




**FY 2020**  
**MONTHLY STATUS REPORT**  
**OCTOBER 2019**



Interoffice Memorandum

TO: CARLA A. REID  
GENERAL MANAGER/CEO

VIA: JOSEPH F. BEACH  
DEPUTY GENERAL MANAGER OF ADMINISTRATION

FROM: PATRICIA A. COLIHAN   
CHIEF FINANCIAL OFFICER

DATE: JANUARY 9, 2020

SUBJECT: MONTHLY STATUS REPORT – OCTOBER 2019

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Attached is the October 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 our September report we made adjustments to our Sewer Operating Fund projections. At this point in time we are not making any additional changes to our FY'20 projected financial results.

In our September report, projected sewer use charge revenue was reduced by 1.1% to recognize an adjustment to the sewer rate calculation based on the last two years of results assessing sewer use charge revenues. The correction has been incorporated into the 10-year fiscal plan and will be reflected in the FY'21 budget. The revenue reduction was offset by a projected decrease in sewer debt service due to slower spending on sewer capital projects. Capital spending overall is slower than planned and will likely be reduced in future reports after we are further into the fiscal year.

Fiscal to date water production, at 174.8 MGD, is 1.2% 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 October, at 163.4 MGD, was 1.2 MGD above the five-year average for the month. Water and sewer revenue depends 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 adjustments to our revenue projections may be required based upon changes in customer use patterns. Based upon the adjustment to sewer use revenue in September's report, the average end-of-year combined water and sewer billing rate is projected to decrease from \$10.977 to \$10.911 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 \$130.0 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 October 2019 report are as follows:

**Revenues**

- Total revenues (all funds) through October were \$267.2 million or 34% of total budgeted.
- Total revenues (all funds) are projected to be \$792.3 million; \$4.0 million less than budgeted.

**Expenses**

- Total net expenses (all funds) through October were \$237.4 million or 30% of total budgeted.
- Total net expenses (all funds) are projected to be \$792.8 million; \$5.0 million less than budgeted.

**Water Production**

- Water production through October averaged 174.8 MGD (page 4).

**Workyears**

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

**System Development Charge**

- The System Development Charge available account balance through October was \$8.3 million. The account balance is used during the year 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'19 ACTUAL</u>	<u>FY'20 APPROVED BUDGET</u>	<u>FY'19 ACTUAL THRU 10/31/18</u>	<u>FY'20 ACTUAL THRU 10/31/19</u>	<u>PROJECTED THRU 6/30/20</u>
<b>REVENUES</b>					
Water Consumption and Sewer Use Charges	\$615,249	\$658,899	\$228,668	\$224,530	\$654,899
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	135,517	126,094	45,382	42,629	126,094
<b>TOTAL REVENUES</b>	<u>762,346</u>	<u>796,334</u>	<u>274,050</u>	<u>267,159</u>	<u>792,334</u>
<b>EXPENSES</b>					
Operating Expenses	469,270	466,099	130,483	139,890	466,099
PAYGO	15,754	31,016	7,754	7,754	31,016
Debt Service Expense	292,656	319,883	91,562	96,832	314,883
<b>GROSS EXPENSES</b>	<u>777,680</u>	<u>816,998</u>	<u>229,799</u>	<u>244,476</u>	<u>811,998</u>
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(4,166)	(3,866)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(1,439)	(2,231)	(4,658)
Less: Premium Transfer	0	(2,900)	0	(967)	(2,900)
<b>NET EXPENSES</b>	<u>759,629</u>	<u>797,840</u>	<u>224,194</u>	<u>237,412</u>	<u>792,840</u>
<b>NET REVENUE (LOSS) FOR YEAR</b>	<u><u>\$2,717</u></u>	<u><u>(\$1,506)</u></u>	<u><u>\$49,856</u></u>	<u><u>\$29,747</u></u>	<u><u>(\$506)</u></u>

## COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

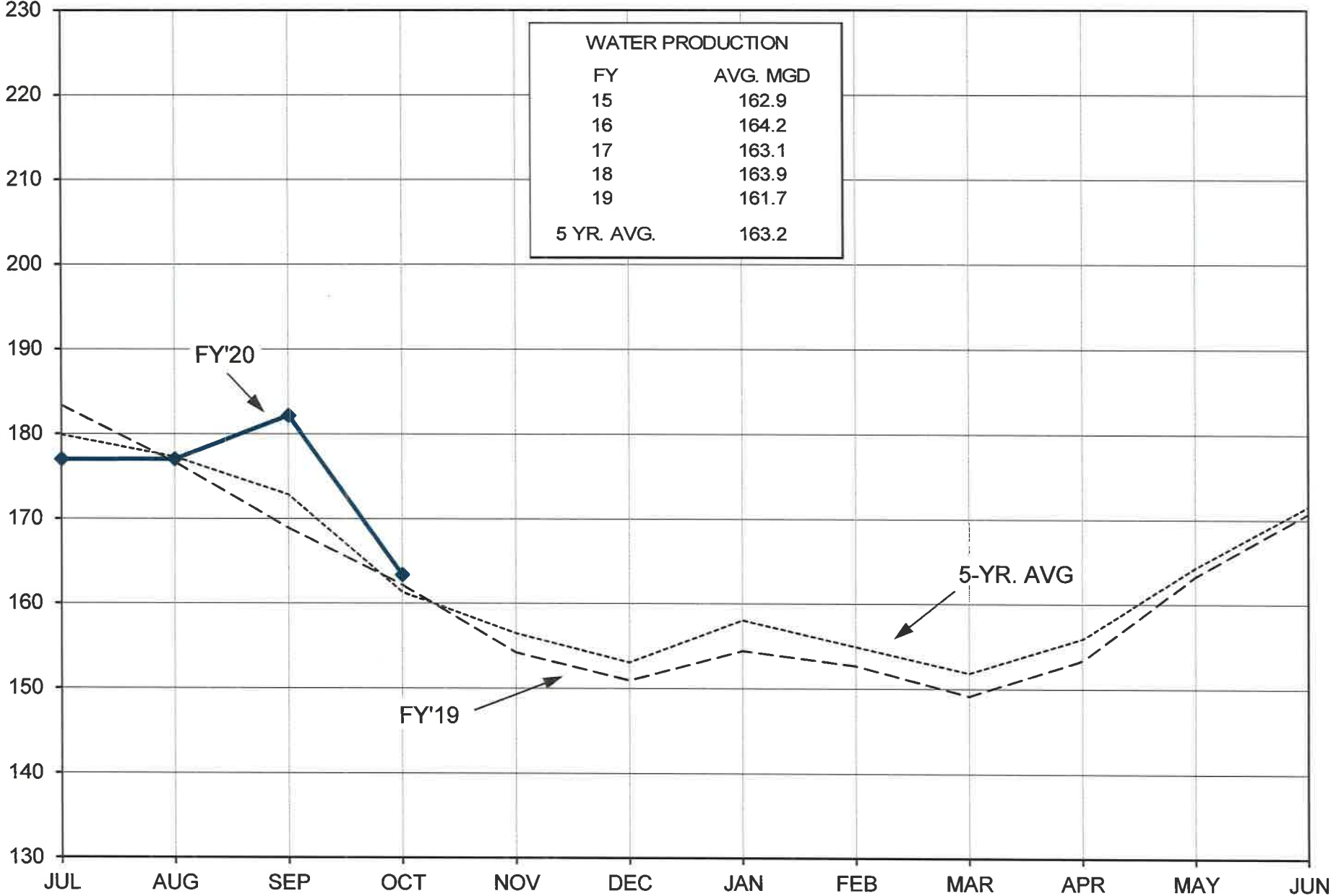
	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 10/31/18	FY'20 ACTUAL THRU 10/31/19	PROJECTED THRU 6/30/20
<b>REVENUES</b>					
Water Consumption & Sewer Use Charges	\$615,249	\$658,899	\$228,668	\$224,530	\$654,899
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	118,313	112,827	39,115	37,764	112,827
<b>TOTAL REVENUES</b>	<b>745,142</b>	<b>783,067</b>	<b>267,783</b>	<b>262,294</b>	<b>779,067</b>
<b>EXPENSES</b>					
Operating Expenses	467,694	464,902	130,023	139,393	464,902
PAYGO	15,754	31,016	7,754	7,754	31,016
Debt Service Expense	275,385	306,307	86,178	92,351	301,307
<b>GROSS EXPENSES</b>	<b>758,833</b>	<b>802,225</b>	<b>223,955</b>	<b>239,498</b>	<b>797,225</b>
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(4,166)	(3,866)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(1,439)	(2,231)	(4,658)
Less: Premium Transfer	0	(2,900)	0	(967)	(2,900)
<b>NET EXPENSES</b>	<b>740,782</b>	<b>783,067</b>	<b>218,350</b>	<b>232,434</b>	<b>778,067</b>
<b>NET REVENUE (LOSS) FOR YEAR</b>	<b>\$4,360</b>	<b>\$0</b>	<b>\$49,433</b>	<b>\$29,860</b>	<b>\$1,000</b>
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	179,780				140,292
NET REVENUE (LOSS) FOR YEAR	4,360				1,000
USE OF ACCUMULATED NET REVENUE	(11,580)				(11,341)
ACCUMULATED NET REVENUE - END OF YEAR	<b>\$172,560</b>				<b>\$129,951 *</b>
WATER PRODUCED (MGD)	161.7	164.0	172.8	174.8	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



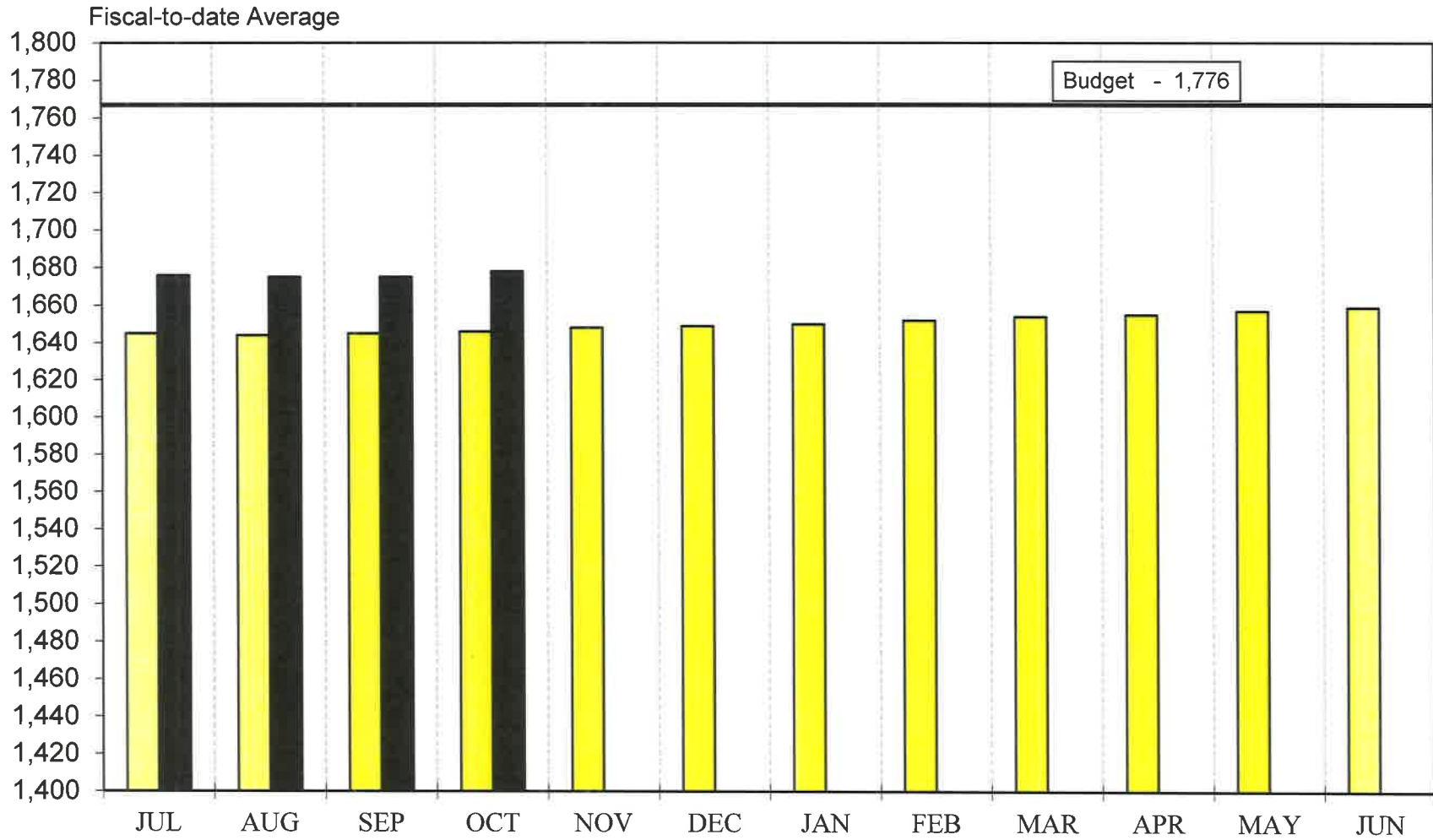
WATER PRODUCTION	
FY	AVG. MGD
15	162.9
16	164.2
17	163.1
18	163.9
19	161.7
5 YR. AVG.	163.2

**FY'20  
WATER PRODUCED**

<b><u>MONTH</u></b>	<b><u>MONTHLY TOTAL (MG)</u></b>	<b><u>MONTHLY AVERAGE (MGD)</u></b>	<b><u>FY'20 CUMULATIVE AVERAGE (MGD)</u></b>	<b><u>FY'19 CUMULATIVE AVERAGE (MGD)</u></b>
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				169.161
December				166.087
January				164.404
February				163.050
March				161.477
April				160.675
May				160.914
June				161.721



# ACTUAL WORKYEARS



<span style="display:inline-block; width:10px; height:10px; background-color:yellow; border:1px solid black;"></span> 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
<span style="display:inline-block; width:10px; height:10px; background-color:black; border:1px solid black;"></span> FY'20	1,676	1,675	1,675	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 10/31/18</u>	<u>FY'20 ACTUAL THRU 10/31/19</u>	<u>PROJECTED THRU 6/30/20</u>
<b><u>GROSS FUNDS AVAILABLE</u></b>					
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>			
<b><u>CAPITAL COSTS</u></b>					
Salaries & Wages	\$27,293	\$27,154	\$9,768	\$9,464	\$27,154
Contract Work	202,735	383,332	60,585	63,437	383,332
Consulting Engineers	51,872	58,073	9,310	7,500	58,073
All Other *	104,895	169,967	40,102	36,278	169,967
<b>TOTAL COSTS</b>	<u>\$386,795</u>	<u>\$638,526</u>	<u>\$119,765</u>	<u>\$116,679</u>	<u>\$638,526</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 10/31/18	FY'20 ACTUAL THRU 10/31/19	PROJECTED THRU 6/30/20
<b>REVENUES</b>					
Water Consumption Charges	\$273,753	\$280,997	\$105,964	\$101,318	\$280,997
Sewer Use Charges	341,496	377,902	122,704	123,212	373,902
Account Maintenance Fees	32,116	32,296	10,581	10,651	32,296
Infrastructure Investment Fee	39,278	39,331	12,943	12,658	39,331
Front Foot Benefit & House Connection Assessments	15,809	12,507	5,941	4,599	12,507
Plumbing & Inspection Fees	13,594	12,900	4,421	4,764	12,900
Interest Income	10,433	6,000	2,165	2,083	6,000
Rockville Sewer Use	3,106	3,000	1,069	986	3,000
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
Miscellaneous	21,181	20,060	8,262	6,888	20,060
<b>TOTAL REVENUES</b>	<b>762,346</b>	<b>796,334</b>	<b>274,050</b>	<b>267,159</b>	<b>792,334</b>
<b>EXPENSES</b>					
Salaries & Wages	125,851	130,134	41,348	45,441	130,134
Heat, Light & Power	19,683	19,436	7,053	5,341	19,436
Regional Sewage Disposal	54,809	59,000	19,398	17,207	59,000
All Other	268,927	257,529	62,684	71,901	257,529
PAYGO	15,754	31,016	7,754	7,754	31,016
Debt Service	292,656	319,883	91,562	96,832	314,883
<b>GROSS EXPENSES</b>	<b>777,680</b>	<b>816,998</b>	<b>229,799</b>	<b>244,476</b>	<b>811,998</b>
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(4,166)	(3,866)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(1,439)	(2,231)	(4,658)
Less: Premium Transfer	0	(2,900)	0	(967)	(2,900)
<b>NET EXPENSES</b>	<b>759,629</b>	<b>797,840</b>	<b>224,194</b>	<b>237,412</b>	<b>792,840</b>
NET REVENUE (LOSS) FOR YEAR	2,717	(\$1,506)	\$49,856	\$29,747	(506)
ACCUMULATED NET REVENUE - JULY 1	228,152				174,521
Use of Fund Balance	(24,080)				(22,941)
ACCUMULATED NET REVENUE - JUNE 30	<b>\$206,789</b>				<b>\$151,074</b>

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 10/31/18	FY'20 ACTUAL THRU 10/31/19	PROJECTED THRU 6/30/20
<b>REVENUES</b>					
Water Consumption Charges	\$273,753	\$280,997	\$105,964	\$101,318	\$280,997
Account Maintenance Fee	16,379	16,471	5,396	5,629	16,471
Infrastructure Investment Fee	20,032	20,059	6,601	6,630	20,059
Plumbing & Inspection Fees	7,750	7,470	2,528	2,737	7,470
Interest Income	779	2,000	87	(465)	2,000
Use of Accumulated Net Revenue	5,906	5,784	0	0	5,784
Miscellaneous	10,001	10,600	3,419	2,867	10,600
<b>TOTAL REVENUES</b>	<b>334,600</b>	<b>343,381</b>	<b>123,995</b>	<b>118,716</b>	<b>343,381</b>
<b>EXPENSES</b>					
Salaries & Wages	69,084	63,707	22,520	24,601	63,707
Heat, Light & Power	11,143	10,808	4,530	3,189	10,808
All Other	135,241	131,005	31,477	35,025	131,005
PAYGO	7,415	13,522	3,415	3,380	13,522
Debt Service	116,317	133,216	36,141	39,150	133,216
<b>GROSS EXPENSES</b>	<b>339,200</b>	<b>352,258</b>	<b>98,083</b>	<b>105,345</b>	<b>352,258</b>
Less: Reconstruction Debt Service Offset	(4,000)	(4,000)	(1,333)	(1,333)	(4,000)
Less: SDC Debt Service Offset	(2,395)	(3,540)	(518)	(1,158)	(3,540)
Less: Premium Transfer	0	(1,337)	0	(446)	(1,337)
<b>NET EXPENSES</b>	<b>332,805</b>	<b>343,381</b>	<b>96,232</b>	<b>102,408</b>	<b>343,381</b>
<b>NET REVENUE (LOSS)</b>	<b>1,795</b>	<b>\$0</b>	<b>\$27,763</b>	<b>\$16,308</b>	<b>0</b>
ACCUMULATED NET REVENUE - JULY 1	36,832				16,032 *
Use of Fund Balance	(5,906)				(5,784)
<b>ACCUMULATED NET REVENUE - JUNE 30</b>	<b>\$32,721</b>				<b>\$10,248</b>

\*Reflects a decrease in net revenues of \$16,689,000 resulting from prior year adjustments.

## SEWER OPERATING

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 10/31/18	FY'20 ACTUAL THRU 10/31/19	PROJECTED THRU 6/30/20
<b>REVENUES</b>					
Sewer Use Charges	\$341,496	\$377,902	\$122,704	\$123,212	\$373,902
Account Maintenance Fee	15,737	15,825	5,185	5,022	15,825
Infrastructure Investment Fee	19,246	19,272	6,342	6,028	19,272
Rockville Sewer Use	3,106	3,000	1,069	986	3,000
Interest Income	8,527	3,500	1,839	2,360	3,500
Plumbing & Inspection Fees	5,844	5,430	1,893	2,027	5,430
Use of Accumulated Net Revenue	5,674	5,557	0	0	5,557
Miscellaneous	10,912	9,200	4,756	3,943	9,200
<b>TOTAL REVENUES</b>	<b>410,542</b>	<b>439,686</b>	<b>143,788</b>	<b>143,578</b>	<b>435,686</b>
<b>EXPENSES</b>					
Salaries & Wages	56,016	65,968	18,575	20,548	65,968
Heat, Light & Power	8,540	8,628	2,523	2,152	8,628
Regional Sewage Disposal	54,809	59,000	19,398	17,207	59,000
All Other	132,861	125,786	31,000	36,671	125,786
PAYGO	8,339	17,494	4,339	4,374	17,494
Debt Service	159,068	173,091	50,037	53,201	168,091
<b>GROSS EXPENSES</b>	<b>419,633</b>	<b>449,967</b>	<b>125,872</b>	<b>134,153</b>	<b>444,967</b>
Less: Reconstruction Debt Service Offset	(8,500)	(7,600)	(2,833)	(2,533)	(7,600)
Less: SDC Debt Service Offset	(3,156)	(1,118)	(921)	(1,073)	(1,118)
Less: Premium Transfer	0	(1,563)	0	(521)	(1,563)
<b>NET EXPENSES</b>	<b>407,977</b>	<b>439,686</b>	<b>122,118</b>	<b>130,026</b>	<b>434,686</b>
<b>NET REVENUE (LOSS)</b>	<b>2,565</b>	<b>\$0</b>	<b>\$21,670</b>	<b>\$13,552</b>	<b>1,000</b>
ACCUMULATED NET REVENUE - JULY 1	142,948				124,260 *
Use of Fund Balance	(5,674)				(5,557)
<b>ACCUMULATED NET REVENUE - JUNE 30</b>	<b>\$139,839</b>				<b>\$119,703</b>

\*Reflects a decrease in net revenues of \$15,579,000 resulting from prior year adjustments.

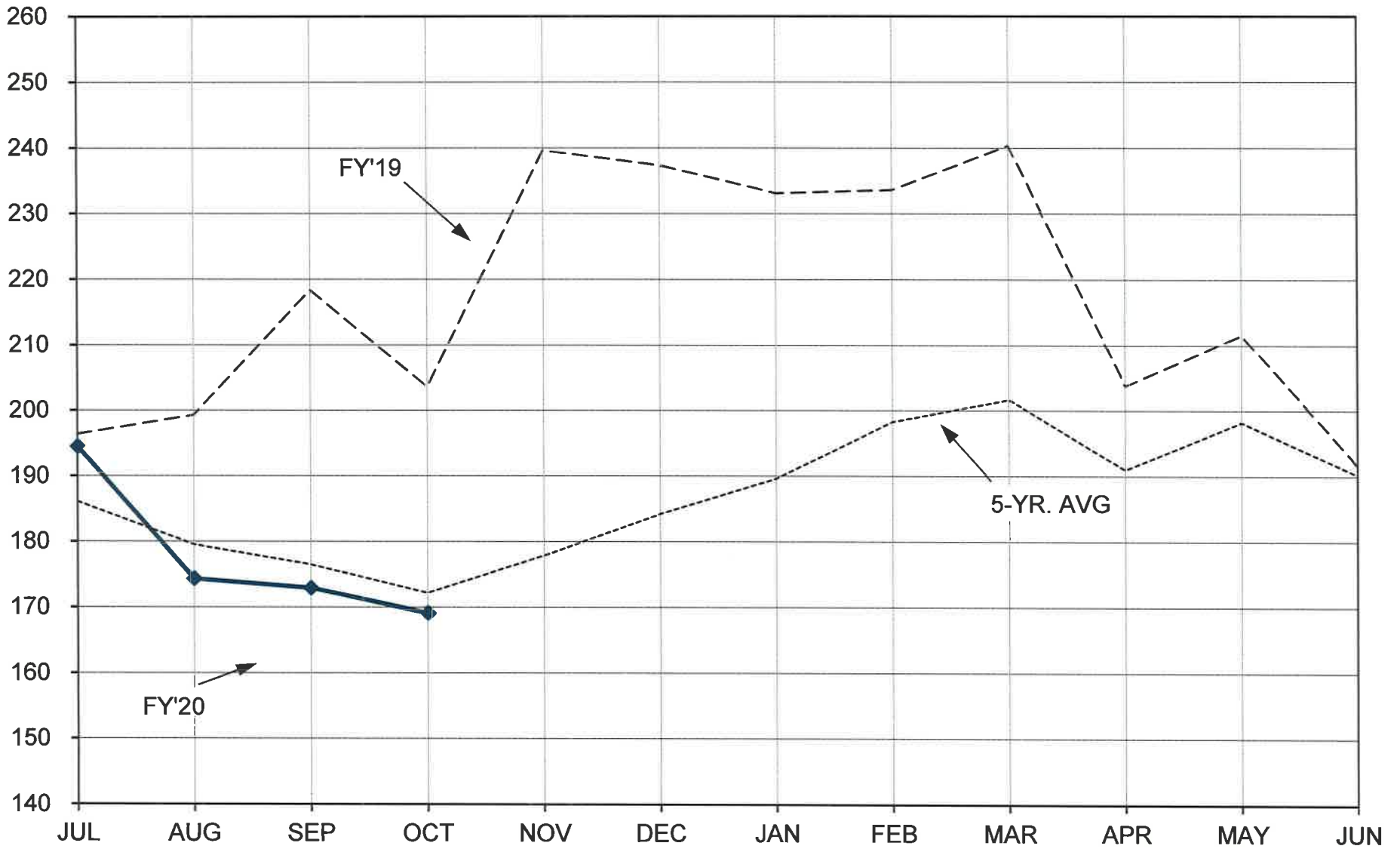
**FY'20  
SEWAGE FLOWS**

<b>MONTH</b>	<b>WSSC PLANTS AVERAGE (MGD)</b>	<b>BLUE PLAINS AVERAGE (MGD)</b>	<b>FY'20 MONTHLY AVERAGE (MGD)</b>	<b>FY'19 MONTHLY AVERAGE (MGD)</b>	<b>FY'20 CUMULATIVE AVERAGE (MGD)</b>
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				239.57	
December				237.32	
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 10/31/18</u>	<u>FY'20 ACTUAL THRU 10/31/19</u>	<u>PROJECTED THRU 6/30/20</u>
<b>REVENUES</b>					
Front Foot Benefit & House Connection					
Assessments	\$15,809	\$12,507	\$5,941	\$4,599	\$12,507
Interest Income	1,127	500	239	188	500
Miscellaneous	268	260	87	78	260
Use of Accumulated Net Revenue	12,500	11,600	4,166	3,866	11,600
Reconstruction Debt Service Offset	<u>(12,500)</u>	<u>(11,600)</u>	<u>(4,166)</u>	<u>(3,866)</u>	<u>(11,600)</u>
<b>TOTAL REVENUES</b>	<u>17,204</u>	<u>13,267</u>	<u>6,267</u>	<u>4,865</u>	<u>13,267</u>
<b>EXPENSES</b>					
Salaries & Wages	751	459	253	292	459
All Other	825	738	207	205	738
Debt Service	<u>17,271</u>	<u>13,576</u>	<u>5,384</u>	<u>4,481</u>	<u>13,576</u>
<b>GROSS EXPENSES</b>	<u>18,847</u>	<u>14,773</u>	<u>5,844</u>	<u>4,978</u>	<u>14,773</u>
<b>NET EXPENSES</b>	<u>18,847</u>	<u>14,773</u>	<u>5,844</u>	<u>4,978</u>	<u>14,773</u>
NET REVENUE (LOSS)	<u>(1,643)</u>	<u>(\$1,506)</u>	<u>\$423</u>	<u>(\$113)</u>	<u>(1,506)</u>
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	8,736
Interest Income	84
	<hr/>
FUNDS AVAILABLE	19,168
Less MOU Credit Reimbursement	(1,399)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(1,158)
Sewer Operating - Debt Service	(1,073)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	0
	<hr/>
Account Balance	15,538
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	(7,242)
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AVAILABLE ACCOUNT BALANCE, OCTOBER 31, 2019	<u><u>\$8,296</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.