



FY 2020
MONTHLY STATUS REPORT
APRIL 2020



Interoffice Memorandum

TO: CARLA A. REID
GENERAL MANAGER/CEO

VIA: JOSEPH F. BEACH *JB*
DEPUTY GENERAL MANAGER OF ADMINISTRATION

FROM: PATRICIA A. COLIHAN *PC*
CHIEF FINANCIAL OFFICER

DATE: JUNE 12, 2020

SUBJECT: MONTHLY STATUS REPORT – APRIL 2020

Attached is the April 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 2020 (FY'20). As this is the first year of our new four-tier rate structure, we are closely monitoring the water and sewer use charge revenue streams in order to understand and accurately project any impact on our financial status. In the March report we made broad and significant changes to our projected financial results that reflected our plans to address the impacts of the Covid-19 pandemic on our operations. Please refer to the March report for details on the changes. At this time, we are not making any additional changes to our projected financial results as we wait for one additional month of data to analyze.

Overall for the combined water and sewer operating funds, net expenses are projected to be \$68.7 million lower than budgeted, offsetting the projected revenue shortfall of \$68.5 million. At this point, we are projecting a combined water and sewer operating fund net income of \$138,000 for the fiscal year.

In previous reports, projected sewer use charge revenue was reduced by 1.1% to begin to recognize an adjustment to the sewer rate calculation based on the last two years' results. The recovery of this shortfall was incorporated when developing

CARLA A. REID
MONTHLY STATUS REPORT – APRIL
JUNE 12, 2020
PAGE 2

the sewer rates for the FY'21 budget. Staff continues to analyze sewer revenues to identify the factors driving the lower than expected revenue.

Capital spending remains significantly slower than planned. We anticipate spending only 52% of the capital budget this fiscal year. Due to the slower spending, we were able to delay our sewer bond sale until late summer. The delay along with the February 25th bond refunding contributed to the projected debt service savings in the operating funds.

Although fiscal to date water production, at 161.7 MGD, is just 0.3% below the five-year average and 0.7% ahead of last year's pace over the same period, this is more reflective of the drought conditions across our service area during the first quarter, rather than current conditions. The projected average end-of-year combined water and sewer billing rate per thousand gallons produced remains at \$10.053 compared to the \$10.977 budgeted.

As noted in previous reports, to increase accountability and ease of budget management of moveable assets by operating departments, a budgeting change was implemented in FY'20 to reflect the full cost of moveable assets to be purchased. The change also required an accounting adjustment removing the \$31.3 million undepreciated balance or net book value of those moveable assets. This approach is fairly standard in governments for management's internal financial statements. No adjustment was required in the GAAP based financial statements that are relied upon by rating agencies and other external parties. Those financial statements continue to present the net book value of all WSSC Water's assets.

The accumulated net revenue at year end is projected to be \$113.5 million (see page 2 of the report), of which \$77.2 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'21 through FY'24 budgets have been eliminated. Note that in the March report a \$19.1 million transfer of Accumulated Net Revenues was made from the Sewer Operating Fund to the Water Operating Fund to maintain appropriate reserve levels in both funds.

Other highlights of the April 2020 report are as follows:

Revenues

- Total revenues (all funds) through April were \$638.7 million or 80% of total budgeted.
- Total revenues (all funds) are projected to be \$727.8 million; \$68.5 million less than budgeted.

Expenses

- Total net expenses (all funds) through April were \$608.3 million or 76% of total budgeted.
- Total net expenses (all funds) are projected to be \$727.6 million; \$70.3 million less than budgeted.

CARLA A. REID
MONTHLY STATUS REPORT – APRIL
JUNE 12, 2020
PAGE 3

Water Production

- Water production through April averaged 161.7 MGD (page 4).

Workyears

- Cumulative workyears through the end of April were 1,678 (page 5).

System Development Charge

- The System Development Charge available account balance through April was \$18.4 million. The account balance is 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'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 4/30/19	FY'20 ACTUAL THRU 4/30/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption and Sewer Use Charges	\$615,249	\$658,899	\$512,411	\$530,432	\$594,200
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	135,517	126,094	113,037	108,220	122,267
TOTAL REVENUES	762,346	796,334	625,448	638,652	727,808
EXPENSES					
Operating Expenses	469,270	466,099	359,510	383,532	461,868
PAYGO	15,754	31,016	7,754	0	0
Debt Service Expense	292,656	319,883	237,079	242,445	289,800
GROSS EXPENSES	777,680	816,998	604,343	625,977	751,668
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(10,417)	(9,667)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(4,009)	(5,580)	(4,593)
Less: Premium Transfer	0	(2,900)	0	(2,417)	(7,904)
NET EXPENSES	759,629	797,840	589,917	608,313	727,571
NET REVENUE (LOSS) FOR YEAR	\$2,717	(\$1,506)	\$35,531	\$30,339	\$237

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

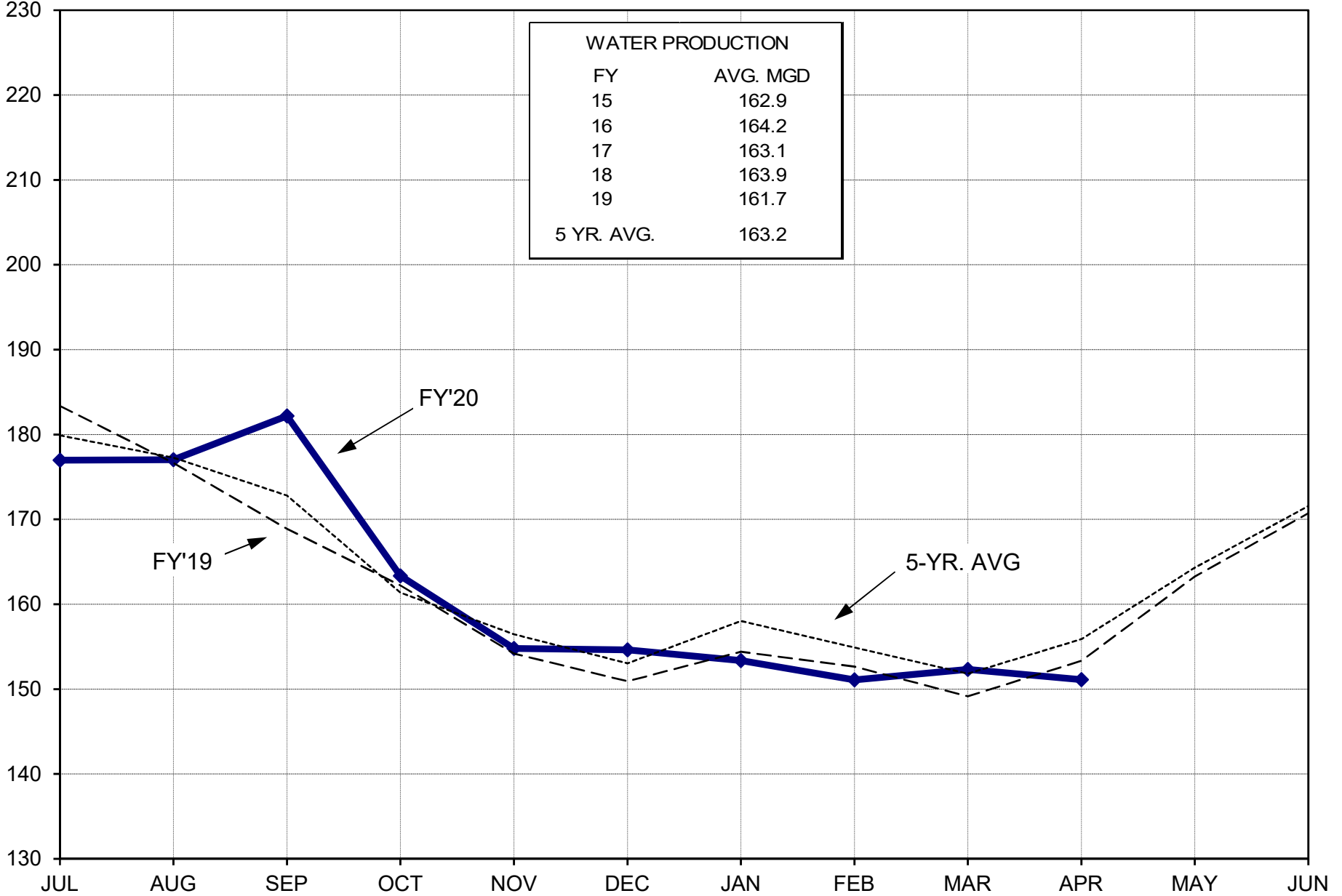
	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 4/30/19	FY'20 ACTUAL THRU 4/30/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption & Sewer Use Charges	\$615,249	\$658,899	\$512,411	\$530,432	\$594,200
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	118,313	112,827	98,621	96,890	109,000
TOTAL REVENUES	745,142	783,067	611,032	627,322	714,541
EXPENSES					
Operating Expenses	467,694	464,902	358,288	382,250	460,300
PAYGO	15,754	31,016	7,754	0	0
Debt Service Expense	275,385	306,307	223,085	232,142	278,200
GROSS EXPENSES	758,833	802,225	589,127	614,392	738,500
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(10,417)	(9,667)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(4,009)	(5,580)	(4,593)
Less: Premium Transfer	0	(2,900)	0	(2,417)	(7,904)
NET EXPENSES	740,782	783,067	574,701	596,728	714,403
NET REVENUE (LOSS) FOR YEAR	\$4,360	\$0	\$36,331	\$30,594	\$138
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	179,780				124,709
NET REVENUE (LOSS) FOR YEAR	4,360				138
USE OF ACCUMULATED NET REVENUE	(11,580)				(11,341)
ACCUMULATED NET REVENUE - END OF YEAR	\$172,560				\$113,506 *
WATER PRODUCED (MGD)	161.7	164.0	160.7	161.7	161.5

* Includes Working Capital Reserve of \$77.2 million.

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

WATER PRODUCED

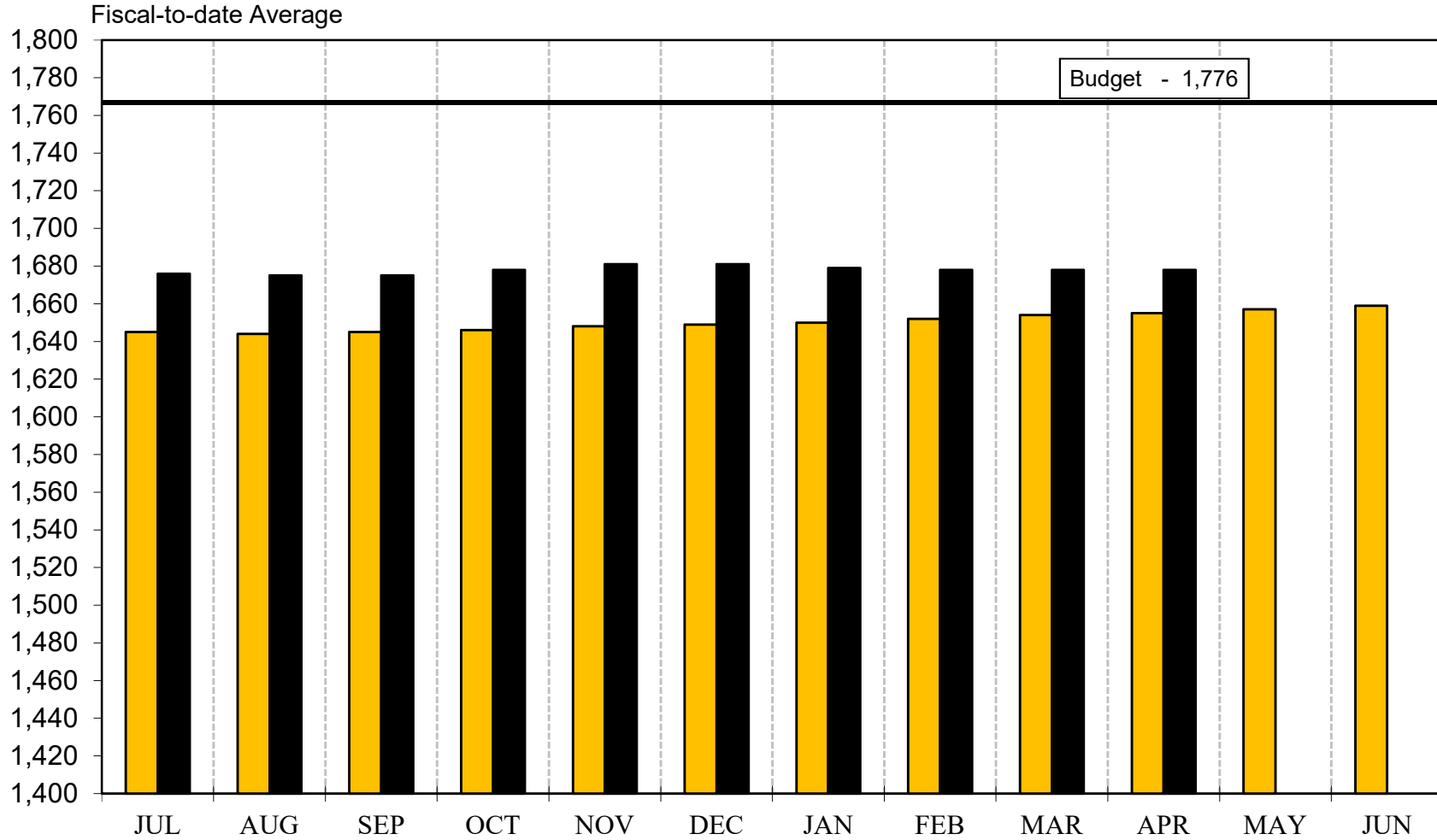
AVERAGE MGD



**FY'20
WATER PRODUCED**

<u>MONTH</u>	<u>MONTHLY TOTAL (MG)</u>	<u>MONTHLY AVERAGE (MGD)</u>	<u>FY'20 CUMULATIVE AVERAGE (MGD)</u>	<u>FY'19 CUMULATIVE AVERAGE (MGD)</u>
July	5,486.601	176.987	176.987	183.372
August	5,487.857	177.028	177.007	180.013
September	5,465.412	182.180	178.694	176.384
October	5,064.006	163.355	174.828	172.812
November	4,643.343	154.778	170.897	169.161
December	4,793.293	154.622	168.155	166.087
January	4,754.568	153.373	166.024	164.404
February	4,381.295	151.079	164.247	163.050
March	4,722.257	152.331	162.904	161.477
April	4,533.775	151.126	161.746	160.675
May				160.914
June				161.721

ACTUAL WORKYEARS



 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
 FY'20	1,676	1,675	1,675	1,678	1,681	1,681	1,679	1,678	1,678	1,678	-	-

STATEMENT OF CAPITAL FUNDS INCOME AND EXPENDITURES
CAPITAL FUNDS TOTAL

(In Thousands)

	<u>FY'19 ACTUAL</u>	<u>FY'20 APPROVED BUDGET</u>	<u>FY'19 ACTUAL THRU 4/30/19</u>	<u>FY'20 ACTUAL THRU 4/30/20</u>	<u>PROJECTED THRU 6/30/20</u>
<u>GROSS FUNDS AVAILABLE</u>					
Bonds Issued and Cash on Hand	\$353,766	\$579,823			
Anticipated Contributions:					
Federal & State Grants	995	22,291			
System Development Charge	15,000	21,716			
Other	7,667	14,696			
Available for Current Construction	<u>377,428</u>	<u>638,526</u>			
<u>CAPITAL COSTS</u>					
Salaries & Wages	\$27,293	\$27,154	\$23,222	\$22,001	\$27,154
Contract Work	202,735	383,332	164,581	148,262	180,000
Consulting Engineers	51,872	58,073	35,483	29,615	43,000
All Other *	104,895	169,967	84,282	61,734	82,000
TOTAL COSTS	<u><u>\$386,795</u></u>	<u><u>\$638,526</u></u>	<u><u>\$307,568</u></u>	<u><u>\$261,612</u></u>	<u><u>\$332,154</u></u>

*Reflects the transfer of \$7.9 million of Bond Premium to the Water & Sewer Operating funds.

CONSOLIDATED STATEMENT OF OPERATING FUNDS, REVENUES AND EXPENDITURES

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 4/30/19	FY'20 ACTUAL THRU 4/30/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$227,771	\$233,199	\$260,000
Sewer Use Charges	341,496	377,902	284,640	297,233	334,200
Account Maintenance Fees	32,116	32,296	27,055	27,024	29,600
Infrastructure Investment Fee	39,278	39,331	32,953	32,625	35,900
Front Foot Benefit & House Connection Assessments	15,809	12,507	13,267	10,614	12,507
Plumbing & Inspection Fees	13,594	12,900	11,245	11,928	14,500
Interest Income	10,433	6,000	8,472	4,984	6,700
Rockville Sewer Use	3,106	3,000	2,694	2,617	3,000
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
Miscellaneous	21,181	20,060	17,351	18,428	20,060
TOTAL REVENUES	762,346	796,334	625,448	638,652	727,808
EXPENSES					
Salaries & Wages	125,851	130,134	104,446	111,963	135,830
Heat, Light & Power	19,683	19,436	15,943	12,921	18,000
Regional Sewage Disposal	54,809	59,000	47,653	46,703	54,000
All Other	268,927	257,529	191,468	211,945	254,038
PAYGO	15,754	31,016	7,754	0	0
Debt Service	292,656	319,883	237,079	242,445	289,800
GROSS EXPENSES	777,680	816,998	604,343	625,977	751,668
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(10,417)	(9,667)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(4,009)	(5,580)	(4,593)
Less: Premium Transfer	0	(2,900)	0	(2,417)	(7,904)
NET EXPENSES	759,629	797,840	589,917	608,313	727,571
NET REVENUE (LOSS) FOR YEAR	2,717	<u>(\$1,506)</u>	<u>\$35,531</u>	<u>\$30,339</u>	237
ACCUMULATED NET REVENUE - JULY 1	228,152				158,938
Use of Fund Balance	(24,080)				(22,941)
ACCUMULATED NET REVENUE - JUNE 30	<u>\$206,789</u>				<u>\$136,234</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)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 4/30/19	FY'20 ACTUAL THRU 4/30/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$227,771	\$233,199	\$260,000
Account Maintenance Fee	16,379	16,471	13,798	14,279	15,600
Infrastructure Investment Fee	20,032	20,059	16,806	17,099	18,800
Plumbing & Inspection Fees	7,750	7,470	6,417	6,869	8,500
Interest Income	779	2,000	588	(218)	0
Use of Accumulated Net Revenue	5,906	5,784	0	0	5,784
Miscellaneous	10,001	10,600	7,968	8,856	10,300
TOTAL REVENUES	334,600	343,381	273,348	280,084	318,984
EXPENSES					
Salaries & Wages	69,084	63,707	57,522	61,268	74,000
Heat, Light & Power	11,143	10,808	9,049	7,265	10,000
All Other	135,241	131,005	98,709	106,419	129,000
PAYGO	7,415	13,522	3,415	0	0
Debt Service	116,317	133,216	93,891	102,021	122,600
GROSS EXPENSES	339,200	352,258	262,586	276,973	335,600
Less: Reconstruction Debt Service Offset	(4,000)	(4,000)	(3,333)	(3,334)	(4,000)
Less: SDC Debt Service Offset	(2,395)	(3,540)	(1,576)	(2,896)	(3,475)
Less: Premium Transfer	0	(1,337)	0	(1,114)	(1,337)
NET EXPENSES	332,805	343,381	257,677	269,629	326,788
NET REVENUE (LOSS)	1,795	\$0	\$15,671	\$10,455	(7,804)
ACCUMULATED NET REVENUE - JULY 1	36,832				8,751 *
Use of Fund Balance	(5,906)				(5,784)
Fund Balance Transfer	0				19,070
ACCUMULATED NET REVENUE - JUNE 30	\$32,721				\$14,233

*Reflects a decrease in net revenues of \$23,970,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 4/30/19	FY'20 ACTUAL THRU 4/30/20	PROJECTED THRU 6/30/20
<u>REVENUES</u>					
Sewer Use Charges	\$341,496	\$377,902	\$284,640	\$297,233	\$334,200
Account Maintenance Fee	15,737	15,825	13,257	12,745	14,000
Infrastructure Investment Fee	19,246	19,272	16,147	15,526	17,100
Rockville Sewer Use	3,106	3,000	2,694	2,617	3,000
Interest Income	8,527	3,500	6,965	4,751	6,200
Plumbing & Inspection Fees	5,844	5,430	4,828	5,059	6,000
Use of Accumulated Net Revenue	5,674	5,557	0	0	5,557
Miscellaneous	10,912	9,200	9,153	9,307	9,500
TOTAL REVENUES	410,542	439,686	337,684	347,238	395,557
<u>EXPENSES</u>					
Salaries & Wages	56,016	65,968	46,301	50,000	61,000
Heat, Light & Power	8,540	8,628	6,894	5,656	8,000
Regional Sewage Disposal	54,809	59,000	47,653	46,703	54,000
All Other	132,861	125,786	92,160	104,939	124,300
PAYGO	8,339	17,494	4,339	0	0
Debt Service	159,068	173,091	129,194	130,121	155,600
GROSS EXPENSES	419,633	449,967	326,541	337,419	402,900
Less: Reconstruction Debt Service Offset	(8,500)	(7,600)	(7,084)	(6,333)	(7,600)
Less: SDC Debt Service Offset	(3,156)	(1,118)	(2,433)	(2,684)	(1,118)
Less: Premium Transfer	0	(1,563)	0	(1,303)	(6,567)
NET EXPENSES	407,977	439,686	317,024	327,099	387,615
NET REVENUE (LOSS)	2,565	\$0	\$20,660	\$20,139	7,942
ACCUMULATED NET REVENUE - JULY 1	142,948				115,958 *
Use of Fund Balance	(5,674)				(5,557)
Fund Balance Transfer	0				(19,070)
ACCUMULATED NET REVENUE - JUNE 30	\$139,839				\$99,273

*Reflects a decrease in net revenues of \$23,881,000 resulting from prior year adjustments.

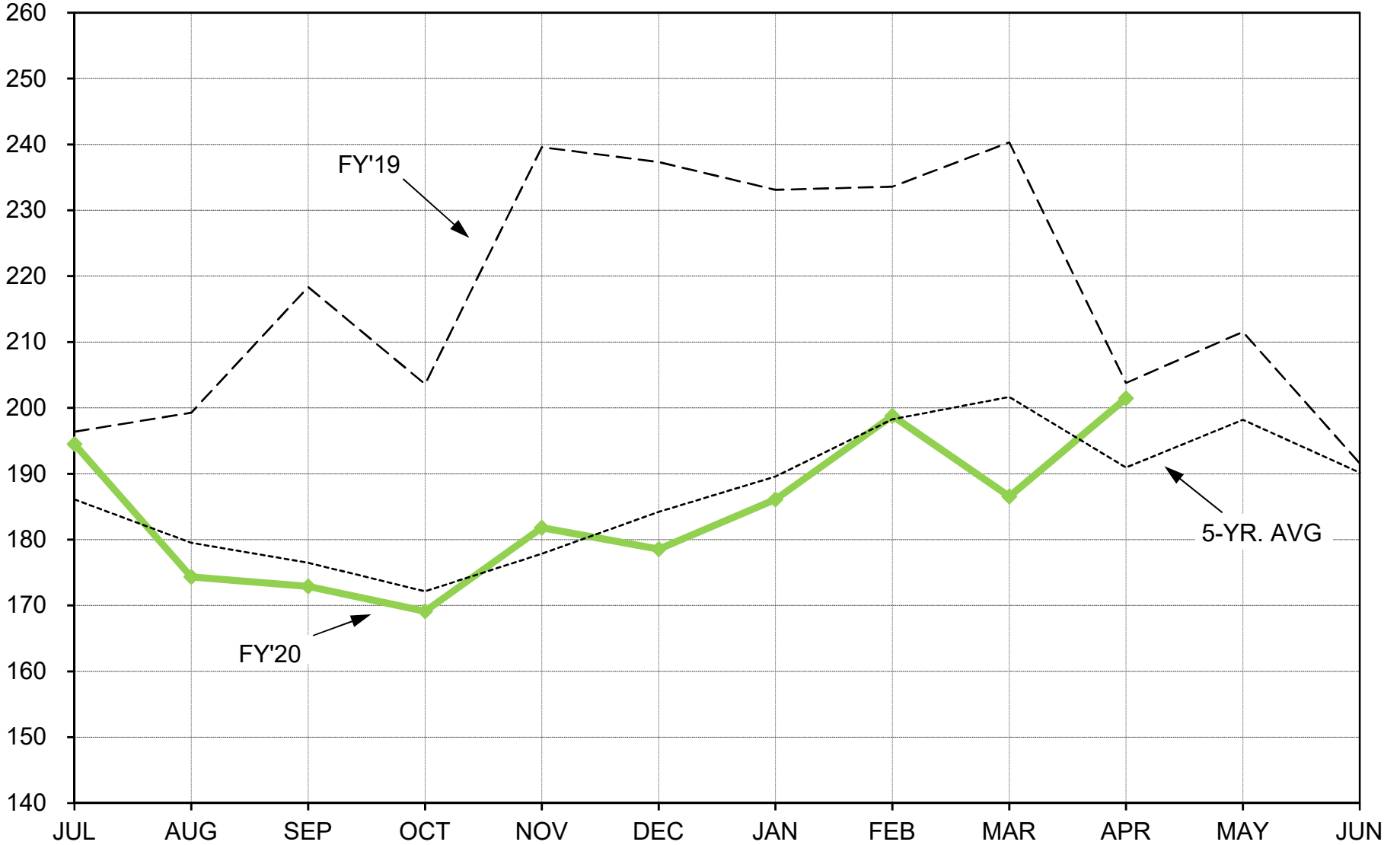
**FY'20
SEWAGE FLOWS**

<u>MONTH</u>	<u>WSSC PLANTS AVERAGE (MGD)</u>	<u>BLUE PLAINS AVERAGE (MGD)</u>	<u>FY'20 MONTHLY AVERAGE (MGD)</u>	<u>FY'19 MONTHLY AVERAGE (MGD)</u>	<u>FY'20 CUMULATIVE AVERAGE (MGD)</u>
July	79.40	115.10	194.50	196.36	194.50
August	69.54	104.80	174.34	199.26	184.42
September	62.40	110.50	172.90	218.36	180.66
October	64.32	104.80	169.12	203.58	177.75
November	66.31	115.50	181.81	239.57	178.55
December	70.86	107.70	178.56	237.32	178.55
January	73.11	113.00	186.11	233.11	179.64
February	76.80	122.00	198.80	233.57	181.92
March	69.14	117.40	186.54	240.32	182.44
April	73.94	127.50	201.44	203.77	184.31
May				211.53	
June				191.58	

SEWAGE FLOWS

(INCLUDES BLUE PLAINS)

AVERAGE MGD



GENERAL BOND DEBT SERVICE FUND

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 4/30/19	FY'20 ACTUAL THRU 4/30/20	PROJECTED THRU 6/30/20
REVENUES					
Front Foot Benefit & House Connection Assessments	\$15,809	\$12,507	\$13,267	\$10,614	\$12,507
Interest Income	1,127	500	919	451	500
Miscellaneous	268	260	230	265	260
Use of Accumulated Net Revenue	12,500	11,600	10,417	9,667	11,600
Reconstruction Debt Service Offset	(12,500)	(11,600)	(10,417)	(9,667)	(11,600)
TOTAL REVENUES	17,204	13,267	14,416	11,330	13,267
EXPENSES					
Salaries & Wages	751	459	623	695	830
All Other	825	738	599	587	738
Debt Service	17,271	13,576	13,994	10,303	11,600
GROSS EXPENSES	18,847	14,773	15,216	11,585	13,168
NET EXPENSES	18,847	14,773	15,216	11,585	13,168
NET REVENUE (LOSS)	(1,643)	<u>(\$1,506)</u>	<u>(\$800)</u>	<u>(\$255)</u>	99
ACCUMULATED NET REVENUE - JULY 1	48,372				34,229
Use of Fund Balance	(12,500)				(11,600) *
ACCUMULATED NET REVENUE - JUNE 30	<u>\$34,229</u>				<u>\$22,728</u>

* Reflects transfer of \$11,600,000 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, 2019	\$10,348
<u>ACCOUNT ADDITIONS:</u>	
SDC Revenues, Net	21,495
Interest Income	212
	<hr/>
FUNDS AVAILABLE	32,055
Less MOU Credit Reimbursement	(1,399)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(2,896)
Sewer Operating - Debt Service	(2,684)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	0
	<hr/>
Account Balance	25,076
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	(6,646)
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AVAILABLE ACCOUNT BALANCE, APRIL 30, 2020	<u><u>\$18,430</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.