



FY 2020
MONTHLY STATUS REPORT
MARCH 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

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PC

DATE: MAY 20, 2020

SUBJECT: MONTHLY STATUS REPORT – MARCH 2020

Attached is the March 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 addition, we are making broad and significant changes to our projected financial results that reflect our plans to address the impacts of the Covid-19 pandemic on our operations.

Due to the uncertainty surrounding the duration and impact of the COVID-19 pandemic, this report reflects conservative revenue projections along with a savings plan to offset potential lost and/or deferred revenues. In this month's report we have lowered our year-end water production estimate from 164 MGD to 161.5 MGD to recognize the significant reductions in water consumption from our commercial and government customers, down 15% and 11% respectively, in April. We expect these trends to continue for at least the next several months. As a result, our projected operating revenues have been reduced \$58.8 million from our last report. To offset the lower projected revenues, a comprehensive, enterprise-wide savings plan was developed with expenditure reductions enforced across all departments. The plan also includes eliminating the PAYGO transfer for capital projects and deferring the principal payment on our bond anticipation notes program in FY'20. The savings plan's total net expense reductions are projected to be \$59.1 million, fully offsetting the expected revenue downturn, see page 1 of the report.

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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 \$8.7 million shortfall was incorporated when developing 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 has been significantly slower than planned and may be further deferred if warranted. 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 next fall. 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 162.9 MGD, is right at the five-year average and 0.90% ahead of last year's pace over the same period, this is reflective of the drought conditions across our service area during the first quarter, rather than current conditions. The changes noted in this report have lowered the average end-of-year combined water and sewer billing rate per thousand gallons produced from the \$10.977 budgeted to the current projected \$10.053.

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 \$119.2 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. Note that a \$19.1 million transfer of Accumulated Net Revenues will be made from the Sewer Operating Fund to the Water Operating Fund to maintain appropriate reserve levels in both funds.

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Other highlights of the March 2020 report are as follows:

Revenues

- Total revenues (all funds) through March were \$579.4 million or 73% 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 March were \$542.9 million or 68% of total budgeted.
- Total net expenses (all funds) are projected to be \$727.6 million; \$70.3 million less than budgeted.

Water Production

- Water production through March averaged 162.9 MGD (page 4).

Workyears

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

System Development Charge

- The System Development Charge available account balance through March was \$15.9 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)

	<u>FY'19 ACTUAL</u>	<u>FY'20 APPROVED BUDGET</u>	<u>FY'19 ACTUAL THRU 3/31/19</u>	<u>FY'20 ACTUAL THRU 3/31/20</u>	<u>PROJECTED THRU 6/30/20</u>
<u>REVENUES</u>					
Water Consumption and Sewer Use Charges	\$615,249	\$658,899	\$462,068	\$481,679	\$594,200
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	135,517	126,094	100,789	97,673	122,267
TOTAL REVENUES	<u>762,346</u>	<u>796,334</u>	<u>562,857</u>	<u>579,352</u>	<u>727,808</u>
<u>EXPENSES</u>					
Operating Expenses	469,270	466,099	320,764	341,207	461,868
PAYGO	15,754	31,016	7,754	0	0
Debt Service Expense	292,656	319,883	210,134	217,541	289,800
GROSS EXPENSES	<u>777,680</u>	<u>816,998</u>	<u>538,652</u>	<u>558,748</u>	<u>751,668</u>
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(9,375)	(8,700)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(3,238)	(5,021)	(4,593)
Less: Premium Transfer	0	(2,900)	0	(2,175)	(7,904)
NET EXPENSES	<u>759,629</u>	<u>797,840</u>	<u>526,039</u>	<u>542,852</u>	<u>727,571</u>
NET REVENUE (LOSS) FOR YEAR	<u><u>\$2,717</u></u>	<u><u>(\$1,506)</u></u>	<u><u>\$36,818</u></u>	<u><u>\$36,500</u></u>	<u><u>\$237</u></u>

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

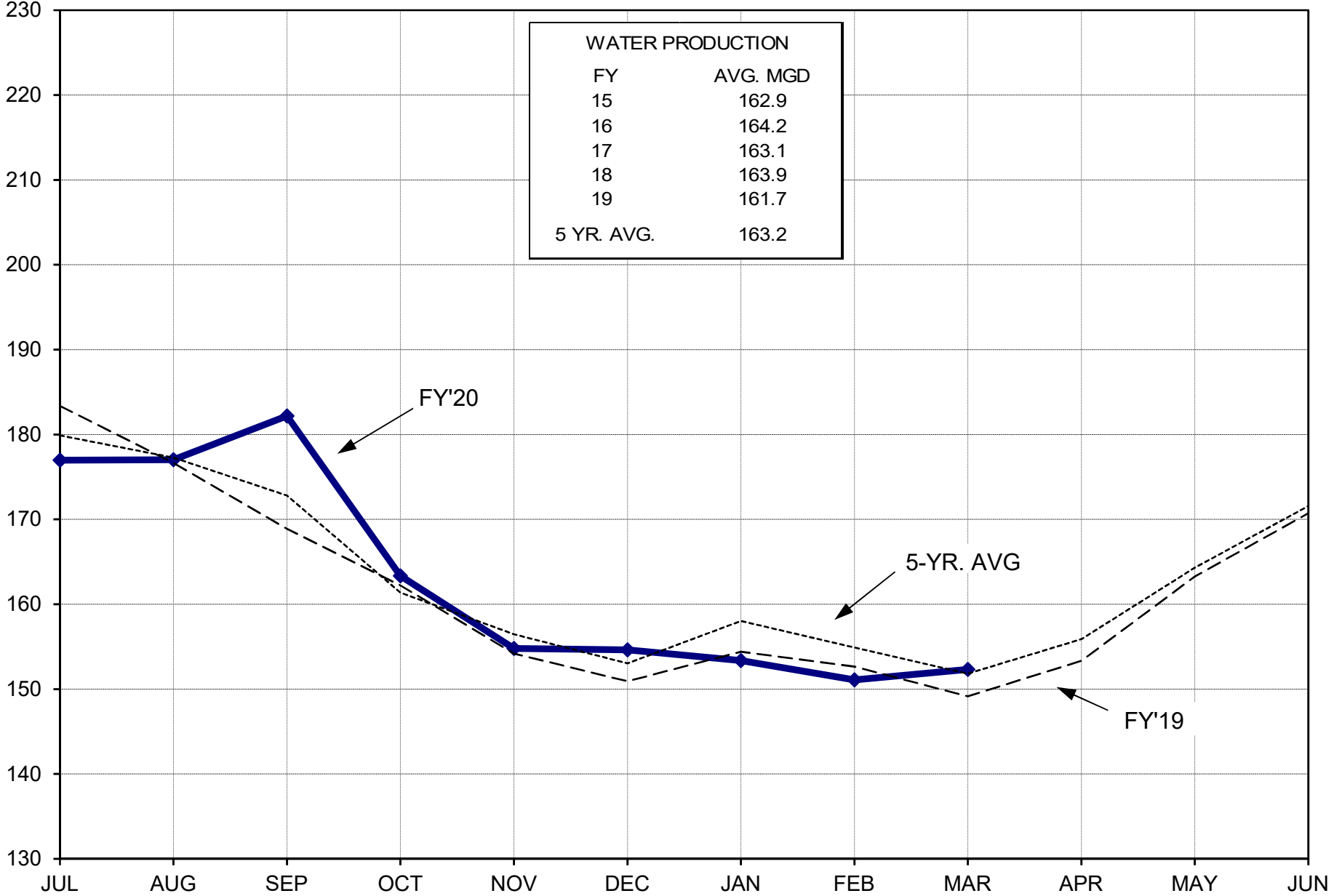
	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 3/31/19	FY'20 ACTUAL THRU 3/31/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption & Sewer Use Charges	\$615,249	\$658,899	\$462,068	\$481,679	\$594,200
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	118,313	112,827	87,626	87,331	109,000
TOTAL REVENUES	745,142	783,067	549,694	569,010	714,541
EXPENSES					
Operating Expenses	467,694	464,902	319,670	340,064	460,300
PAYGO	15,754	31,016	7,754	0	0
Debt Service Expense	275,385	306,307	197,751	208,331	278,200
GROSS EXPENSES	758,833	802,225	525,175	548,395	738,500
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(9,375)	(8,700)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(3,238)	(5,021)	(4,593)
Less: Premium Transfer	0	(2,900)	0	(2,175)	(7,904)
NET EXPENSES	740,782	783,067	512,562	532,499	714,403
NET REVENUE (LOSS) FOR YEAR	\$4,360	\$0	\$37,132	\$36,511	\$138
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	179,780				130,933
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				\$119,730 *
WATER PRODUCED (MGD)	161.7	164.0	161.5	162.9	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

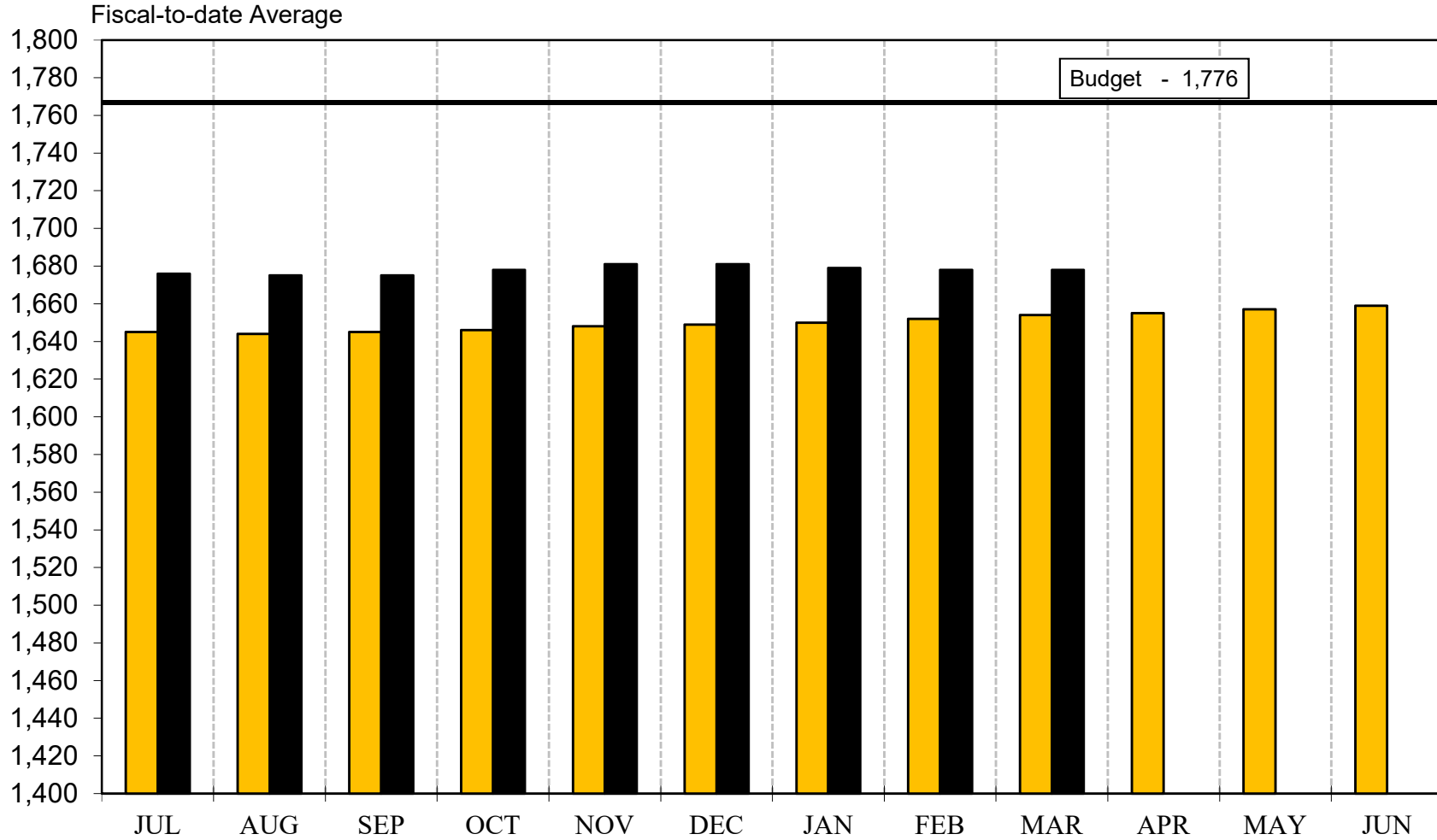
AVERAGE MGD



**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				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	-	-	-

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 3/31/19</u>	<u>FY'20 ACTUAL THRU 3/31/20</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	\$20,951	\$19,855	\$27,154
Contract Work	202,735	383,332	146,739	131,139	180,000
Consulting Engineers	51,872	58,073	31,882	26,444	43,000
All Other *	104,895	169,967	80,162	61,895	82,000
TOTAL COSTS	<u><u>\$386,795</u></u>	<u><u>\$638,526</u></u>	<u><u>\$279,734</u></u>	<u><u>\$239,333</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 3/31/19	FY'20 ACTUAL THRU 3/31/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$206,415	\$211,988	\$260,000
Sewer Use Charges	341,496	377,902	255,653	269,691	334,200
Account Maintenance Fees	32,116	32,296	24,207	23,976	29,600
Infrastructure Investment Fee	39,278	39,331	29,572	29,109	35,900
Front Foot Benefit & House Connection Assessments	15,809	12,507	12,178	9,685	12,507
Plumbing & Inspection Fees	13,594	12,900	9,843	10,835	14,500
Interest Income	10,433	6,000	7,195	4,605	6,700
Rockville Sewer Use	3,106	3,000	2,442	2,282	3,000
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
Miscellaneous	21,181	20,060	15,352	17,181	20,060
TOTAL REVENUES	762,346	796,334	562,857	579,352	727,808
EXPENSES					
Salaries & Wages	125,851	130,134	93,942	101,109	135,830
Heat, Light & Power	19,683	19,436	15,012	11,593	18,000
Regional Sewage Disposal	54,809	59,000	42,841	40,524	54,000
All Other	268,927	257,529	168,969	187,981	254,038
PAYGO	15,754	31,016	7,754	0	0
Debt Service	292,656	319,883	210,134	217,541	289,800
GROSS EXPENSES	777,680	816,998	538,652	558,748	751,668
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(9,375)	(8,700)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(3,238)	(5,021)	(4,593)
Less: Premium Transfer	0	(2,900)	0	(2,175)	(7,904)
NET EXPENSES	759,629	797,840	526,039	542,852	727,571
NET REVENUE (LOSS) FOR YEAR	2,717	<u>(\$1,506)</u>	<u>\$36,818</u>	<u>\$36,500</u>	237
ACCUMULATED NET REVENUE - JULY 1	228,152				165,162
Use of Fund Balance	(24,080)				(22,941)
ACCUMULATED NET REVENUE - JUNE 30	<u>\$206,789</u>				<u>\$142,458</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 3/31/19	FY'20 ACTUAL THRU 3/31/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$206,415	\$211,988	\$260,000
Account Maintenance Fee	16,379	16,471	12,346	12,661	15,600
Infrastructure Investment Fee	20,032	20,059	15,082	15,246	18,800
Plumbing & Inspection Fees	7,750	7,470	5,634	6,226	8,500
Interest Income	779	2,000	422	(309)	0
Use of Accumulated Net Revenue	5,906	5,784	0	0	5,784
Miscellaneous	10,001	10,600	7,221	8,299	10,300
TOTAL REVENUES	334,600	343,381	247,120	254,111	318,984
EXPENSES					
Salaries & Wages	69,084	63,707	51,774	55,446	74,000
Heat, Light & Power	11,143	10,808	8,476	6,513	10,000
All Other	135,241	131,005	86,930	97,588	129,000
PAYGO	7,415	13,522	3,415	0	0
Debt Service	116,317	133,216	83,108	91,159	122,600
GROSS EXPENSES	339,200	352,258	233,703	250,706	335,600
Less: Reconstruction Debt Service Offset	(4,000)	(4,000)	(3,000)	(3,000)	(4,000)
Less: SDC Debt Service Offset	(2,395)	(3,540)	(1,166)	(2,606)	(3,475)
Less: Premium Transfer	0	(1,337)	0	(1,003)	(1,337)
NET EXPENSES	332,805	343,381	229,537	244,097	326,788
NET REVENUE (LOSS)	1,795	\$0	\$17,583	\$10,014	(7,804)
ACCUMULATED NET REVENUE - JULY 1	36,832				9,208 *
Use of Fund Balance	(5,906)				(5,784)
Fund Balance Transfer	0				19,070
ACCUMULATED NET REVENUE - JUNE 30	\$32,721				\$14,690

*Reflects a decrease in net revenues of \$23,513,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 3/31/19	FY'20 ACTUAL THRU 3/31/20	PROJECTED THRU 6/30/20
<u>REVENUES</u>					
Sewer Use Charges	\$341,496	\$377,902	\$255,653	\$269,691	\$334,200
Account Maintenance Fee	15,737	15,825	11,861	11,315	14,000
Infrastructure Investment Fee	19,246	19,272	14,490	13,863	17,100
Rockville Sewer Use	3,106	3,000	2,442	2,282	3,000
Interest Income	8,527	3,500	5,988	4,498	6,200
Plumbing & Inspection Fees	5,844	5,430	4,209	4,609	6,000
Use of Accumulated Net Revenue	5,674	5,557	0	0	5,557
Miscellaneous	10,912	9,200	7,931	8,641	9,500
TOTAL REVENUES	410,542	439,686	302,574	314,899	395,557
<u>EXPENSES</u>					
Salaries & Wages	56,016	65,968	41,615	45,048	61,000
Heat, Light & Power	8,540	8,628	6,536	5,080	8,000
Regional Sewage Disposal	54,809	59,000	42,841	40,524	54,000
All Other	132,861	125,786	81,498	89,865	124,300
PAYGO	8,339	17,494	4,339	0	0
Debt Service	159,068	173,091	114,643	117,172	155,600
GROSS EXPENSES	419,633	449,967	291,472	297,689	402,900
Less: Reconstruction Debt Service Offset	(8,500)	(7,600)	(6,375)	(5,700)	(7,600)
Less: SDC Debt Service Offset	(3,156)	(1,118)	(2,072)	(2,415)	(1,118)
Less: Premium Transfer	0	(1,563)	0	(1,172)	(6,567)
NET EXPENSES	407,977	439,686	283,025	288,402	387,615
NET REVENUE (LOSS)	2,565	\$0	\$19,549	\$26,497	7,942
ACCUMULATED NET REVENUE - JULY 1	142,948				121,725 *
Use of Fund Balance	(5,674)				(5,557)
Fund Balance Transfer	0				(19,070)
ACCUMULATED NET REVENUE - JUNE 30	\$139,839				\$105,040

*Reflects a decrease in net revenues of \$18,114,000 resulting from prior year adjustments.

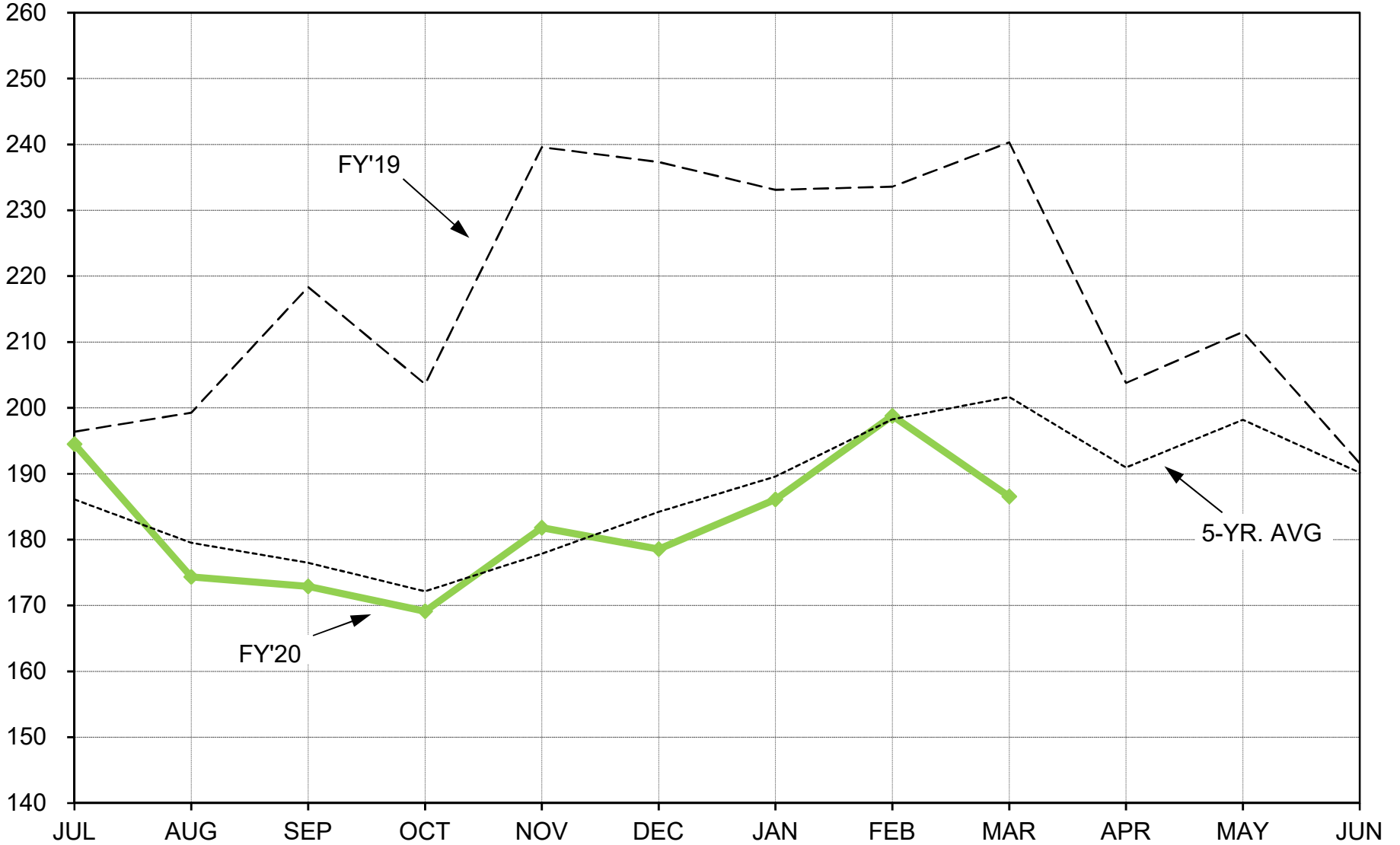
**FY'20
SEWAGE FLOWS**

<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				203.77	
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 3/31/19	FY'20 ACTUAL THRU 3/31/20	PROJECTED THRU 6/30/20
REVENUES					
Front Foot Benefit & House Connection Assessments	\$15,809	\$12,507	\$12,178	\$9,685	\$12,507
Interest Income	1,127	500	785	416	500
Miscellaneous	268	260	200	241	260
Use of Accumulated Net Revenue	12,500	11,600	9,375	8,700	11,600
Reconstruction Debt Service Offset	(12,500)	(11,600)	(9,375)	(8,700)	(11,600)
TOTAL REVENUES	17,204	13,267	13,163	10,342	13,267
EXPENSES					
Salaries & Wages	751	459	553	615	830
All Other	825	738	541	528	738
Debt Service	17,271	13,576	12,383	9,210	11,600
GROSS EXPENSES	18,847	14,773	13,477	10,353	13,168
NET EXPENSES	18,847	14,773	13,477	10,353	13,168
NET REVENUE (LOSS)	(1,643)	<u>(\$1,506)</u>	<u>(\$314)</u>	<u>(\$11)</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	18,819
Interest Income	196
	<hr/>
FUNDS AVAILABLE	29,363
Less MOU Credit Reimbursement	(1,399)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(2,606)
Sewer Operating - Debt Service	(2,415)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	0
	<hr/>
Account Balance	22,943
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	(7,064)
	<hr/>
AVAILABLE ACCOUNT BALANCE, MARCH 31, 2020	<u><u>\$15,879</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.