



FY 2020
MONTHLY STATUS REPORT
MAY 2020



Interoffice Memorandum

TO: CARLA A. REID
GENERAL MANAGER/CEO DS
CR

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

FROM: PATRICIA A. COLIHAN
CHIEF FINANCIAL OFFICER DS
PC

DATE: JULY 6, 2020

SUBJECT: MONTHLY STATUS REPORT – MAY 2020

Attached is the May 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. In this month's report, having gotten through the first few months of operations under the pandemic, we are revising some of our projections. For the most part, we anticipate that financial results will be a bit better.

Looking at our results through May, we realize that although we will not be able to reduce our expenses as much as we had hoped to in such a short window of time, we are seeing slightly better revenue results as parts of the economy have begun to reopen. Overall for the combined water and sewer operating funds, the updated net expenses are projected to be \$48.1 million lower than budgeted, more than offsetting the projected revenue shortfall of \$40.0 million. At this point, we are projecting a combined water and sewer operating fund net income of \$8.1 million for the fiscal year, an improvement over our March projection of \$138,000.

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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 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 remains significantly slower than planned. We anticipate spending only 53% 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.

Fiscal to date water production, at 161.6 MGD, is just 0.5% below the five-year average and 0.4% 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. As some parts of the economy have been able to reopen, we are raising our end of year projection from 161.5 MGD to 162.5 MGD. Due to our higher revenue projections, the projected average end-of-year combined water and sewer billing rate per thousand gallons produced has increased to \$10.428 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 year-end projection has improved to \$134.6 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 May 2020 report are as follows:

Revenues

- Total revenues (all funds) through May were \$693.0 million or 88% of total budgeted.
- Total revenues (all funds) are projected to be \$756.4 million; \$39.9 million less than budgeted.

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Expenses

- Total net expenses (all funds) through May were \$671.8 million or 84% of total budgeted.
- Total net expenses (all funds) are projected to be \$749.0 million; \$48.9 million less than budgeted.

Water Production

- Water production through May averaged 161.6 MGD (page 4).

Workyears

- Cumulative workyears through the end of May were 1,679 (page 5).

System Development Charge

- The System Development Charge available account balance through May was \$19.3 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 5/31/19	FY'20 ACTUAL THRU 5/31/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption and Sewer Use Charges	\$615,249	\$658,899	\$562,982	\$576,008	\$620,200
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	135,517	126,094	124,199	116,990	124,847
TOTAL REVENUES	762,346	796,334	687,181	692,998	756,388
EXPENSES					
Operating Expenses	469,270	466,099	407,113	424,298	484,488
PAYGO	15,754	31,016	7,754	0	0
Debt Service Expense	292,656	319,883	263,728	266,977	290,700
GROSS EXPENSES	777,680	816,998	678,595	691,275	775,188
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,458)	(10,633)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(4,780)	(6,138)	(6,695)
Less: Premium Transfer	0	(2,900)	0	(2,659)	(7,904)
NET EXPENSES	759,629	797,840	662,357	671,845	748,989
NET REVENUE (LOSS) FOR YEAR	\$2,717	(\$1,506)	\$24,824	\$21,153	\$7,399

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

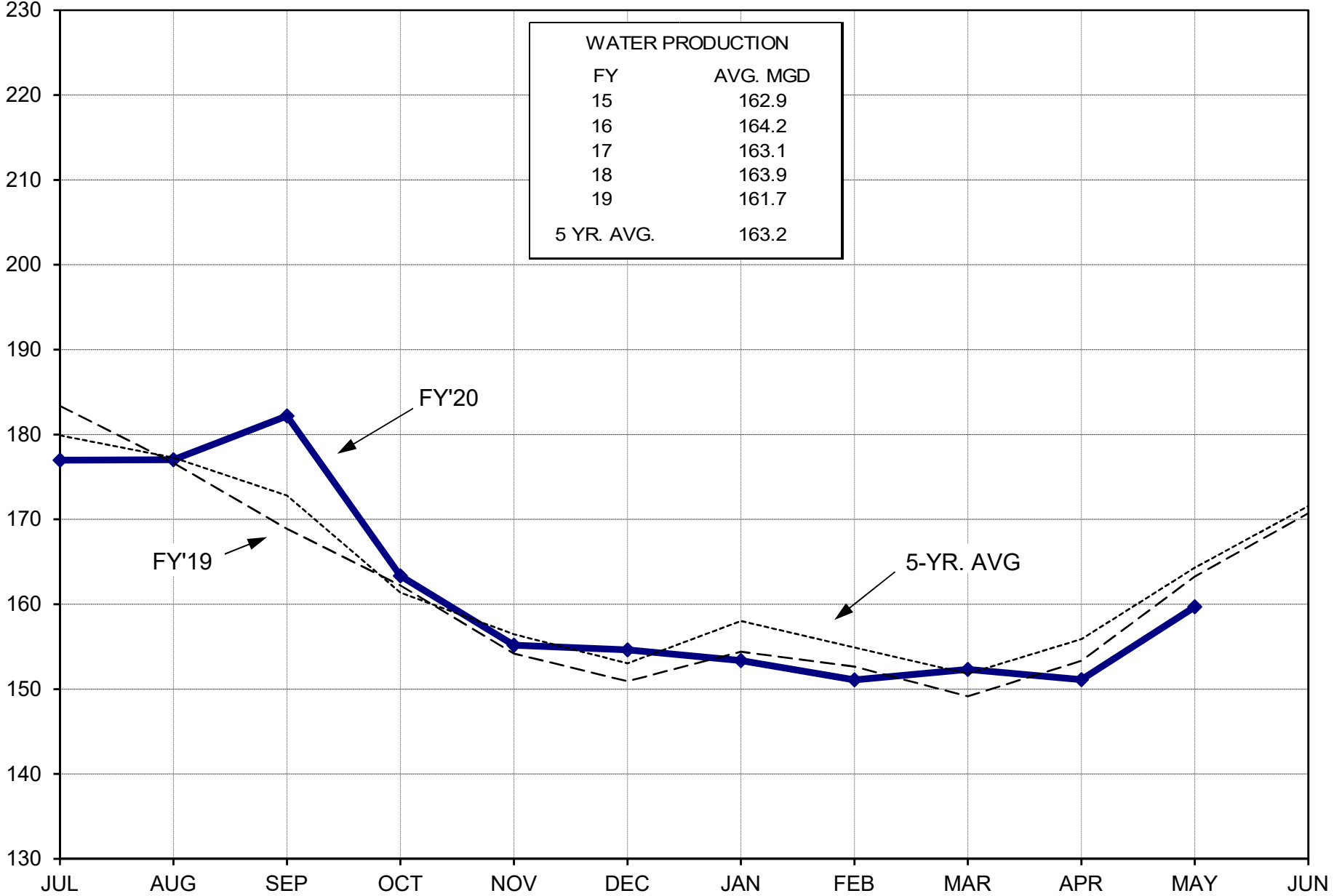
	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 5/31/19	FY'20 ACTUAL THRU 5/31/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption & Sewer Use Charges	\$615,249	\$658,899	\$562,982	\$576,008	\$620,200
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	118,313	112,827	108,535	104,668	111,500
TOTAL REVENUES	745,142	783,067	671,517	680,676	743,041
EXPENSES					
Operating Expenses	467,694	464,902	405,700	422,857	482,900
PAYGO	15,754	31,016	7,754	0	0
Debt Service Expense	275,385	306,307	248,179	255,566	278,200
GROSS EXPENSES	758,833	802,225	661,633	678,423	761,100
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,458)	(10,633)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(4,780)	(6,138)	(6,695)
Less: Premium Transfer	0	(2,900)	0	(2,659)	(7,904)
NET EXPENSES	740,782	783,067	645,395	658,993	734,901
NET REVENUE (LOSS) FOR YEAR	\$4,360	\$0	\$26,122	\$21,683	\$8,140
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	179,780				137,806
NET REVENUE (LOSS) FOR YEAR	4,360				8,140
USE OF ACCUMULATED NET REVENUE	(11,580)				(11,341)
ACCUMULATED NET REVENUE - END OF YEAR	\$172,560				\$134,605 *
WATER PRODUCED (MGD)	161.7	164.0	160.9	161.6	162.5

* 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

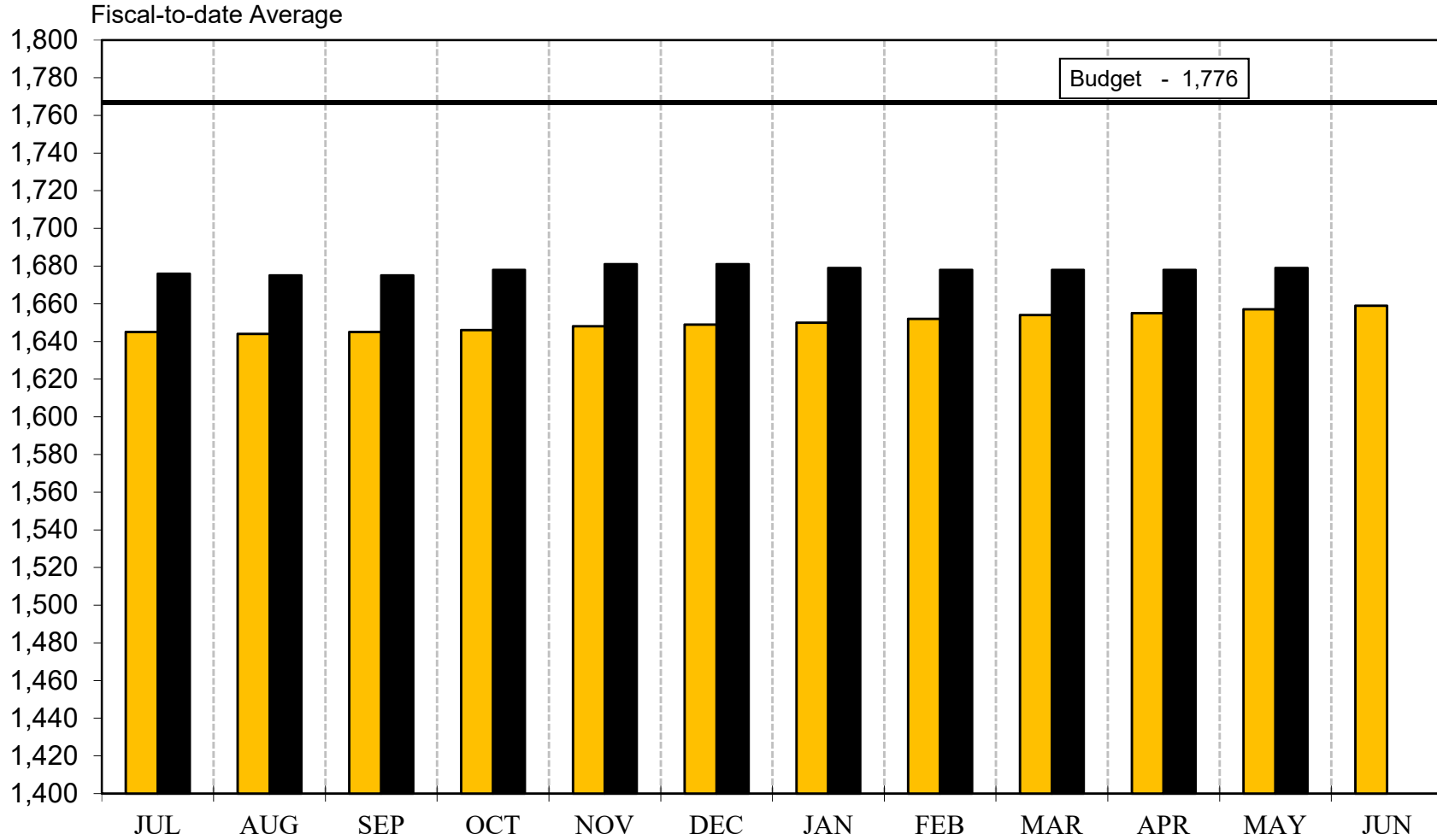
AVERAGE MGD



**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	4,655.129	155.171	170.974	169.161
December	4,793.293	154.622	168.219	166.087
January	4,754.568	153.373	166.078	164.404
February	4,381.295	151.079	164.296	163.050
March	4,722.257	152.331	162.947	161.477
April	4,533.775	151.126	161.784	160.675
May	4,950.652	159.698	161.592	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	1,679	-

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 5/31/19</u>	<u>FY'20 ACTUAL THRU 5/31/20</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	\$25,505	\$24,195	\$27,154
Contract Work	202,735	383,332	183,783	166,512	190,000
Consulting Engineers	51,872	58,073	40,377	34,179	43,000
All Other *	104,895	169,967	97,764	67,656	77,000
TOTAL COSTS	<u><u>\$386,795</u></u>	<u><u>\$638,526</u></u>	<u><u>\$347,429</u></u>	<u><u>\$292,542</u></u>	<u><u>\$337,154</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 5/31/19	FY'20 ACTUAL THRU 5/31/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$250,270	\$253,266	\$272,400
Sewer Use Charges	341,496	377,902	312,712	322,742	347,800
Account Maintenance Fees	32,116	32,296	29,655	29,296	31,300
Infrastructure Investment Fee	39,278	39,331	36,175	35,407	37,800
Front Foot Benefit & House Connection Assessments	15,809	12,507	14,356	11,543	12,507
Plumbing & Inspection Fees	13,594	12,900	12,415	12,880	13,800
Interest Income	10,433	6,000	9,717	5,232	5,500
Rockville Sewer Use	3,106	3,000	3,002	2,911	3,100
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
Miscellaneous	21,181	20,060	18,879	19,721	20,840
TOTAL REVENUES	762,346	796,334	687,181	692,998	756,388
EXPENSES					
Salaries & Wages	125,851	130,134	115,631	122,096	134,550
Heat, Light & Power	19,683	19,436	18,318	14,327	18,000
Regional Sewage Disposal	54,809	59,000	53,262	52,167	56,400
All Other	268,927	257,529	219,902	235,708	275,538
PAYGO	15,754	31,016	7,754	0	0
Debt Service	292,656	319,883	263,728	266,977	290,700
GROSS EXPENSES	777,680	816,998	678,595	691,275	775,188
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,458)	(10,633)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(4,780)	(6,138)	(6,695)
Less: Premium Transfer	0	(2,900)	0	(2,659)	(7,904)
NET EXPENSES	759,629	797,840	662,357	671,845	748,989
NET REVENUE (LOSS) FOR YEAR	2,717	(\$1,506)	\$24,824	\$21,153	7,399
ACCUMULATED NET REVENUE - JULY 1	228,152				172,035
Use of Fund Balance	(24,080)				(22,941)
ACCUMULATED NET REVENUE - JUNE 30	\$206,789				\$156,493

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 5/31/19	FY'20 ACTUAL THRU 5/31/20	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$250,270	\$253,266	\$272,400
Account Maintenance Fee	16,379	16,471	15,124	15,469	16,500
Infrastructure Investment Fee	20,032	20,059	18,449	18,548	19,700
Plumbing & Inspection Fees	7,750	7,470	7,074	7,409	8,000
Interest Income	779	2,000	743	(163)	0
Use of Accumulated Net Revenue	5,906	5,784	0	0	5,784
Miscellaneous	10,001	10,600	9,050	9,350	10,000
TOTAL REVENUES	334,600	343,381	300,710	303,879	332,384
EXPENSES					
Salaries & Wages	69,084	63,707	63,552	66,703	72,700
Heat, Light & Power	11,143	10,808	10,355	7,994	10,000
All Other	135,241	131,005	113,087	117,269	137,000
PAYGO	7,415	13,522	3,415	0	0
Debt Service	116,317	133,216	104,563	112,638	122,600
GROSS EXPENSES	339,200	352,258	294,972	304,604	342,300
Less: Reconstruction Debt Service Offset	(4,000)	(4,000)	(3,666)	(3,667)	(4,000)
Less: SDC Debt Service Offset	(2,395)	(3,540)	(1,985)	(3,186)	(3,475)
Less: Premium Transfer	0	(1,337)	0	(1,226)	(1,337)
NET EXPENSES	332,805	343,381	289,321	296,525	333,488
NET REVENUE (LOSS)	1,795	\$0	\$11,389	\$7,354	(1,104)
ACCUMULATED NET REVENUE - JULY 1	36,832				24,304 *
Use of Fund Balance	(5,906)				(5,784)
Fund Balance Transfer	0				19,070
ACCUMULATED NET REVENUE - JUNE 30	\$32,721				\$36,486

*Reflects a decrease in net revenues of \$24,363,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 5/31/19	FY'20 ACTUAL THRU 5/31/20	PROJECTED THRU 6/30/20
REVENUES					
Sewer Use Charges	\$341,496	\$377,902	\$312,712	\$322,742	\$347,800
Account Maintenance Fee	15,737	15,825	14,531	13,827	14,800
Infrastructure Investment Fee	19,246	19,272	17,726	16,859	18,100
Rockville Sewer Use	3,106	3,000	3,002	2,911	3,100
Interest Income	8,527	3,500	7,924	4,921	5,000
Plumbing & Inspection Fees	5,844	5,430	5,341	5,471	5,800
Use of Accumulated Net Revenue	5,674	5,557	0	0	5,557
Miscellaneous	10,912	9,200	9,571	10,066	10,500
TOTAL REVENUES	410,542	439,686	370,807	376,797	410,657
EXPENSES					
Salaries & Wages	56,016	65,968	51,388	54,615	61,000
Heat, Light & Power	8,540	8,628	7,963	6,333	8,000
Regional Sewage Disposal	54,809	59,000	53,262	52,167	56,400
All Other	132,861	125,786	106,093	117,776	137,800
PAYGO	8,339	17,494	4,339	0	0
Debt Service	159,068	173,091	143,616	142,928	155,600
GROSS EXPENSES	419,633	449,967	366,661	373,819	418,800
Less: Reconstruction Debt Service Offset	(8,500)	(7,600)	(7,792)	(6,966)	(7,600)
Less: SDC Debt Service Offset	(3,156)	(1,118)	(2,795)	(2,952)	(3,220)
Less: Premium Transfer	0	(1,563)	0	(1,433)	(6,567)
NET EXPENSES	407,977	439,686	356,074	362,468	401,413
NET REVENUE (LOSS)	2,565	\$0	\$14,733	\$14,329	9,244
ACCUMULATED NET REVENUE - JULY 1	142,948				113,502 *
Use of Fund Balance	(5,674)				(5,557)
Fund Balance Transfer	0				(19,070)
ACCUMULATED NET REVENUE - JUNE 30	\$139,839				\$98,119

*Reflects a decrease in net revenues of \$26,337,000 resulting from prior year adjustments.

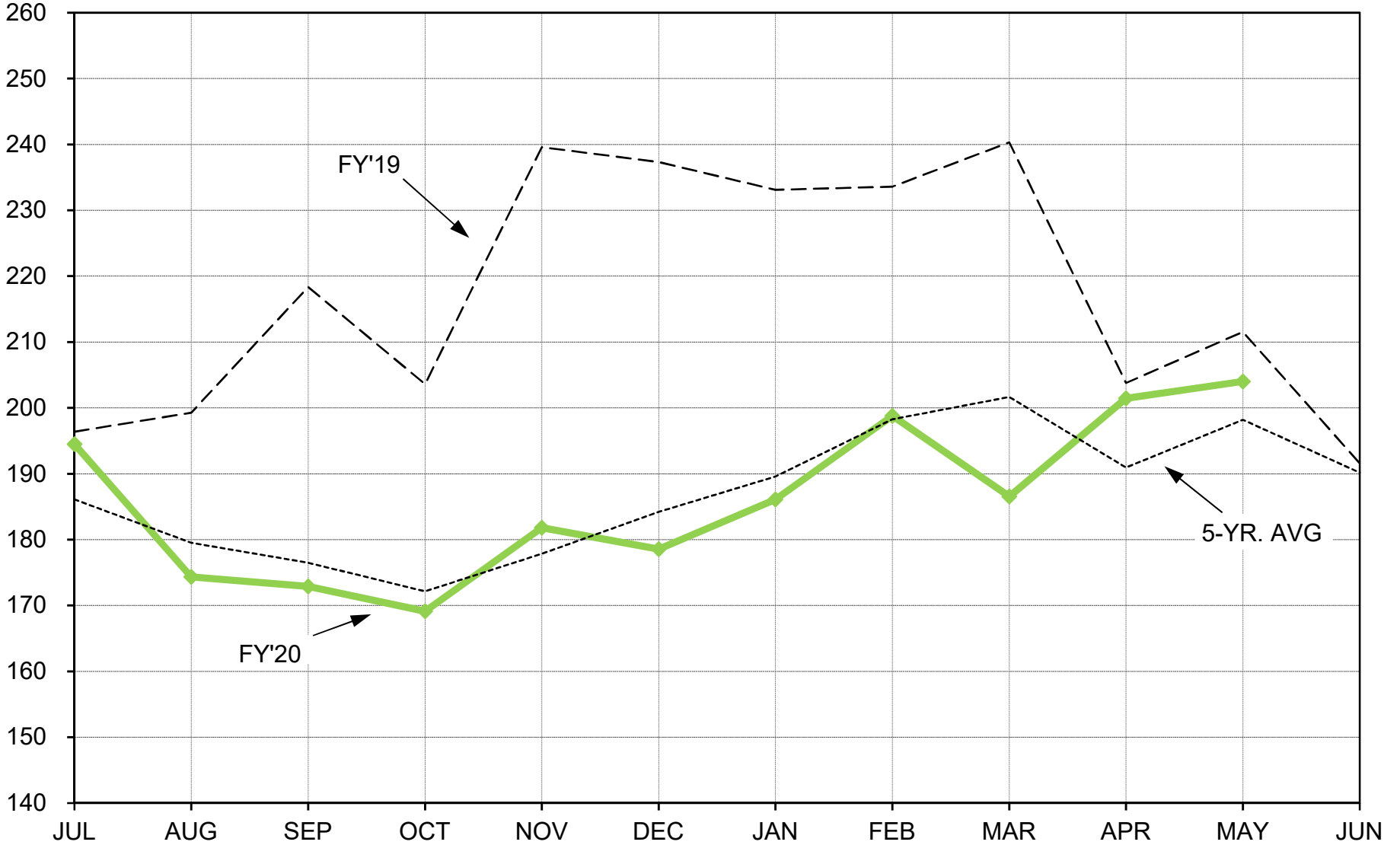
**FY'20
SEWAGE FLOWS**

<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	75.82	128.20	204.02	211.53	186.13
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 5/31/19</u>	<u>FY'20 ACTUAL THRU 5/31/20</u>	<u>PROJECTED THRU 6/30/20</u>
<u>REVENUES</u>					
Front Foot Benefit & House Connection Assessments	\$15,809	\$12,507	\$14,356	\$11,543	\$12,507
Interest Income	1,127	500	1,050	474	500
Miscellaneous	268	260	258	305	340
Use of Accumulated Net Revenue	12,500	11,600	11,458	10,633	11,600
Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,458)	(10,633)	(11,600)
TOTAL REVENUES	<u>17,204</u>	<u>13,267</u>	<u>15,664</u>	<u>12,322</u>	<u>13,347</u>
<u>EXPENSES</u>					
Salaries & Wages	751	459	691	778	850
All Other	825	738	722	663	738
Debt Service	17,271	13,576	15,549	11,411	12,500
GROSS EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>16,962</u>	<u>12,852</u>	<u>14,088</u>
NET EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>16,962</u>	<u>12,852</u>	<u>14,088</u>
NET REVENUE (LOSS)	(1,643)	<u>(\$1,506)</u>	<u>(\$1,298)</u>	<u>(\$530)</u>	(741)
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>\$21,888</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	24,344
Interest Income	<u>225</u>
FUNDS AVAILABLE	34,917
Less MOU Credit Reimbursement	(2,862)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(3,186)
Sewer Operating - Debt Service	(2,952)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	<u>0</u>
Account Balance	25,917
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	<u>(6,642)</u>
AVAILABLE ACCOUNT BALANCE, MAY 31, 2020	<u><u>\$19,275</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.