





FY 2020
MONTHLY STATUS REPORT
SEPTEMBER 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: DECEMBER 16, 2019

SUBJECT: MONTHLY STATUS REPORT – SEPTEMBER 2019

Attached is the September 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. At this early stage in the first quarter of the fiscal year, we are only making changes to our FY'20 projected financial results in the Sewer Operating Fund.

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. This revenue reduction is 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 178.7 MGD, is 1.1% ahead of the five-year average and 1.3% ahead of last year's pace over the same period. Water production for the month of September, at 182.2 MGD, was 9.4 MGD above the five-year average for the month, primarily due to drought conditions across our service area. 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, 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'020. Instead of budgeting depreciation expense, the budget reflects the full cost of moveable assets to be purchased. The change also requires 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 managements' internal financial statements. The projected accumulated net revenue at year end has been reduced to \$130.4 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. No adjustment is made 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.

Other highlights of the September 2019 report are as follows:

Revenues

- Total revenues (all funds) through September were \$195.8 million or 25% 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 September were \$171.8 million or 22% 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 September averaged 178.7 MGD (page 4).

Workyears

- Cumulative workyears through the end of September were 1,675 (page 5).

System Development Charge

- The System Development Charge available account balance through September was \$6.7 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)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 9/30/18	FY'20 ACTUAL THRU 9/30/19	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption and Sewer Use Charges	\$615,249	\$658,899	\$176,144	\$164,300	\$654,899
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	135,517	126,094	34,103	31,448	126,094
TOTAL REVENUES	762,346	796,334	210,247	195,748	792,334
EXPENSES					
Operating Expenses	469,270	466,099	92,791	96,675	466,099
PAYGO	15,754	31,016	7,754	7,754	31,016
Debt Service Expense	292,656	319,883	68,637	72,665	314,883
GROSS EXPENSES	777,680	816,998	169,182	177,094	811,998
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(3,125)	(2,900)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(1,080)	(1,674)	(4,658)
Less: Premium Transfer	0	(2,900)	0	(725)	(2,900)
NET EXPENSES	759,629	797,840	164,977	171,795	792,840
NET REVENUE (LOSS) FOR YEAR	\$2,717	(\$1,506)	\$45,270	\$23,953	(\$506)

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

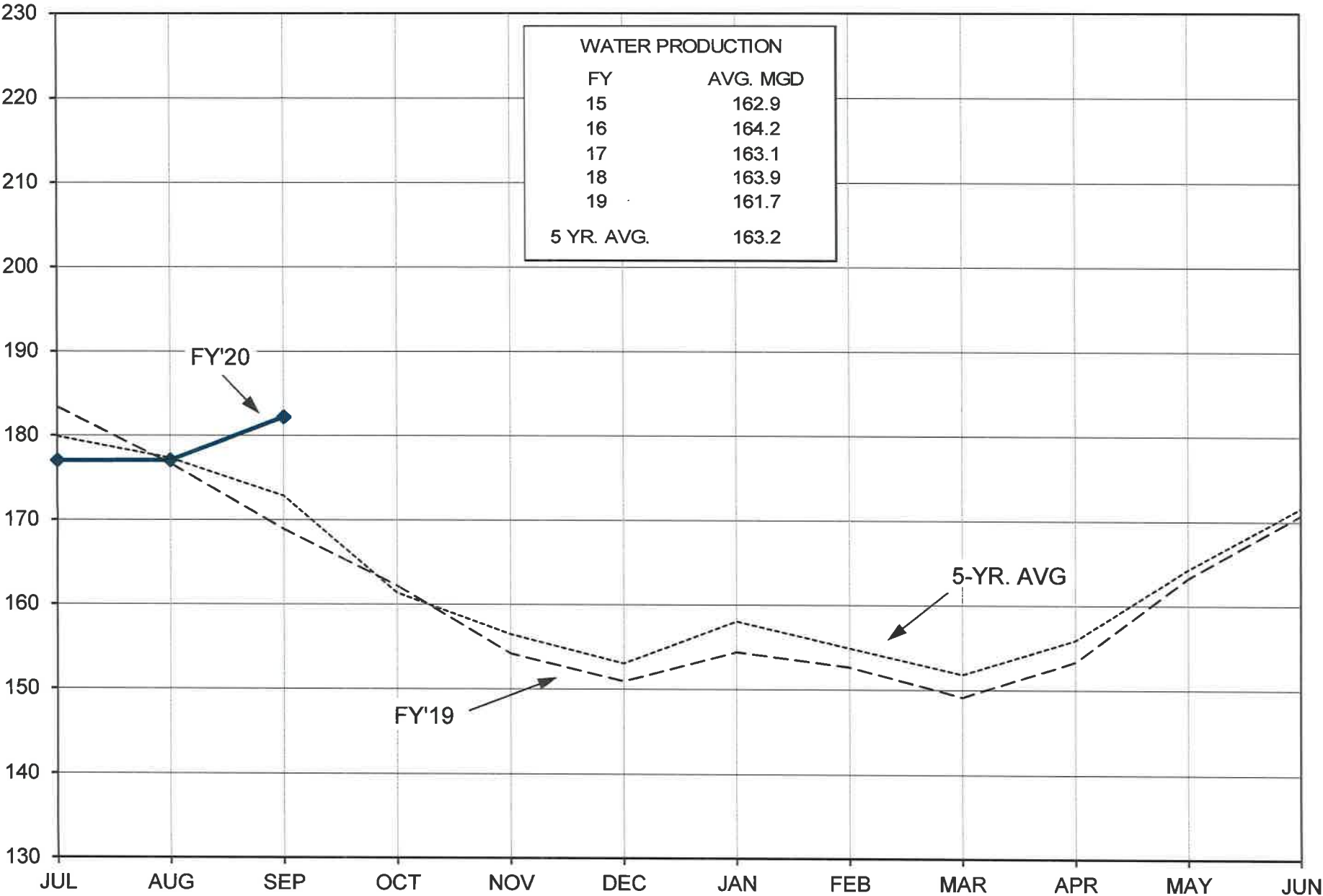
	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 9/30/18	FY'20 ACTUAL THRU 9/30/19	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption & Sewer Use Charges	\$615,249	\$658,899	\$176,144	\$164,300	\$654,899
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
All Other Revenues	118,313	112,827	29,449	27,798	112,827
TOTAL REVENUES	745,142	783,067	205,593	192,098	779,067
EXPENSES					
Operating Expenses	467,694	464,902	92,435	96,304	464,902
PAYGO	15,754	31,016	7,754	7,754	31,016
Debt Service Expense	275,385	306,307	64,604	69,299	301,307
GROSS EXPENSES	758,833	802,225	164,793	173,357	797,225
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(3,125)	(2,900)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(1,080)	(1,674)	(4,658)
Less: Premium Transfer	0	(2,900)	0	(725)	(2,900)
NET EXPENSES	740,782	783,067	160,588	168,058	778,067
NET REVENUE (LOSS) FOR YEAR	\$4,360	\$0	\$45,005	\$24,040	\$1,000
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	179,780				140,729
NET REVENUE (LOSS) FOR YEAR	4,360				1,000
USE OF ACCUMULATED NET REVENUE	(11,580)				(11,341)
ACCUMULATED NET REVENUE - END OF YEAR	\$172,560				\$130,388 *
WATER PRODUCED (MGD)	161.7	164.0	176.4	178.7	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

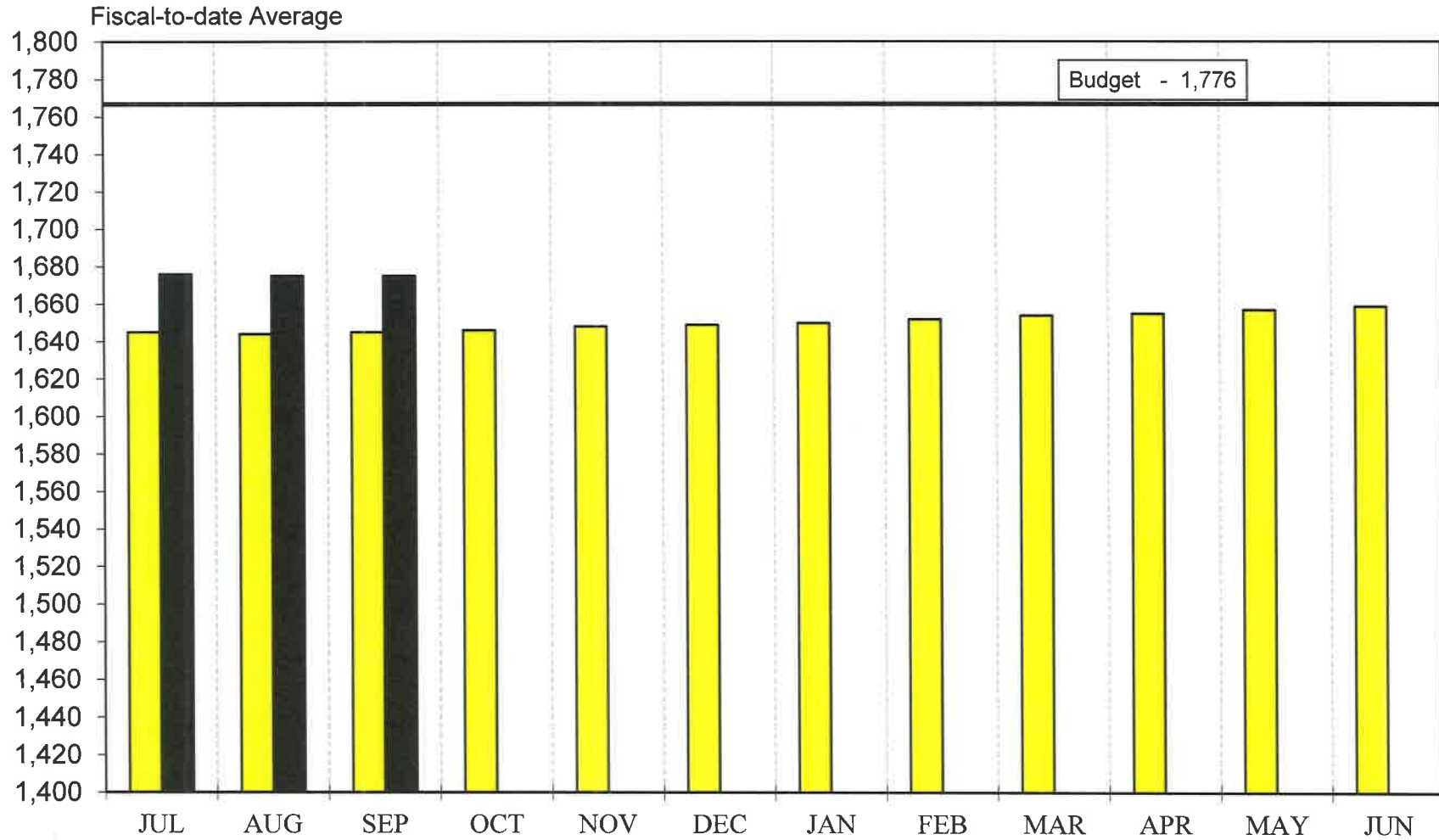
AVERAGE MGD



**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				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



■ 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	-	-	-	-	-	-	-	-	-

**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 9/30/18</u>	<u>FY'20 ACTUAL THRU 9/30/19</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	\$7,637	\$7,283	\$27,154
Contract Work	202,735	383,332	45,403	47,433	383,332
Consulting Engineers	51,872	58,073	5,180	5,119	58,073
All Other *	104,895	169,967	28,735	25,425	169,967
TOTAL COSTS	<u>\$386,795</u>	<u>\$638,526</u>	<u>\$86,955</u>	<u>\$85,260</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 9/30/18	FY'20 ACTUAL THRU 9/30/19	PROJECTED THRU 6/30/20
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$82,119	\$74,060	\$280,997
Sewer Use Charges	341,496	377,902	94,025	90,240	373,902
Account Maintenance Fees	32,116	32,296	7,941	7,568	32,296
Infrastructure Investment Fee	39,278	39,331	9,773	8,899	39,331
Front Foot Benefit & House Connection Assessments	15,809	12,507	4,455	3,449	12,507
Plumbing & Inspection Fees	13,594	12,900	3,428	3,494	12,900
Interest Income	10,433	6,000	1,194	1,616	6,000
Rockville Sewer Use	3,106	3,000	816	750	3,000
Use of Accumulated Net Revenue	11,580	11,341	0	0	11,341
Miscellaneous	21,181	20,060	6,496	5,672	20,060
TOTAL REVENUES	762,346	796,334	210,247	195,748	792,334
EXPENSES					
Salaries & Wages	125,851	130,134	30,673	33,792	130,134
Heat, Light & Power	19,683	19,436	5,515	3,892	19,436
Regional Sewage Disposal	54,809	59,000	14,806	12,960	59,000
All Other	268,927	257,529	41,797	46,031	257,529
PAYGO	15,754	31,016	7,754	7,754	31,016
Debt Service	292,656	319,883	68,637	72,665	314,883
GROSS EXPENSES	777,680	816,998	169,182	177,094	811,998
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(3,125)	(2,900)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(1,080)	(1,674)	(4,658)
Less: Premium Transfer	0	(2,900)	0	(725)	(2,900)
NET EXPENSES	759,629	797,840	164,977	171,795	792,840
NET REVENUE (LOSS) FOR YEAR	2,717	(\$1,506)	\$45,270	\$23,953	(506)
ACCUMULATED NET REVENUE - JULY 1	228,152				174,958
Use of Fund Balance	(24,080)				(22,941)
ACCUMULATED NET REVENUE - JUNE 30	\$206,789				\$151,511

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)

	<u>FY'19 ACTUAL</u>	<u>FY'20 APPROVED BUDGET</u>	<u>FY'19 ACTUAL THRU 9/30/18</u>	<u>FY'20 ACTUAL THRU 9/30/19</u>	<u>PROJECTED THRU 6/30/20</u>
REVENUES					
Water Consumption Charges	\$273,753	\$280,997	\$82,119	\$74,060	\$280,997
Account Maintenance Fee	16,379	16,471	4,050	4,000	16,471
Infrastructure Investment Fee	20,032	20,059	4,984	4,660	20,059
Plumbing & Inspection Fees	7,750	7,470	1,952	2,002	7,470
Interest Income	779	2,000	(64)	(308)	2,000
Use of Accumulated Net Revenue	5,906	5,784	0	0	5,784
Miscellaneous	10,001	10,600	2,484	2,331	10,600
TOTAL REVENUES	<u>334,600</u>	<u>343,381</u>	<u>95,525</u>	<u>86,745</u>	<u>343,381</u>
EXPENSES					
Salaries & Wages	69,084	63,707	16,621	18,203	63,707
Heat, Light & Power	11,143	10,808	3,657	2,262	10,808
All Other	135,241	131,005	20,547	23,130	131,005
PAYGO	7,415	13,522	3,415	3,380	13,522
Debt Service	116,317	133,216	27,084	29,386	133,216
GROSS EXPENSES	<u>339,200</u>	<u>352,258</u>	<u>71,324</u>	<u>76,361</u>	<u>352,258</u>
Less: Reconstruction Debt Service Offset	(4,000)	(4,000)	(1,000)	(1,000)	(4,000)
Less: SDC Debt Service Offset	(2,395)	(3,540)	(389)	(869)	(3,540)
Less: Premium Transfer	0	(1,337)	0	(334)	(1,337)
NET EXPENSES	<u>332,805</u>	<u>343,381</u>	<u>69,935</u>	<u>74,158</u>	<u>343,381</u>
NET REVENUE (LOSS)	<u>1,795</u>	<u>\$0</u>	<u>\$25,590</u>	<u>\$12,587</u>	<u>0</u>
ACCUMULATED NET REVENUE - JULY 1	36,832				16,320 *
Use of Fund Balance	(5,906)				(5,784)
ACCUMULATED NET REVENUE - JUNE 30	<u>\$32,721</u>				<u>\$10,536</u>

*Reflects a decrease in net revenues of \$16,401,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	FY'19 ACTUAL THRU 9/30/18	FY'20 ACTUAL THRU 9/30/19	PROJECTED THRU 6/30/20
REVENUES					
Sewer Use Charges	\$341,496	\$377,902	\$94,025	\$90,240	\$373,902
Account Maintenance Fee	15,737	15,825	3,891	3,568	15,825
Infrastructure Investment Fee	19,246	19,272	4,789	4,239	19,272
Rockville Sewer Use	3,106	3,000	816	750	3,000
Interest Income	8,527	3,500	1,122	1,778	3,500
Plumbing & Inspection Fees	5,844	5,430	1,476	1,492	5,430
Use of Accumulated Net Revenue	5,674	5,557	0	0	5,557
Miscellaneous	10,912	9,200	3,949	3,286	9,200
TOTAL REVENUES	410,542	439,686	110,068	105,353	435,686
EXPENSES					
Salaries & Wages	56,016	65,968	13,852	15,371	65,968
Heat, Light & Power	8,540	8,628	1,858	1,630	8,628
Regional Sewage Disposal	54,809	59,000	14,806	12,960	59,000
All Other	132,861	125,786	21,094	22,748	125,786
PAYGO	8,339	17,494	4,339	4,374	17,494
Debt Service	159,068	173,091	37,520	39,913	168,091
GROSS EXPENSES	419,633	449,967	93,469	96,996	444,967
Less: Reconstruction Debt Service Offset	(8,500)	(7,600)	(2,125)	(1,900)	(7,600)
Less: SDC Debt Service Offset	(3,156)	(1,118)	(691)	(805)	(1,118)
Less: Premium Transfer	0	(1,563)	0	(391)	(1,563)
NET EXPENSES	407,977	439,686	90,653	93,900	434,686
NET REVENUE (LOSS)	2,565	\$0	\$19,415	\$11,453	1,000
ACCUMULATED NET REVENUE - JULY 1	142,948				124,409 *
Use of Fund Balance	(5,674)				(5,557)
ACCUMULATED NET REVENUE - JUNE 30	\$139,839				\$119,852

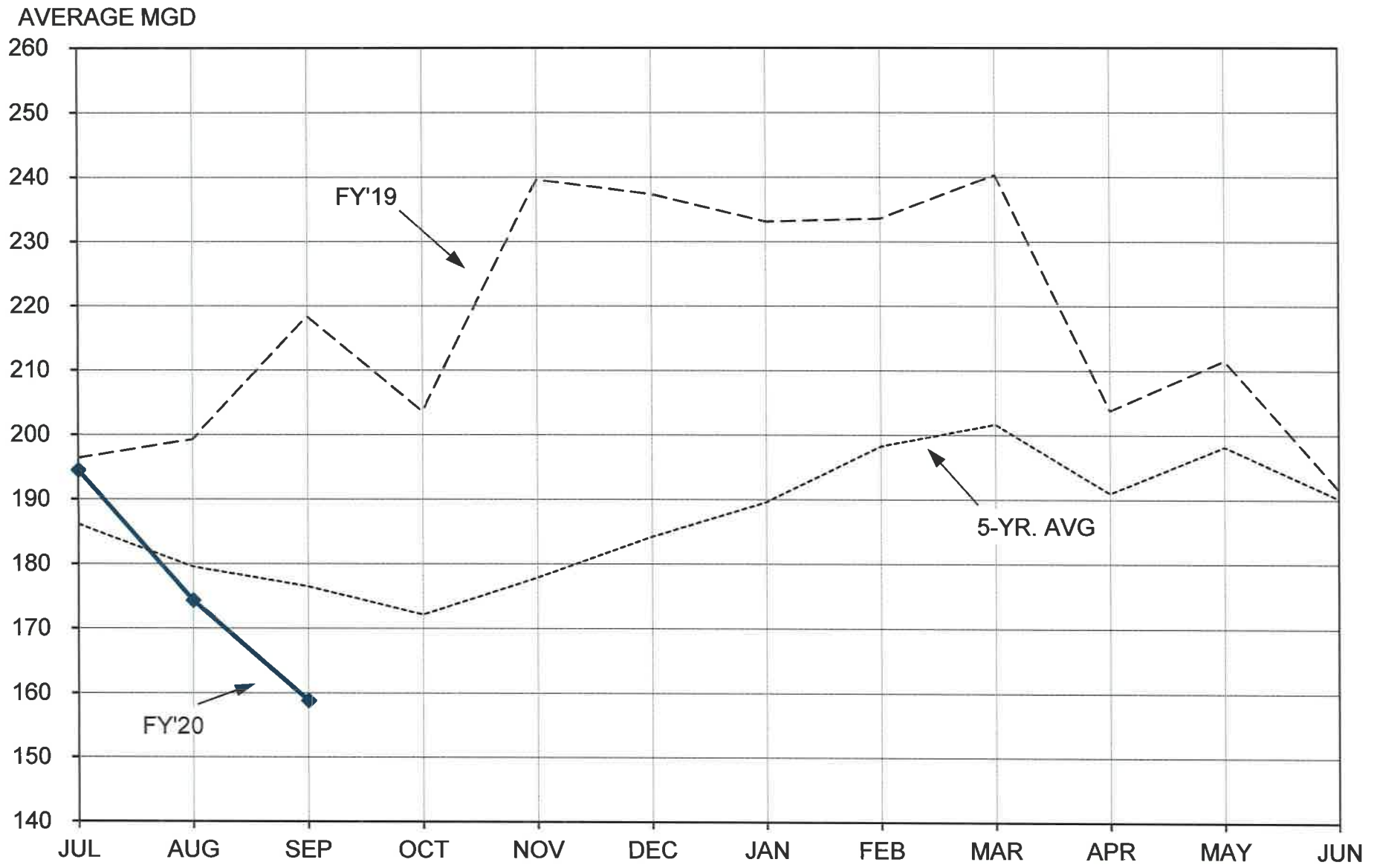
*Reflects a decrease in net revenues of \$15,430,000 resulting from prior year adjustments.

**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	96.40	158.80	218.36	176.07
October				203.58	
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)



GENERAL BOND DEBT SERVICE FUND

(In Thousands)

	<u>FY'19 ACTUAL</u>	<u>FY'20 APPROVED BUDGET</u>	<u>FY'19 ACTUAL THRU 9/30/18</u>	<u>FY'20 ACTUAL THRU 9/30/19</u>	<u>PROJECTED THRU 6/30/20</u>
REVENUES					
Front Foot Benefit & House Connection Assessments	\$15,809	\$12,507	\$4,455	\$3,449	\$12,507
Interest Income	1,127	500	136	146	500
Miscellaneous	268	260	63	55	260
Use of Accumulated Net Revenue	12,500	11,600	3,125	2,900	11,600
Reconstruction Debt Service Offset	<u>(12,500)</u>	<u>(11,600)</u>	<u>(3,125)</u>	<u>(2,900)</u>	<u>(11,600)</u>
TOTAL REVENUES	<u>17,204</u>	<u>13,267</u>	<u>4,654</u>	<u>3,650</u>	<u>13,267</u>
EXPENSES					
Salaries & Wages	751	459	200	218	459
All Other	825	738	156	153	738
Debt Service	<u>17,271</u>	<u>13,576</u>	<u>4,033</u>	<u>3,366</u>	<u>13,576</u>
GROSS EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>4,389</u>	<u>3,737</u>	<u>14,773</u>
NET EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>4,389</u>	<u>3,737</u>	<u>14,773</u>
NET REVENUE (LOSS)	(1,643)	<u>(\$1,506)</u>	<u>\$265</u>	<u>(\$87)</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	5,787
Interest Income	<u>60</u>
FUNDS AVAILABLE	16,195
Less MOU Credit Reimbursement	(578)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(869)
Sewer Operating - Debt Service	(805)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	<u>0</u>
Account Balance	13,943
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	<u>(7,287)</u>
AVAILABLE ACCOUNT BALANCE, SEPTEMBER 30, 2019	<u><u>\$6,656</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.