



WSSC WATER
DELIVERING THE ESSENTIAL

FY 2020
MONTHLY STATUS REPORT
DECEMBER 2019



Interoffice Memorandum

TO: CARLA A. REID
GENERAL MANAGER/CEO

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

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

DATE: FEBRUARY 14, 2020

SUBJECT: MONTHLY STATUS REPORT – DECEMBER 2019

Attached is the December 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 this month's report we are making changes to our FY'20 projected financial results in the Water and Sewer Operating Funds and in the Capital Funds.

In our September report, 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. In this month's report, additional sewer use charge revenue reductions are projected due to lower than anticipated sewer billing factors and lower projected fee income. The \$12.0 million projected revenue shortfall is expected to be more than offset by \$3.5 million in higher interest income, and lower projected net expenses. Although our All Other expenses are projected to be \$9.9 million higher than budgeted due to ongoing Project Cornerstone stabilization and the holistic sewer rehab work in the Piscataway sewer basin, projected expense decreases of \$13.1 million in debt service, \$4 million in regional sewage disposal, \$4.0 million in salary and wages expenses and other minor

adjustments result in a projected year-end fund income of \$4.8 million. In developing the sewer rates for the FY 21 budget, the recovery of an \$8.7 million shortfall was incorporated. Our staff continues to analyze sewer revenues to identify the factors driving the lower than expected revenue.

In the water operating fund, salaries and wages expenses are projected to be \$10.3 million higher than budgeted due to both a budget under-allocation between the water and sewer operating funds and significantly higher overtime expenses in Customer Service and Utility Services. The higher expense is partially offset by \$6.6 million projected reduction in the use of PAYGO. Including some other minor adjustments, the fund is currently projected to show a loss of \$4.4 million. However, we will work continue to review expenditure patterns with the various departments and look at other adjustments between now and the end of the year to close the gap.

Overall for the combined water and sewer operating funds, the net projected lower expenses will offset the projected shortfalls. At this point, we are projecting a combined water and sewer operating fund net income of \$0.4 million for the fiscal year.

Capital spending on both sewer reconstruction programs is significantly slower than planned and is tracking close to the FY'19 pace. We anticipate spending only 61% of the capital budget. Due to the slower spending, we've delayed our sewer bond sale until next fall. The delay along with the current planned bond refunding at lower interest rates resulted in the projected debt service savings in the operating funds.

Fiscal to date water production, at 168.2 MGD, is 0.8% ahead of the five-year average and 1.2% ahead of last year's pace over the same period, primarily due to drought conditions across our service area during the first quarter. Water production for the month of December, at 154.6 MGD, was 1.6 MGD above the five-year average for the month. Water 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. However, with the change from a 16-step to a 4-step rate structure we anticipate that a number of adjustments to our revenue projections may be required based upon changes in customer use patterns. In this month's report we made an additional adjustment to sewer use revenue. The average end-of-year combined water and sewer billing rate is projected to decrease from \$10.911 to \$10.779 per thousand gallons produced.

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 \$128.9 million (see page 2 of the report), of which \$77.2 million is restricted for our working capital reserve, \$8.0 million is planned for use in the FY'21 budget, and \$18.0 million is projected to be used in the FY'22 through FY'24 budgets, and to maintain the targeted 10% operating reserve.

Other highlights of the December 2019 report are as follows:

Revenues

- Total revenues (all funds) through December were \$397.3 million or 50% of total budgeted.
- Total revenues (all funds) are projected to be \$786.6 million; \$9.7 million less than budgeted.

Expenses

- Total net expenses (all funds) through December were \$362.7 million or 46% of total budgeted.
- Total net expenses (all funds) are projected to be \$787.7 million; \$10.1 million less than budgeted.

Water Production

- Water production through December averaged 168.2 MGD (page 4).

Workyears

- Cumulative workyears through the end of December were 1,681 (page 5).

System Development Charge

- The System Development Charge available account balance through December was \$12.0 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 12/31/18	FY'20 ACTUAL THRU 12/31/19	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption and Sewer Use Charges	\$615,249	\$658,899	\$324,843	\$331,808	\$646,997
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	135,517	126,094	67,677	65,471	128,297
TOTAL REVENUES	762,346	796,334	392,520	397,279	786,635
EXPENSES					
Operating Expenses	469,270	466,099	199,292	217,108	478,338
PAYGO	15,754	31,016	7,754	7,754	24,394
Debt Service Expense	292,656	319,883	137,419	148,381	305,276
GROSS EXPENSES	777,680	816,998	344,465	373,243	808,008
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(6,250)	(5,800)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(2,159)	(3,348)	(5,771)
Less: Premium Transfer	0	(2,900)	0	(1,450)	(2,900)
NET EXPENSES	759,629	797,840	336,056	362,645	787,737
NET REVENUE (LOSS) FOR YEAR	\$2,717	(\$1,506)	\$56,464	\$34,634	(\$1,102)

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

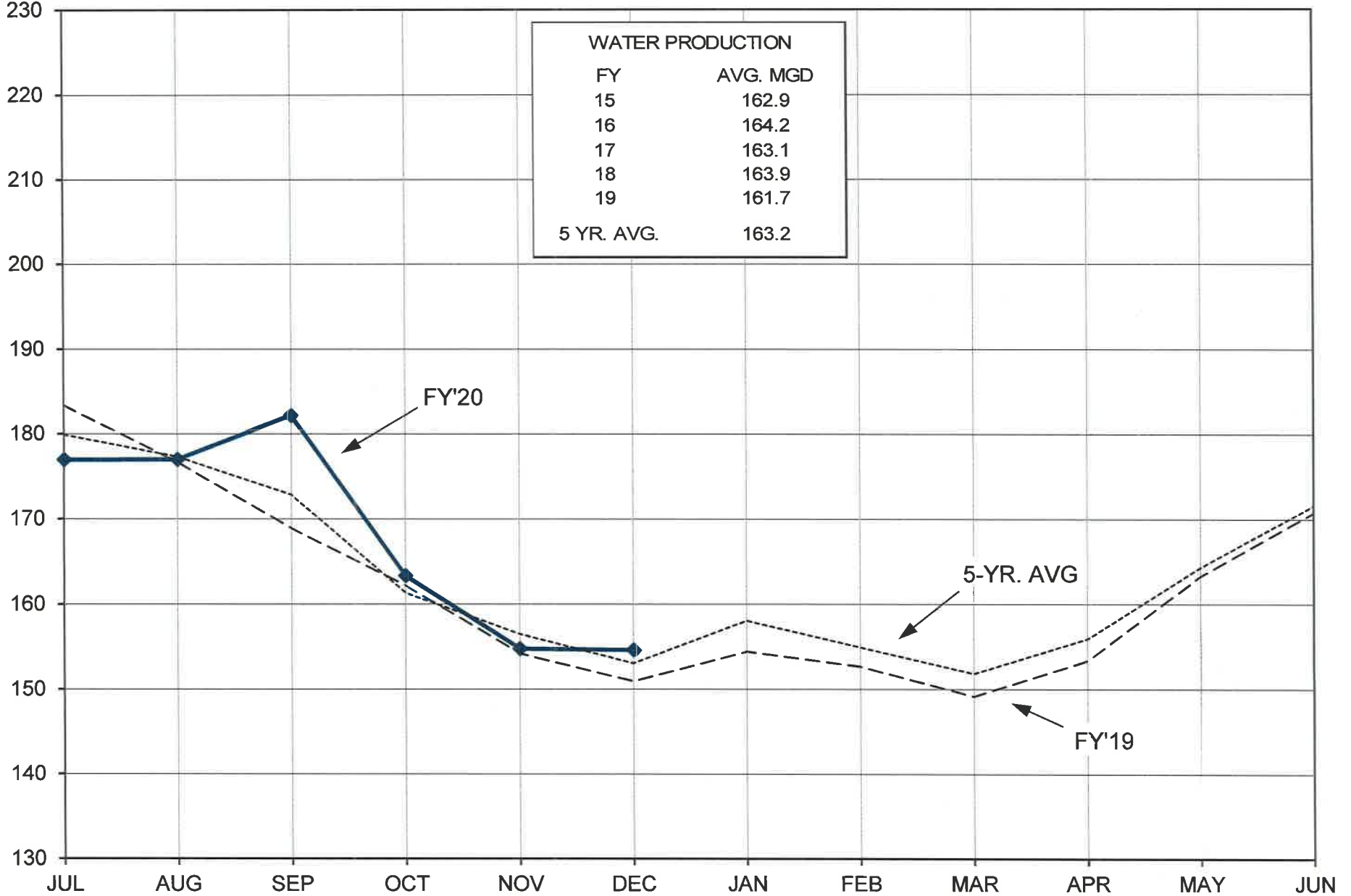
	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 12/31/18	FY'20 ACTUAL THRU 12/31/19	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption & Sewer Use Charges	\$615,249	\$658,899	\$324,843	\$331,808	\$646,997
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	118,313	112,827	58,239	58,183	115,030
TOTAL REVENUES	745,142	783,067	383,082	389,991	773,368
EXPENSES					
Operating Expenses	467,694	464,902	198,630	216,312	477,141
PAYGO	15,754	31,016	7,754	7,754	24,394
Debt Service Expense	275,385	306,307	129,334	141,411	291,700
GROSS EXPENSES	758,833	802,225	335,718	365,477	793,235
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(6,250)	(5,800)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(2,159)	(3,348)	(5,771)
Less: Premium Transfer	0	(2,900)	0	(1,450)	(2,900)
NET EXPENSES	740,782	783,067	327,309	354,879	772,964
NET REVENUE (LOSS) FOR YEAR	\$4,360	\$0	\$55,773	\$35,112	\$404
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	179,780				139,882
NET REVENUE (LOSS) FOR YEAR	4,360				404
USE OF ACCUMULATED NET REVENUE	(11,580)				(11,341)
ACCUMULATED NET REVENUE - END OF YEAR	\$172,560				\$128,945 *
WATER PRODUCED (MGD)	161.7	164.0	166.1	168.2	164.0

* 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

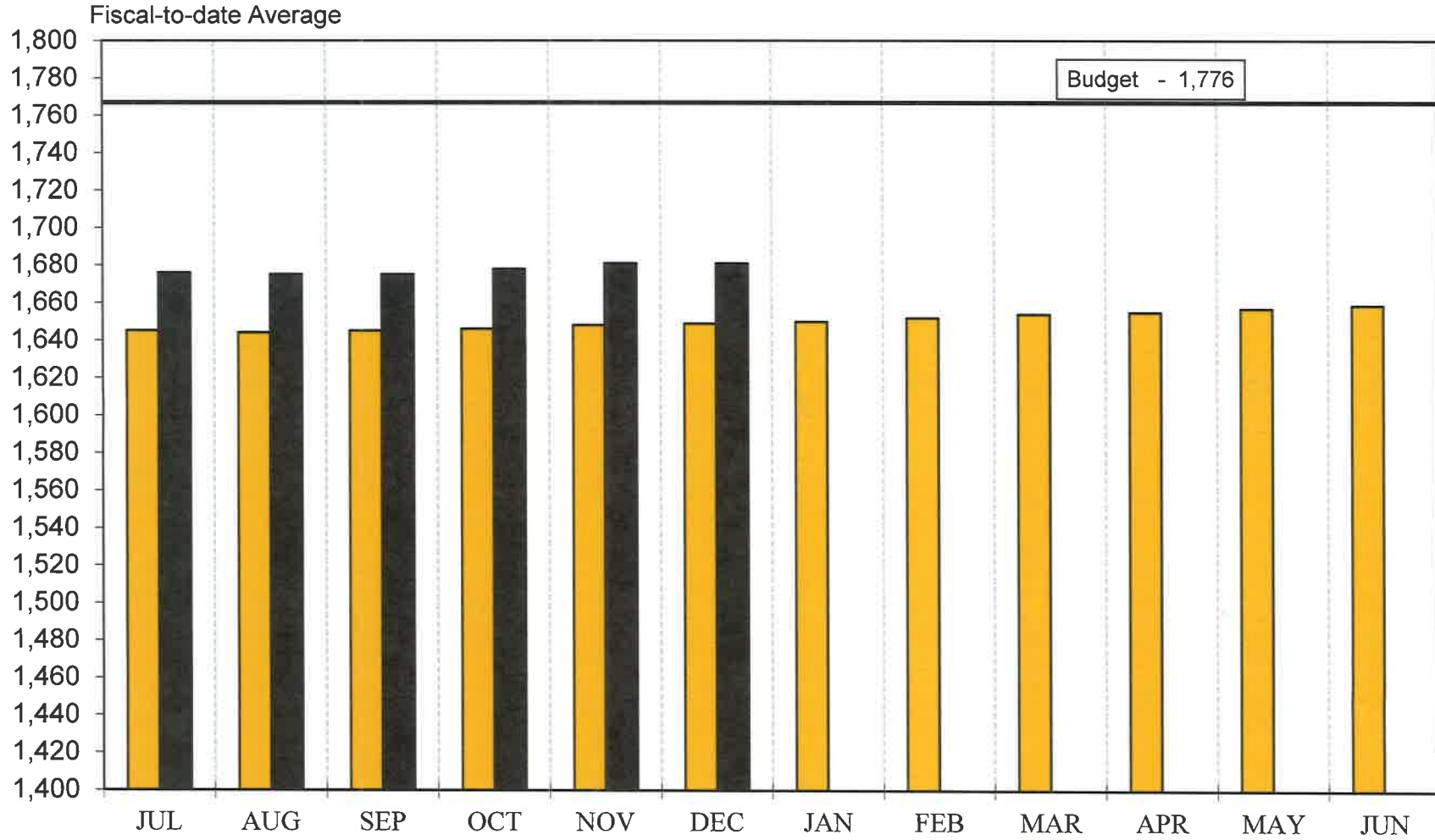


WATER PRODUCTION	
FY	AVG. MGD
15	162.9
16	164.2
17	163.1
18	163.9
19	161.7
5 YR. AVG.	163.2

**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				164.404
February				163.050
March				161.477
April				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	-	-	-	-	-	-

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 12/31/18</u>	<u>FY'20 ACTUAL THRU 12/31/19</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	\$14,385	\$13,657	\$27,154
Contract Work	202,735	383,332	101,915	95,326	210,000
Consulting Engineers	51,872	58,073	18,266	13,669	45,000
All Other *	104,895	169,967	62,149	53,409	110,000
TOTAL COSTS	<u><u>\$386,795</u></u>	<u><u>\$638,526</u></u>	<u><u>\$196,715</u></u>	<u><u>\$176,061</u></u>	<u><u>\$392,154</u></u>

*Reflects the transfer of \$2.9 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 12/31/18	FY'20 ACTUAL THRU 12/31/19	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$147,217	\$147,946	\$280,997
Sewer Use Charges	341,496	377,902	177,626	183,862	366,000
Account Maintenance Fees	32,116	32,296	16,086	15,817	31,471
Infrastructure Investment Fee	39,278	39,331	19,673	19,200	38,359
Front Foot Benefit & House Connection Assessments	15,809	12,507	8,911	6,899	12,507
Plumbing & Inspection Fees	13,594	12,900	6,598	7,404	14,900
Interest Income	10,433	6,000	3,413	2,870	7,500
Rockville Sewer Use	3,106	3,000	1,629	1,516	3,000
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
Miscellaneous	21,181	20,060	11,367	11,765	20,560
TOTAL REVENUES	762,346	796,334	392,520	397,279	786,635
EXPENSES					
Salaries & Wages	125,851	130,134	62,441	68,101	136,459
Heat, Light & Power	19,683	19,436	10,185	7,672	19,436
Regional Sewage Disposal	54,809	59,000	29,581	26,742	55,000
All Other	268,927	257,529	97,085	114,593	267,443
PAYGO	15,754	31,016	7,754	7,754	24,394
Debt Service	292,656	319,883	137,419	148,381	305,276
GROSS EXPENSES	777,680	816,998	344,465	373,243	808,008
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(6,250)	(5,800)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(2,159)	(3,348)	(5,771)
Less: Premium Transfer	0	(2,900)	0	(1,450)	(2,900)
NET EXPENSES	759,629	797,840	336,056	362,645	787,737
NET REVENUE (LOSS) FOR YEAR	2,717	(\$1,506)	\$56,464	\$34,634	(1,102)
ACCUMULATED NET REVENUE - JULY 1	228,152				174,111
Use of Fund Balance	(24,080)				(22,941)
ACCUMULATED NET REVENUE - JUNE 30	\$206,789				\$150,068

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 12/31/18	FY'20 ACTUAL THRU 12/31/19	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$147,217	\$147,946	\$280,997
Account Maintenance Fee	16,379	16,471	8,204	8,353	16,471
Infrastructure Investment Fee	20,032	20,059	10,033	10,054	20,059
Plumbing & Inspection Fees	7,750	7,470	3,774	4,237	8,500
Interest Income	779	2,000	(130)	(735)	0
Use of Accumulated Net Revenue	5,906	5,784	0	0	5,784
Miscellaneous	10,001	10,600	5,146	5,323	10,100
TOTAL REVENUES	334,600	343,381	174,244	175,178	341,911
EXPENSES					
Salaries & Wages	69,084	63,707	34,442	37,192	74,000
Heat, Light & Power	11,143	10,808	6,196	4,393	10,808
All Other	135,241	131,005	49,055	57,885	131,005
PAYGO	7,415	13,522	3,415	3,380	6,900
Debt Service	116,317	133,216	54,259	61,596	131,700
GROSS EXPENSES	339,200	352,258	147,367	164,446	354,413
Less: Reconstruction Debt Service Offset	(4,000)	(4,000)	(2,000)	(2,000)	(4,000)
Less: SDC Debt Service Offset	(2,395)	(3,540)	(778)	(1,738)	(2,731)
Less: Premium Transfer	0	(1,337)	0	(668)	(1,337)
NET EXPENSES	332,805	343,381	144,589	160,040	346,345
NET REVENUE (LOSS)	1,795	\$0	\$29,655	\$15,138	(4,434)
ACCUMULATED NET REVENUE - JULY 1	36,832				15,779 *
Use of Fund Balance	(5,906)				(5,784)
ACCUMULATED NET REVENUE - JUNE 30	\$32,721				\$5,561

*Reflects a decrease in net revenues of \$16,942,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 12/31/18	FY'20 ACTUAL THRU 12/31/19	PROJECTED THRU 6/30/20
REVENUES					
Sewer Use Charges	\$341,496	\$377,902	\$177,626	\$183,862	\$366,000
Account Maintenance Fee	15,737	15,825	7,882	7,464	15,000
Infrastructure Investment Fee	19,246	19,272	9,640	9,146	18,300
Rockville Sewer Use	3,106	3,000	1,629	1,516	3,000
Interest Income	8,527	3,500	3,145	3,343	7,000
Plumbing & Inspection Fees	5,844	5,430	2,824	3,167	6,400
Use of Accumulated Net Revenue	5,674	5,557	0	0	5,557
Miscellaneous	10,912	9,200	6,092	6,315	10,200
TOTAL REVENUES	410,542	439,686	208,838	214,813	431,457
EXPENSES					
Salaries & Wages	56,016	65,968	27,635	30,486	62,000
Heat, Light & Power	8,540	8,628	3,989	3,279	8,628
Regional Sewage Disposal	54,809	59,000	29,581	26,742	55,000
All Other	132,861	125,786	47,732	56,335	135,700
PAYGO	8,339	17,494	4,339	4,374	17,494
Debt Service	159,068	173,091	75,075	79,815	160,000
GROSS EXPENSES	419,633	449,967	188,351	201,031	438,822
Less: Reconstruction Debt Service Offset	(8,500)	(7,600)	(4,250)	(3,800)	(7,600)
Less: SDC Debt Service Offset	(3,156)	(1,118)	(1,381)	(1,610)	(3,040)
Less: Premium Transfer	0	(1,563)	0	(782)	(1,563)
NET EXPENSES	407,977	439,686	182,720	194,839	426,619
NET REVENUE (LOSS)	2,565	\$0	\$26,118	\$19,974	4,838
ACCUMULATED NET REVENUE - JULY 1	142,948				124,103 *
Use of Fund Balance	(5,674)				(5,557)
ACCUMULATED NET REVENUE - JUNE 30	\$139,839				\$123,384

*Reflects a decrease in net revenues of \$15,736,000 resulting from prior year adjustments.

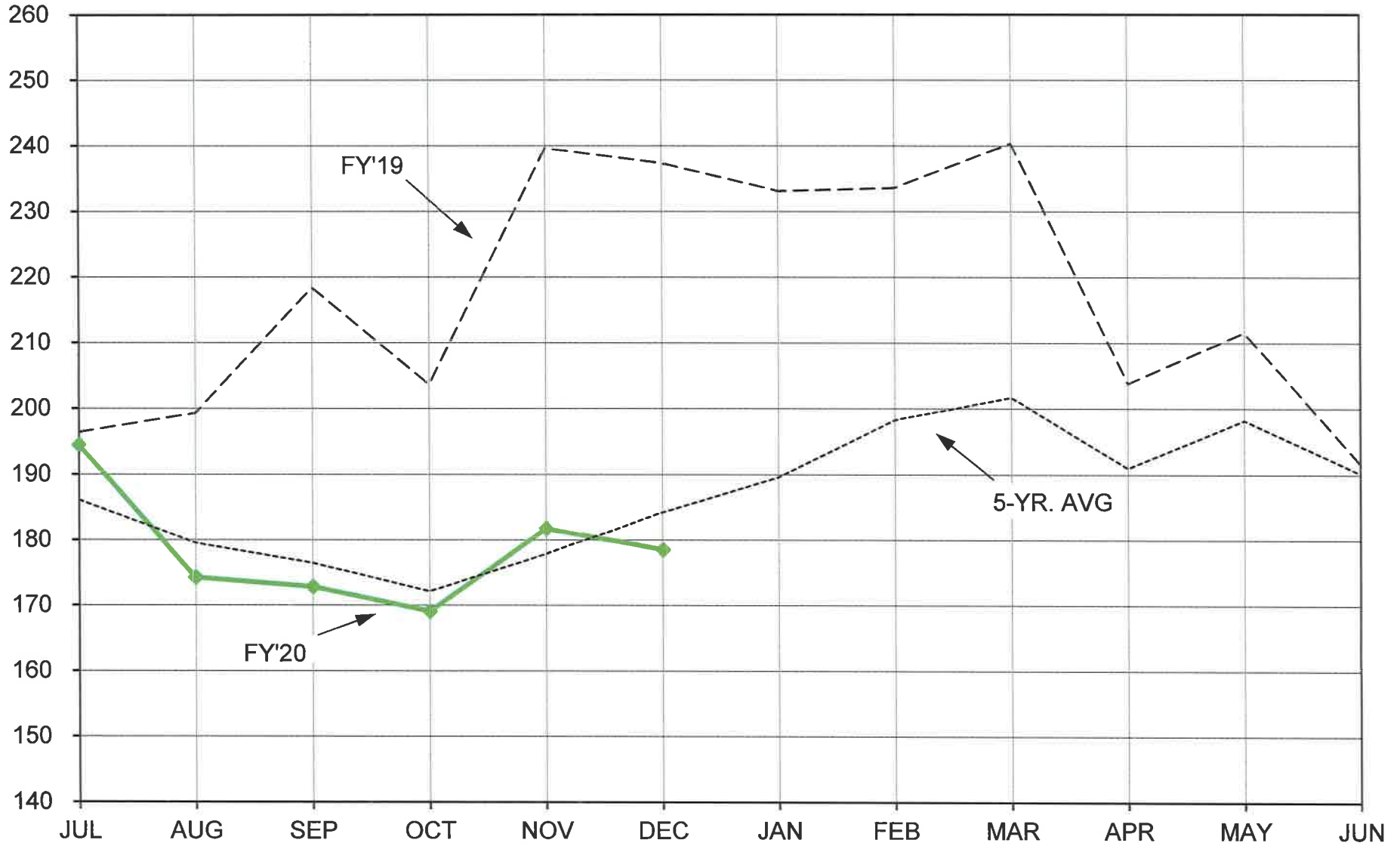
**FY'20
SEWAGE FLOWS**

MONTH	WSSC PLANTS AVERAGE (MGD)	BLUE PLAINS AVERAGE (MGD)	FY'20 MONTHLY AVERAGE (MGD)	FY'19 MONTHLY AVERAGE (MGD)	FY'20 CUMULATIVE AVERAGE (MGD)
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				233.11	
February				233.57	
March				240.32	
April				203.77	
May				211.53	
June				191.58	

SEWAGE FLOWS

(INCLUDES BLUE PLAINS)

AVERAGE MGD



GENERAL BOND DEBT SERVICE FUND

(In Thousands)

	<u>FY'19 ACTUAL</u>	<u>FY'20 APPROVED BUDGET</u>	<u>FY'19 ACTUAL THRU 12/31/18</u>	<u>FY'20 ACTUAL THRU 12/31/19</u>	<u>PROJECTED THRU 6/30/20</u>
REVENUES					
Front Foot Benefit & House Connection Assessments	\$15,809	\$12,507	\$8,911	\$6,899	\$12,507
Interest Income	1,127	500	398	262	500
Miscellaneous	268	260	129	127	260
Use of Accumulated Net Revenue	12,500	11,600	6,250	5,800	11,600
Reconstruction Debt Service Offset	(12,500)	(11,600)	(6,250)	(5,800)	(11,600)
TOTAL REVENUES	<u>17,204</u>	<u>13,267</u>	<u>9,438</u>	<u>7,288</u>	<u>13,267</u>
EXPENSES					
Salaries & Wages	751	459	364	423	459
All Other	825	738	298	373	738
Debt Service	<u>17,271</u>	<u>13,576</u>	<u>8,085</u>	<u>6,970</u>	<u>13,576</u>
GROSS EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>8,747</u>	<u>7,766</u>	<u>14,773</u>
NET EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>8,747</u>	<u>7,766</u>	<u>14,773</u>
NET REVENUE (LOSS)	(1,643)	<u>(\$1,506)</u>	<u>\$691</u>	<u>(\$478)</u>	(1,506)
ACCUMULATED NET REVENUE - JULY 1	48,372				34,229
Use of Fund Balance	<u>(12,500)</u>				<u>(11,600) *</u>
ACCUMULATED NET REVENUE - JUNE 30	<u>\$34,229</u>				<u>\$21,123</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	13,303
Interest Income	132
	23,783
FUNDS AVAILABLE	23,783
Less MOU Credit Reimbursement	(1,399)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(1,738)
Sewer Operating - Debt Service	(1,610)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	0
	0
Account Balance	19,036
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	(7,066)
	(7,066)
AVAILABLE ACCOUNT BALANCE, DECEMBER 31, 2019	\$11,970

*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.