151)
NET EXPENSES	739,985	830,883	237,412	225,958	767,582
NET REVENUE (LOSS) FOR YEAR	25,204	(\$2,425)	\$29,747	\$64,464	16,491
ACCUMULATED NET REVENUE - JULY 1	167,160				169,551
Use of Fund Balance	(22,941)				(17,500)
ACCUMULATED NET REVENUE - JUNE 30	\$169,423				\$168,542

Note: Details of the Water and Sewer Operating Funds and General Bond Debt Service Fund are on pages 8, 9 & 12, respectively.

WATER OPERATING

(In Thousands)

	FY'20 ACTUAL	FY'21 APPROVED BUDGET	FY'20 ACTUAL THRU 10/31/19	FY'21 ACTUAL THRU 10/31/20	PROJECTED THRU 6/30/21
REVENUES					
Water Consumption Charges	\$271,173	\$295,512	\$101,318	\$109,838	\$287,500
Account Maintenance Fee	18,912	16,503	5,629	5,753	15,700
Infrastructure Investment Fee	22,373	20,099	6,630	7,043	19,200
Plumbing & Inspection Fees	8,296	8,380	2,737	3,180	8,400
Interest Income	(181)	1,000	(465)	25	50
Use of Accumulated Net Revenue	5,784	4,080	0	0	4,080
Miscellaneous	9,816	10,500	2,867	3,227	10,500
TOTAL REVENUES	336,173	356,074	118,716	129,066	345,430
EXPENSES					
Salaries & Wages	72,619	69,910	24,601	23,771	68,700
Heat, Light & Power	8,654	11,671	3,189	3,459	11,100
All Other	133,623	140,636	35,025	31,587	136,900
PAYGO	0	9,969	3,380	0	0
Debt Service	123,575	133,004	39,150	43,724	125,200
GROSS EXPENSES	338,471	365,190	105,345	102,541	341,900
Less: Reconstruction Debt Service Offset	(4,000)	(4,845)	(1,333)	(1,615)	(4,845)
Less: SDC Debt Service Offset	(3,475)	(2,731)	(1,158)	(910)	(2,731)
Less: Premium & Underwriter's Discount Transfers	(1,337)	(1,540)	(446)	(514)	(1,540)
NET EXPENSES	329,659	356,074	102,408	99,502	332,784
NET REVENUE (LOSS)	6,514	\$0	\$16,308	\$29,564	12,646
ACCUMULATED NET REVENUE - JULY 1	14,669				34,547 *
Use of Fund Balance	(5,784)				(4,080)
Fund Balance Transfer	19,070				0
ACCUMULATED NET REVENUE - JUNE 30	\$34,469				\$43,113

*Reflects an increase in net revenues of \$78,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'20 ACTUAL	FY'21 APPROVED BUDGET	FY'20 ACTUAL THRU 10/31/19	FY'21 ACTUAL THRU 10/31/20	PROJECTED THRU 6/30/21
<u>REVENUES</u>					
Sewer Use Charges	\$346,985	\$393,698	\$123,212	\$137,556	\$370,700
Account Maintenance Fee	17,010	15,857	5,022	5,149	15,100
Infrastructure Investment Fee	20,408	19,311	6,028	6,389	18,400
Rockville Sewer Use	3,147	3,000	986	1,008	3,000
Interest Income	5,062	9,000	2,360	166	500
Plumbing & Inspection Fees	6,129	6,090	2,027	2,402	6,090
Use of Accumulated Net Revenue	5,557	3,920	0	0	3,920
Miscellaneous	11,237	10,300	3,943	4,666	10,300
TOTAL REVENUES	415,535	461,176	143,578	157,336	428,010
<u>EXPENSES</u>					
Salaries & Wages	59,092	57,816	20,548	19,846	56,900
Heat, Light & Power	6,880	8,752	2,152	2,501	8,300
Regional Sewage Disposal	56,414	58,000	17,207	18,179	58,000
All Other	134,865	144,356	36,671	32,292	142,800
PAYGO	0	21,047	4,374	0	0
Debt Service	156,170	180,861	53,201	54,144	170,200
GROSS EXPENSES	413,421	470,832	134,153	126,962	436,200
Less: Reconstruction Debt Service Offset	(7,600)	(4,655)	(2,533)	(1,552)	(4,655)
Less: SDC Debt Service Offset	(3,220)	(3,041)	(1,073)	(1,014)	(3,041)
Less: Premium & Underwriter's Discount Transfers	(6,567)	(1,960)	(521)	(2,537)	(7,611)
NET EXPENSES	396,034	461,176	130,026	121,859	420,893
NET REVENUE (LOSS)	19,501	\$0	\$13,552	\$35,477	7,117
ACCUMULATED NET REVENUE - JULY 1	118,262				113,186 *
Use of Fund Balance	(5,557)				(3,920)
Fund Balance Transfer	(19,070)				0
ACCUMULATED NET REVENUE - JUNE 30	\$113,136				\$116,383

*Reflects an increase in net revenues of \$50,000 resulting from prior year adjustments.

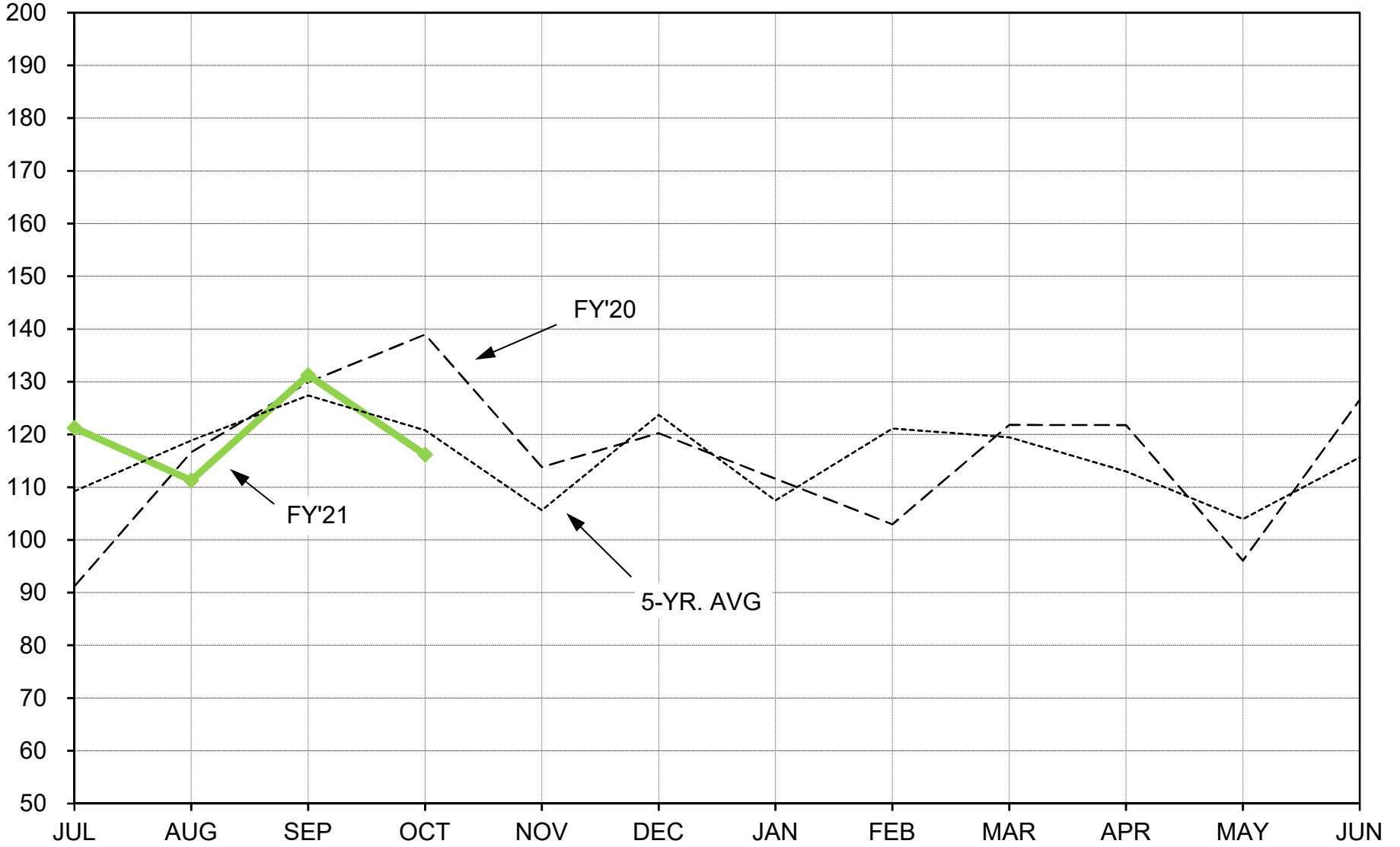
**FY'21
SEWER USE**

<u>MONTH</u>	<u>FY'21 MONTHLY AVERAGE (MGD)</u>	<u>FY'21 CUMULATIVE AVERAGE (MGD)</u>	<u>FY'20 CUMULATIVE AVERAGE (MGD)</u>
July	121.25	121.25	91.21
August	111.30	116.27	103.93
September	131.27	121.16	112.59
October	116.18	119.91	119.18
November			118.10
December			118.46
January			117.48
February			115.66
March			116.35
April			116.89
May			115.00
June			115.96

SEWER USE

(INCLUDES BLUE PLAINS)

AVERAGE MGD



GENERAL BOND DEBT SERVICE FUND

(In Thousands)

	<u>FY'20 ACTUAL</u>	<u>FY'21 APPROVED BUDGET</u>	<u>FY'20 ACTUAL THRU 10/31/19</u>	<u>FY'21 ACTUAL THRU 10/31/20</u>	<u>PROJECTED THRU 6/30/21</u>
REVENUES					
Front Foot Benefit & House Connection					
Assessments	\$12,824	\$10,378	\$4,599	\$3,949	\$10,378
Interest Income	483	600	188	7	25
Miscellaneous	174	230	78	64	230
Use of Accumulated Net Revenue	11,600	9,500	3,866	3,167	9,500
Reconstruction Debt Service Offset	(11,600)	(9,500)	(3,866)	(3,167)	(9,500)
TOTAL REVENUES	<u>13,481</u>	<u>11,208</u>	<u>4,865</u>	<u>4,020</u>	<u>10,633</u>
EXPENSES					
Salaries & Wages	863	644	292	308	644
All Other	852	1,261	205	219	1,261
Debt Service	12,577	11,728	4,481	4,070	12,000
GROSS EXPENSES	<u>14,292</u>	<u>13,633</u>	<u>4,978</u>	<u>4,597</u>	<u>13,905</u>
NET EXPENSES	<u>14,292</u>	<u>13,633</u>	<u>4,978</u>	<u>4,597</u>	<u>13,905</u>
NET REVENUE (LOSS)	(811)	<u>(\$2,425)</u>	<u>(\$113)</u>	<u>(\$577)</u>	(3,272)
ACCUMULATED NET REVENUE - JULY 1	34,229				21,818
Use of Fund Balance	<u>(11,600)</u>				<u>(9,500)</u> *
ACCUMULATED NET REVENUE - JUNE 30	<u>\$21,818</u>				<u>\$9,046</u>

* Reflects transfer of \$9,500,000 for Reconstruction Debt Service from General Bond Debt Service Fund to Water & Sewer Operating Funds.

SYSTEM DEVELOPMENT CHARGE ACCOUNT

(In Thousands)

ACCOUNT BALANCE, JULY 1, 2020	\$13,012
<u>ACCOUNT ADDITIONS:</u>	
SDC Revenues, Net	11,694
Interest Income	4
	<hr/>
FUNDS AVAILABLE	24,710
Less MOU Credit Reimbursement	(1,669)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(910)
Sewer Operating - Debt Service	(1,014)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	0
	<hr/>
Account Balance	21,117
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	(9,664)
	<hr/>
AVAILABLE ACCOUNT BALANCE, OCTOBER 31, 2020	<u><u>\$11,453</u></u>

*Transfers to operating funds service debt issued in FY'16, FY'18 & FY'19 and are shown on pages 8 & 9 as SDC Debt Service Offset.