




FY 2019
MONTHLY STATUS REPORT
JUNE 2019



Interoffice Memorandum

TO: CARLA A. REID
GENERAL MANAGER/CEO

FROM: PATRICIA COLIHAN 
CHIEF FINANCIAL OFFICER

DATE: OCTOBER 3, 2019

SUBJECT: MONTHLY STATUS REPORT – JUNE 2019

Attached is the final monthly Status Report on the budgetary and fiscal performance of the Commission for fiscal year 2019. The report provides summary information delineating the Commission's end-of-year financial status. Total Operating Fund revenues, at \$762.3 million, were just \$0.3 million less than budgeted. Net Operating Fund expenses, at \$759.6 million, were \$6.1 million less than budgeted due to lower Debt Service Expense, higher SDC Debt Service Offset and prudent fiscal management of PAYGO funding as Sewer Capital Project Spending slowed and funds were utilized for Project Cornerstone. Overall, we ended the year with a favorable Net Revenue of \$2.7 million. (see page 1 of the report).

The Combined Water & Sewer Operating Funds posted a \$4.4 million Net Revenue for FY'19. Although combined revenues were \$1.7 million less than budgeted, combined expenses were \$6.1 million less than budgeted, primarily due to the management of PAYGO. After also taking into account prior year adjustments of \$8.1 million and the planned \$11.6 million use of fund balance, the FY'19 end-of-year accumulated net revenue decreased by \$15.3 million to \$172.6 million, of which, \$73.5 million is restricted for our working capital reserve, \$11.3 million is planned for use in the FY2020 budget, and \$26.0 million is projected to be used in the FY2021 through FY2024 budgets, and to maintain the targeted 10% operating reserve, (page 2).

Water production for the month of June, at 170.7 MGD, was 1.2 MGD below the five-year average for the month. Final FY'19 water production averaged 161.7 MGD, which was 0.75% below the five-year average and 2.3 MGD less than the budgeted level of 164.0 MGD, (pages 3 & 4).

Both water production and the combined average billing rate were lower than budgeted and as a result, the revenues derived from combined water and sewer use charges were \$12.7 million less than budgeted for FY'19. Due to the higher billing rate for sewer, the lower water production had a greater impact on sewer use revenues. Water revenue and sewer revenue depend not only on the water produced and ultimately consumed, but also on the average billing rate. Historically, the average billing rate has represented the water and sewer revenue received per thousand gallons of water produced. Since WSSC's rate structure during FY'19 consisted of 16 steps, changes in customer use patterns could also cause changes in the billing rate and thus in the total revenues derived. For FY'19, the end-of-year combined water and sewer billing rate was \$10.423 per thousand gallons, compared to the budgeted level of \$10.490 per thousand gallons. Increased interest income offset the majority of the shortfall in water and sewer use charges.

The General Bond Debt Service Fund finished the year with a net loss of \$1.6 million, the loss was \$1.5 million better than the budgeted loss of \$3.1 million, primarily due to higher than expected interest income, (page 12).

Other highlights of the June 2019 report are as follows:

Revenues

- Total operating revenues (all funds) for FY'19 were \$762.4 million or 100.0% of total budgeted.

Expenses

- Total operating expenses (all funds) for FY'19 were \$759.6 million or 99.2% of total budgeted.

Water Production

- Water production for FY'19 averaged 161.7 MGD (page 4).

Workyears

- Cumulative workyears for FY'19 were 1,659 (page 5).

System Development Charge

- The System Development Charge account balance at the end of FY'19 was \$2.8 million. During the year, \$15.0 million was transferred to fund water and sewer growth-related capital expenditures (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)

	<u>FY'18 ACTUAL</u>	<u>FY'19 APPROVED BUDGET</u>	<u>ACTUAL YEAR ENDING 6/30/19</u>
<u>REVENUES</u>			
Water Consumption and Sewer Use Charges	\$597,614	\$627,942	\$615,249
All Other Revenues	132,847	134,675	147,097
TOTAL REVENUES	<u>730,461</u>	<u>762,617</u>	<u>762,346</u>
<u>EXPENSES</u>			
Operating Expenses	449,627	487,232	485,024
Debt Service Expense	275,096	294,349	292,656
GROSS EXPENSES	724,723	781,581	777,680
Less: Reconstruction Debt Service Offset	(7,700)	(12,500)	(12,500)
Less: SDC Debt Service Offset	(2,396)	(3,364)	(5,551)
Working Capital Reserve Transfer	0	0	0
NET EXPENSES	<u>714,627</u>	<u>765,717</u>	<u>759,629</u>
NET REVENUE (LOSS) FOR YEAR	<u><u>\$15,834</u></u>	<u><u>(\$3,100)</u></u>	<u><u>\$2,717</u></u>

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

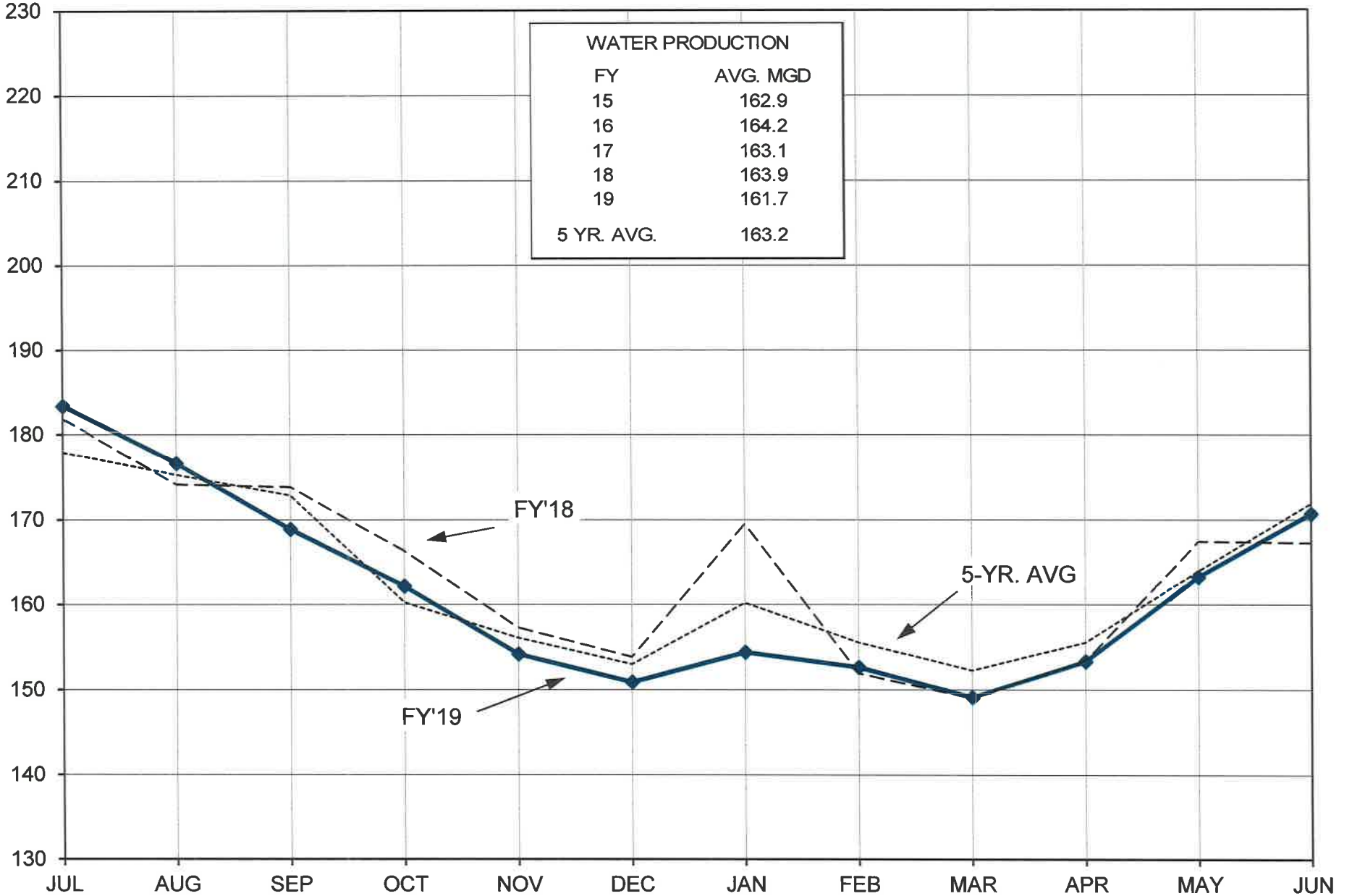
	<u>FY'18 ACTUAL</u>	<u>FY'19 APPROVED BUDGET</u>	<u>ACTUAL YEAR ENDING 6/30/19</u>
REVENUES			
Water Consumption & Sewer Use Charges	\$597,614	\$627,942	\$615,249
Use of Accumulated Net Revenue	227	11,580	11,580
All Other Revenues	112,279	107,307	118,313
TOTAL REVENUES	<u>710,120</u>	<u>746,829</u>	<u>745,142</u>
EXPENSES			
Operating Expenses	438,048	454,616	467,694
PAYGO	10,065	31,016	15,754
Debt Service Expense	257,502	277,061	275,385
GROSS EXPENSES	705,615	762,693	758,833
Less: Reconstruction Debt Service Offset	(7,700)	(12,500)	(12,500)
Less: SDC Debt Service Offset	(2,396)	(3,364)	(5,551)
Working Capital Reserve Transfer	0	0	0
NET EXPENSES	<u>695,519</u>	<u>746,829</u>	<u>740,782</u>
NET REVENUE (LOSS) FOR YEAR	<u>\$14,601</u>	<u>\$0</u>	<u>\$4,360</u>
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	173,494		179,780
NET REVENUE (LOSS) FOR YEAR	14,601		4,360
USE OF ACCUMULATED NET REVENUE	(227)		(11,580)
ACCUMULATED NET REVENUE - END OF YEAR	<u>\$187,868</u>		<u>\$172,560</u> *
WATER PRODUCED (MGD)	163.9	164.0	161.7

* Includes Working Capital Reserve of \$73.5 million.

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

WATER PRODUCED

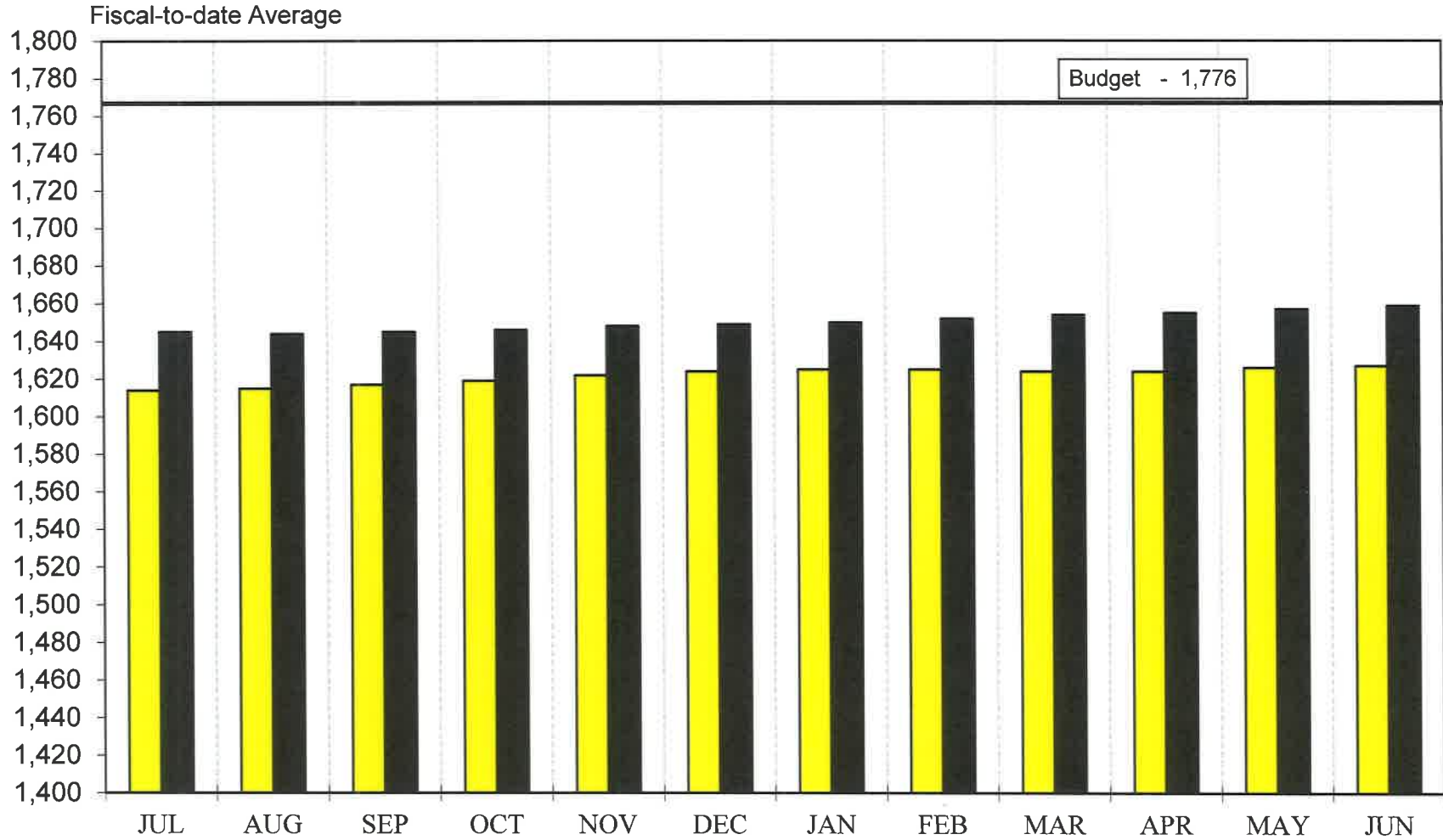
AVERAGE MGD



**FY'19
WATER PRODUCED**

<u>MONTH</u>	<u>MONTHLY TOTAL (MG)</u>	<u>MONTHLY AVERAGE (MGD)</u>	<u>FY'19 CUMULATIVE AVERAGE (MGD)</u>	<u>FY'18 CUMULATIVE AVERAGE (MGD)</u>
July	5,684.547	183.372	183.372	181.830
August	5,476.241	176.653	180.013	177.984
September	5,066.570	168.886	176.384	176.632
October	5,028.512	162.210	172.812	174.032
November	4,625.753	154.192	169.161	170.752
December	4,678.449	150.918	166.087	167.904
January	4,786.828	154.414	164.404	168.133
February	4,274.171	152.649	163.050	166.263
March	4,623.523	149.146	161.477	164.310
April	4,600.512	153.350	160.675	163.225
May	5,061.243	163.266	160.914	163.614
June	5,121.937	170.731	161.721	163.912
TOTAL	59,028.286	161.721		

ACTUAL WORKYEARS



 FY'18	1,614	1,615	1,617	1,619	1,622	1,624	1,625	1,625	1,624	1,624	1,626	1,627
 FY'19	1,645	1,644	1,645	1,646	1,648	1,649	1,650	1,652	1,654	1,655	1,657	1,659

STATEMENT OF CAPITAL FUNDS INCOME AND EXPENDITURES
CAPITAL FUNDS TOTAL

(In Thousands)

	FY'18 ACTUAL	FY'19 APPROVED BUDGET	ACTUAL YEAR ENDING 6/30/19
<u>GROSS FUNDS AVAILABLE</u>			
Bonds Issued and Cash on Hand	\$609,678	\$605,937	\$353,766
Anticipated Contributions:			
Federal & State Grants	3,706	6,122	995
System Development Charge	23,200	23,647	15,000
Other	22,872	20,620	7,667
Available for Current Construction	659,456	656,326	377,428
<u>CAPITAL COSTS</u>			
Salaries & Wages	\$27,717	\$30,678	\$27,293
Contract Work	225,086	376,223	202,735
Consulting Engineers	41,718	68,912	51,872
All Other	180,695	180,513	104,895
TOTAL COSTS	\$475,216	\$656,326	\$386,795
Change in Funds Available for Construction			(9,367)
Funds Balance - July 1			125,946
Funds Balance - June 30			\$116,579

CONSOLIDATED STATEMENT OF OPERATING FUNDS, REVENUES AND EXPENDITURES

(In Thousands)

	<u>FY'18 ACTUAL</u>	<u>FY'19 APPROVED BUDGET</u>	<u>ACTUAL YEAR ENDING 6/30/19</u>
<u>REVENUES</u>			
Water Consumption Charges	\$271,735	\$273,316	\$273,753
Sewer Use Charges	325,879	354,626	341,496
Account Maintenance Fees	32,473	32,182	32,116
Infrastructure Investment Fee	39,847	38,894	39,278
Front Foot Benefit & House Connection Assessments	19,191	15,473	15,809
Plumbing & Inspection Fees	12,141	12,231	13,594
Interest Income	6,343	1,575	10,433
Rockville Sewer Use	3,223	2,700	3,106
Use of Fund Balance	227	11,580	11,580
Miscellaneous	19,402	20,040	21,181
TOTAL REVENUES	<u>730,461</u>	<u>762,617</u>	<u>762,346</u>
<u>EXPENSES</u>			
Salaries & Wages	117,845	128,434	125,851
Heat, Light & Power	20,033	20,577	19,683
Regional Sewage Disposal	58,331	53,617	54,809
All Other	243,353	253,588	268,927
PAYGO	10,065	31,016	15,754
Debt Service	275,096	294,349	292,656
GROSS EXPENSES	<u>724,723</u>	<u>781,581</u>	<u>777,680</u>
Less: Reconstruction Debt Service Offset	(7,700)	(12,500)	(12,500)
Less: SDC Debt Service Offset	(2,396)	(3,364)	(5,551)
Working Capital Reserve Transfer	0	0	0
NET EXPENSES	<u>714,627</u>	<u>765,717</u>	<u>759,629</u>
NET REVENUE (LOSS) FOR YEAR	15,834	<u>(\$3,100)</u>	2,717
ACCUMULATED NET REVENUE - JULY 1	228,333		228,152
Use of Fund Balance	(7,927)		(24,080)
ACCUMULATED NET REVENUE - JUNE 30	<u>\$236,240</u>		<u>\$206,789</u>

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)

	<u>FY'18 ACTUAL</u>	<u>FY'19 APPROVED BUDGET</u>	<u>ACTUAL YEAR ENDING 6/30/19</u>
<u>REVENUES</u>			
Water Consumption Charges	\$271,735	\$273,316	\$273,753
Account Maintenance Fee	16,561	16,413	16,379
Infrastructure Investment Fee	20,322	19,836	20,032
Plumbing & Inspection Fees	7,037	7,190	7,750
Interest Income	1,004	100	779
Use of Fund Balance	0	5,906	5,906
Miscellaneous	10,187	10,900	10,001
TOTAL REVENUES	<u>326,846</u>	<u>333,661</u>	<u>334,600</u>
<u>EXPENSES</u>			
Salaries & Wages	65,083	68,672	69,084
Heat, Light & Power	11,388	10,642	11,143
All Other	130,531	129,381	135,241
PAYGO	4,388	13,660	7,415
Debt Service	108,698	117,728	116,317
GROSS EXPENSES	<u>320,088</u>	<u>340,083</u>	<u>339,200</u>
Less: Reconstruction Debt Service Offset	0	(4,000)	(4,000)
Less: SDC Debt Service Offset	(242)	(2,422)	(2,395)
Working Capital Reserve Transfer	<u>0</u>	<u>0</u>	<u>0</u>
NET EXPENSES	<u>319,846</u>	<u>333,661</u>	<u>332,805</u>
NET REVENUE (LOSS)	7,000	<u>\$0</u>	1,795
ACCUMULATED NET REVENUE - JULY 1	34,612		36,832 *
Use of Fund Balance	<u>0</u>		<u>(5,906)</u>
ACCUMULATED NET REVENUE - JUNE 30	<u>\$41,612</u>		<u>\$32,721</u>

*Reflects a decrease in net revenues of \$4,780,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	<u>FY'18 ACTUAL</u>	<u>FY'19 APPROVED BUDGET</u>	<u>ACTUAL YEAR ENDING 6/30/19</u>
<u>REVENUES</u>			
Sewer Use Charges	\$325,879	\$354,626	\$341,496
Account Maintenance Fee	15,912	15,769	15,737
Infrastructure Investment Fee	19,525	19,058	19,246
Rockville Sewer Use	3,223	2,700	3,106
Interest Income	4,474	1,400	8,527
Plumbing & Inspection Fees	5,104	5,041	5,844
Use of Fund Balance	227	5,674	5,674
Miscellaneous	8,930	8,900	10,912
TOTAL REVENUES	<u>383,274</u>	<u>413,168</u>	<u>410,542</u>
<u>EXPENSES</u>			
Salaries & Wages	52,061	59,229	56,016
Heat, Light & Power	8,645	9,935	8,540
Regional Sewage Disposal	58,331	53,617	54,809
All Other	112,009	123,140	132,861
PAYGO	5,677	17,356	8,339
Debt Service	148,804	159,333	159,068
GROSS EXPENSES	<u>385,527</u>	<u>422,610</u>	<u>419,633</u>
Less: Reconstruction Debt Service Offset	(7,700)	(8,500)	(8,500)
Less: SDC Debt Service Offset	(2,154)	(942)	(3,156)
Working Capital Reserve Transfer	0	0	0
NET EXPENSES	<u>375,673</u>	<u>413,168</u>	<u>407,977</u>
NET REVENUE (LOSS)	7,601	<u>\$0</u>	2,565
ACCUMULATED NET REVENUE - JULY 1	138,882		142,948 *
Use of Fund Balance	(227)		(5,674)
ACCUMULATED NET REVENUE - JUNE 30	<u>\$146,256</u>		<u>\$139,839</u>

*Reflects a decrease in net revenues of \$3,308,000 resulting from prior years' Blue Plains audit adjustments and other prior year adjustments.

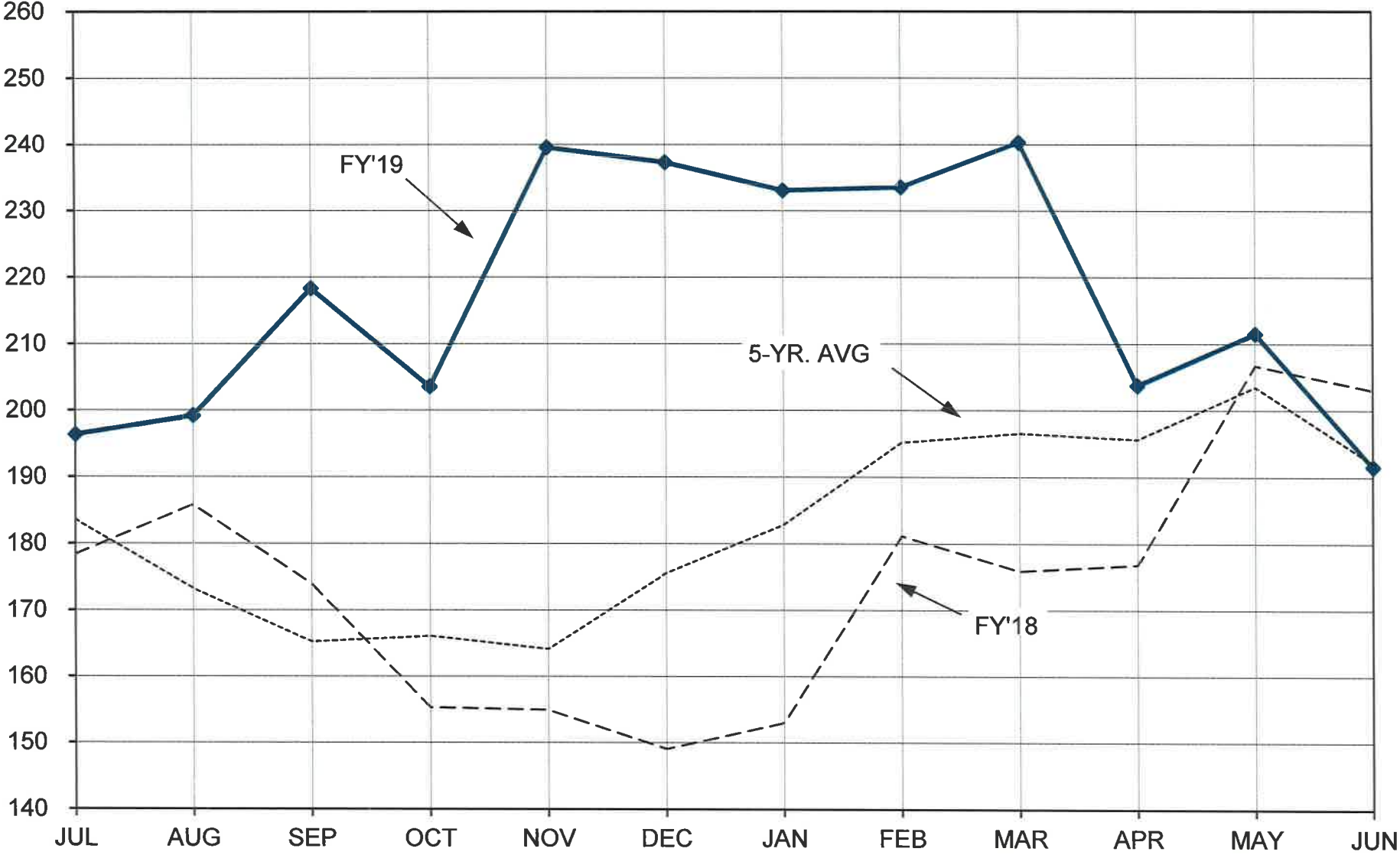
**FY'19
SEWAGE FLOWS**

<u>MONTH</u>	<u>WSSC PLANTS AVERAGE (MGD)</u>	<u>BLUE PLAINS AVERAGE (MGD)</u>	<u>FY'19 MONTHLY AVERAGE (MGD)</u>
July	75.46	120.90	196.36
August	77.46	121.80	199.26
September	81.16	137.20	218.36
October	76.58	127.00	203.58
November	92.07	147.50	239.57
December	89.42	147.90	237.32
January	86.41	146.70	233.11
February	84.97	148.60	233.57
March	87.32	153.00	240.32
April	74.77	129.00	203.77
May	79.63	131.90	211.53
June	73.38	118.20	191.58
TOTAL (MG)	<u><u>29,760.85</u></u>	<u><u>49,543.00</u></u>	<u><u>79,303.85</u></u>
AVG. (MGD)	<u><u>81.54</u></u>	<u><u>135.73</u></u>	<u><u>217.27</u></u>

SEWAGE FLOWS

(INCLUDES BLUE PLAINS)

AVERAGE MGD



GENERAL BOND DEBT SERVICE FUND

(In Thousands)

	<u>FY'18 ACTUAL</u>	<u>FY'19 APPROVED BUDGET</u>	<u>ACTUAL YEAR ENDING 6/30/19</u>
<u>REVENUES</u>			
Front Foot Benefit & House Connection			
Assessments	\$19,191	\$15,473	\$15,809
Interest Income	865	75	1,127
Miscellaneous	285	240	268
Use of Fund Balance	7,700	12,500	12,500
Reconstruction Debt Service Offset	<u>(7,700)</u>	<u>(12,500)</u>	<u>(12,500)</u>
TOTAL REVENUES	<u>20,341</u>	<u>15,788</u>	<u>17,204</u>
<u>EXPENSES</u>			
Salaries & Wages	701	533	751
All Other	813	1,067	825
Debt Service	<u>17,594</u>	<u>17,288</u>	<u>17,271</u>
GROSS EXPENSES	<u>19,108</u>	<u>18,888</u>	<u>18,847</u>
NET EXPENSES	<u>19,108</u>	<u>18,888</u>	<u>18,847</u>
NET REVENUE (LOSS)	1,233	<u><u>(\$3,100)</u></u>	(1,643)
ACCUMULATED NET REVENUE - JULY 1	54,839		48,372
Use of Fund Balance	<u>(7,700)</u>		<u>(12,500) *</u>
ACCUMULATED NET REVENUE - JUNE 30	<u><u>\$48,372</u></u>		<u><u>\$34,229</u></u>

* Reflects transfer of \$12,500,000 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, 2018	\$8,866
<u>ACCOUNT ADDITIONS:</u>	
SDC Revenues, Net	26,276
Interest Income	365
	<hr/>
FUNDS AVAILABLE	35,507
Less MOU Credit Reimbursement	(4,608)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(2,395)
Sewer Operating - Debt Service	(3,156)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	(12,000)
Sewer Disposal Bond	(3,000)
	<hr/>
Account Balance	10,348
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	(7,504)
	<hr/>
AVAILABLE ACCOUNT BALANCE, JUNE 30, 2019	<u><u>\$2,844</u></u>

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