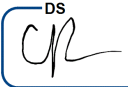






FY 2020
MONTHLY STATUS REPORT
JUNE 2020



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: SEPTEMBER 14, 2020

SUBJECT: MONTHLY STATUS REPORT – JUNE 2020

Attached is the final monthly Status Report on the budgetary and fiscal performance of the WSSC Water for fiscal year 2020. The report provides summary information delineating the agency's end-of-year financial status. Total Operating Fund revenues, at \$765.2 million, were \$31.1 million less than budgeted. Net Operating Fund expenses, at \$740.0 million, were \$57.9 million less than budgeted. Overall, we ended the year with a favorable Net Revenue of \$25.2 million. (see page 1 of the report).

As this was the first year of our new four-tier rate structure, we closely monitored the water and sewer use charge revenue streams in order to understand and accurately project any impact on our financial status. However, this process was overshadowed by the Covid-19 pandemic and in March we made broad and significant changes to our plans in order to address the impacts on our operations. Although we were not able to reduce our expenses as much as planned in such a short window of time, we did significantly curtail our spending and the revenue impairment was less than initially projected as parts of the economy began to reopen.

The Combined Water & Sewer Operating Funds posted \$26.0 million in Net Revenue for FY'20. Although combined revenues were \$31.4 million less than budgeted primarily due to the impacts of the pandemic on our government and commercial customers, combined expenses were \$57.4 million less than budgeted, primarily due to the implementation of our comprehensive,

CARLA A. REID
MONTHLY STATUS REPORT – JUNE
SEPTEMBER 14, 2020
PAGE 2

enterprise-wide savings plan which included expenditure reductions across all departments, elimination of the PAYGO transfer for capital projects and lower debt service costs due to bond refundings and a deferred principal payment on our bond anticipation notes program.. 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.

After also taking into account other prior year adjustments, the FY'20 end-of-year accumulated net revenue decreased to \$147.6 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.

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 adjustment for part of this shortfall was incorporated when developing the sewer rates for the FY'21 budget. An additional adjustment will be incorporated in the FY'22 Budget.

The General Bond Debt Service Fund finished the year with a net loss of \$0.8 million, the loss was \$0.7 million better than the budgeted loss of \$1.5 million, primarily due to lower than budgeted debt service, (page 12).

Capital spending was significantly slower than planned with only 62% of the capital budget spent in FY'20. Due to the slower spending, we were able to delay our bond sale for sewer projects until September 2020. The delay along with the February 25th bond refunding contributed to debt service savings in the operating funds.

Water production for the month of June, at 173.7 MGD, was 2.1 MGD above the five-year average for the month. Final FY'20 water production averaged 162.6 MGD, which was 0.36% below the five-year average and 1.4 MGD less than the budgeted level of 164.0 MGD, (pages 3 & 4).

Other highlights of the June 2020 report are as follows:

Revenues

- Total operating revenues (all funds) for FY'20 were \$765.2 million or 96% of total budgeted.

CARLA A. REID
MONTHLY STATUS REPORT – JUNE
SEPTEMBER 14, 2020
PAGE 3

Expenses

- Total net operating expenses (all funds) for FY'20 were \$740.0 million or 93% of total budgeted.

Water Production

- Water production for FY'20 averaged 162.6 MGD (page 4).

Workyears

- Cumulative workyears for FY'20 were 1,679 (page 5).

System Development Charge

- The System Development Charge available account balance at the end of FY'20 was \$5.6 million. The account balance was 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	ACTUAL YEAR ENDING 6/30/20
<u>REVENUES</u>			
Water Consumption and Sewer Use Charges	\$615,249	\$658,899	\$618,158
Use of Accumulated Net Revenue	11,580	11,341	11,341
All Other Revenues	135,517	126,094	135,690
TOTAL REVENUES	762,346	796,334	765,189
<u>EXPENSES</u>			
Operating Expenses	469,270	466,099	473,862
PAYGO	15,754	31,016	0
Debt Service Expense	292,656	319,883	292,322
GROSS EXPENSES	777,680	816,998	766,184
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(6,695)
Less: Premium Transfer	0	(2,900)	(7,904)
NET EXPENSES	759,629	797,840	739,985
NET REVENUE (LOSS) FOR YEAR	\$2,717	(\$1,506)	\$25,204

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

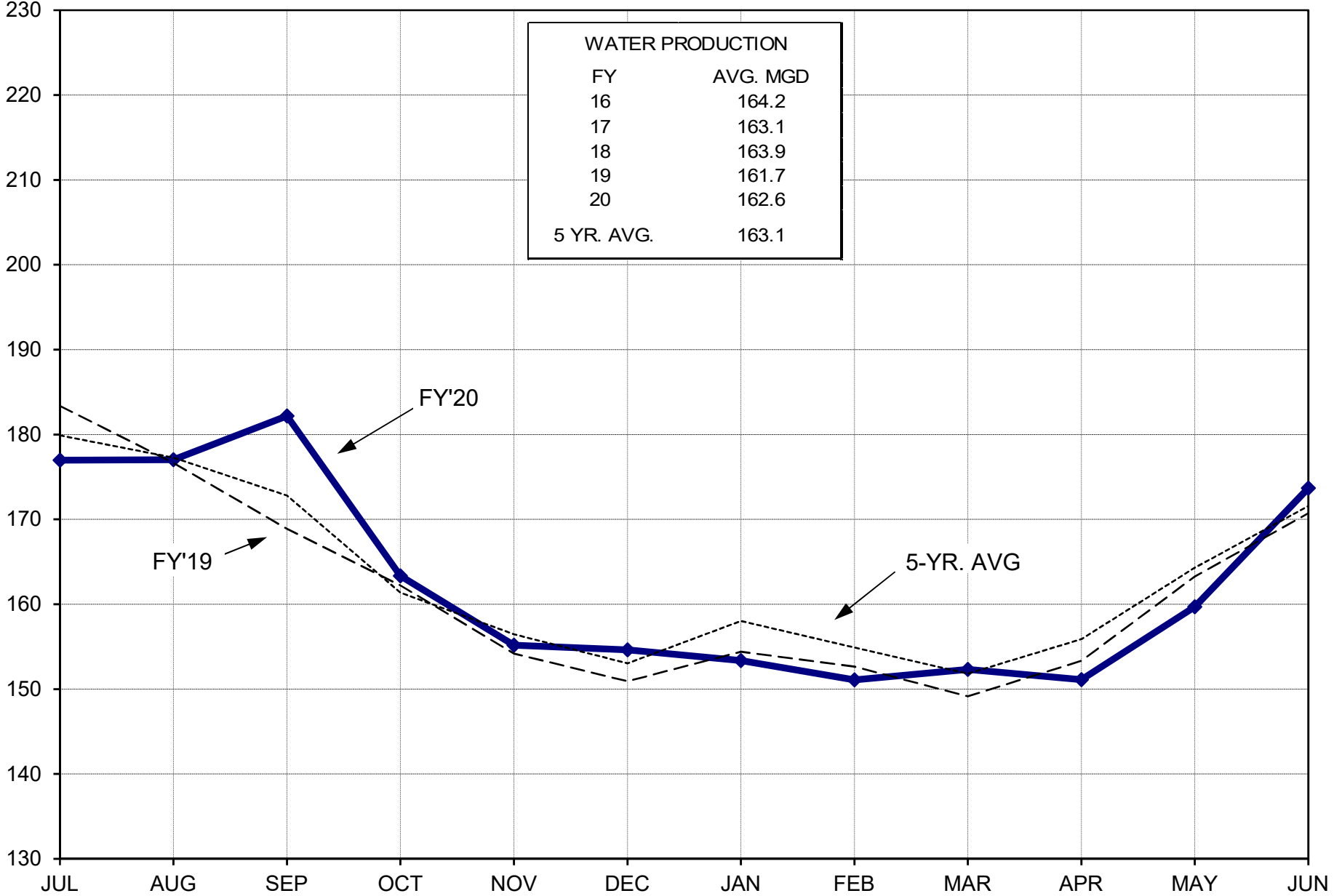
	FY'19 ACTUAL	FY'20 APPROVED BUDGET	ACTUAL YEAR ENDING 6/30/20
<u>REVENUES</u>			
Water Consumption & Sewer Use Charges	\$615,249	\$658,899	\$618,158
Use of Accumulated Net Revenue	11,580	11,341	11,341
All Other Revenues	118,313	112,827	122,209
TOTAL REVENUES	745,142	783,067	751,708
<u>EXPENSES</u>			
Operating Expenses	467,694	464,902	472,147
PAYGO	15,754	31,016	0
Debt Service Expense	275,385	306,307	279,745
GROSS EXPENSES	758,833	802,225	751,892
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(6,695)
Less: Premium Transfer	0	(2,900)	(7,904)
NET EXPENSES	740,782	783,067	725,693
NET REVENUE (LOSS) FOR YEAR	\$4,360	\$0	\$26,015
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	179,780		132,931
NET REVENUE (LOSS) FOR YEAR	4,360		26,015
USE OF ACCUMULATED NET REVENUE	(11,580)		(11,341)
ACCUMULATED NET REVENUE - END OF YEAR	\$172,560		\$147,605 *
WATER PRODUCED (MGD)	161.7	164.0	162.6

* 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

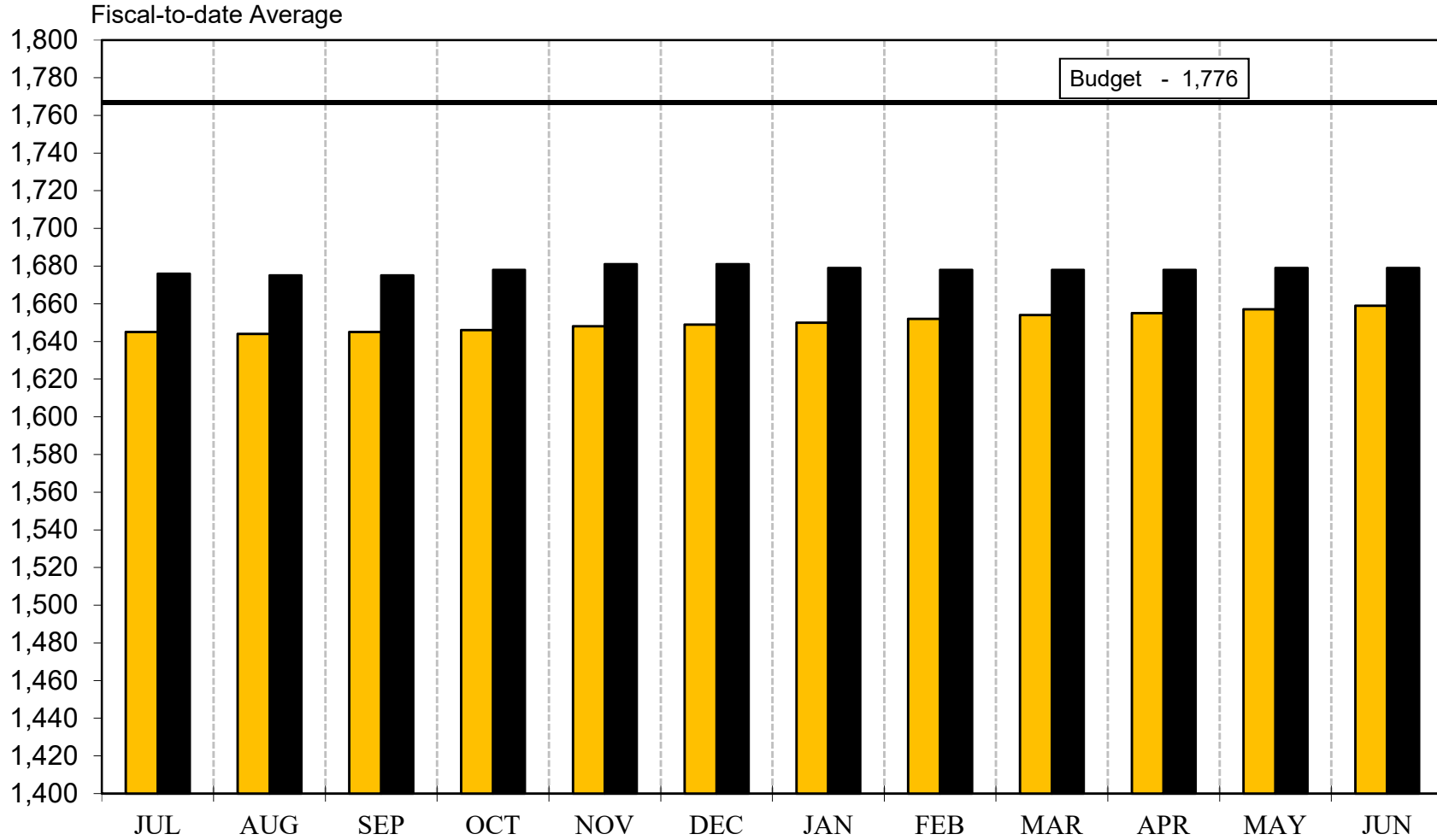
AVERAGE MGD



**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	5,210.404	173.680	162.583	161.721
TOTAL	59,505.249	162.583		

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	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>ACTUAL YEAR ENDING 6/30/20</u>
<u>GROSS FUNDS AVAILABLE</u>			
Bonds Issued and Cash on Hand	\$353,766	\$579,823	\$289,097
Anticipated Contributions:			
Federal & State Grants	995	22,291	1,589
System Development Charge	15,000	21,716	14,077
Other	7,667	14,696	12,451
Available for Current Construction	<u>377,428</u>	<u>638,526</u>	<u>317,214</u>
<u>CAPITAL COSTS</u>			
Salaries & Wages	\$27,293	\$27,154	\$26,388
Contract Work	202,735	383,332	211,404
Consulting Engineers	51,872	58,073	44,478
All Other *	104,895	169,967	112,115
TOTAL COSTS	<u><u>\$386,795</u></u>	<u><u>\$638,526</u></u>	<u><u>\$394,385</u></u>
			(77,171)
Funds Balance - July 1			<u>116,579</u>
Funds Balance - June 30			<u><u>\$39,408</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	ACTUAL YEAR ENDING 6/30/20
REVENUES			
Water Consumption Charges	\$273,753	\$280,997	\$271,173
Sewer Use Charges	341,496	377,902	346,985
Account Maintenance Fees	32,116	32,296	35,922
Infrastructure Investment Fee	39,278	39,331	42,781
Front Foot Benefit & House Connection Assessments	15,809	12,507	12,824
Plumbing & Inspection Fees	13,594	12,900	14,425
Interest Income	10,433	6,000	5,364
Rockville Sewer Use	3,106	3,000	3,147
Use of Accumulated Net Revenue	11,580	11,341	11,341
Miscellaneous	21,181	20,060	21,227
TOTAL REVENUES	762,346	796,334	765,189
EXPENSES			
Salaries & Wages	125,851	130,134	132,574
Heat, Light & Power	19,683	19,436	15,534
Regional Sewage Disposal	54,809	59,000	56,414
All Other	268,927	257,529	269,340
PAYGO	15,754	31,016	0
Debt Service	292,656	319,883	292,322
GROSS EXPENSES	777,680	816,998	766,184
Less: Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,600)
Less: SDC Debt Service Offset	(5,551)	(4,658)	(6,695)
Less: Premium Transfer	0	(2,900)	(7,904)
NET EXPENSES	759,629	797,840	739,985
NET REVENUE (LOSS) FOR YEAR	2,717	<u>(\$1,506)</u>	25,204
ACCUMULATED NET REVENUE - JULY 1	228,152		167,160
Use of Fund Balance	(24,080)		(22,941)
ACCUMULATED NET REVENUE - JUNE 30	<u>\$206,789</u>		<u>\$169,423</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	ACTUAL YEAR ENDING 6/30/20
<u>REVENUES</u>			
Water Consumption Charges	\$273,753	\$280,997	\$271,173
Account Maintenance Fee	16,379	16,471	18,912
Infrastructure Investment Fee	20,032	20,059	22,373
Plumbing & Inspection Fees	7,750	7,470	8,296
Interest Income	779	2,000	(181)
Use of Accumulated Net Revenue	5,906	5,784	5,784
Miscellaneous	10,001	10,600	9,816
TOTAL REVENUES	334,600	343,381	336,173
<u>EXPENSES</u>			
Salaries & Wages	69,084	63,707	72,619
Heat, Light & Power	11,143	10,808	8,654
All Other	135,241	131,005	133,623
PAYGO	7,415	13,522	0
Debt Service	116,317	133,216	123,575
GROSS EXPENSES	339,200	352,258	338,471
Less: Reconstruction Debt Service Offset	(4,000)	(4,000)	(4,000)
Less: SDC Debt Service Offset	(2,395)	(3,540)	(3,475)
Less: Premium Transfer	0	(1,337)	(1,337)
NET EXPENSES	332,805	343,381	329,659
NET REVENUE (LOSS)	1,795	<u>\$0</u>	6,514
ACCUMULATED NET REVENUE - JULY 1	36,832		14,669 *
Use of Fund Balance	(5,906)		(5,784)
Fund Balance Transfer	0		19,070
ACCUMULATED NET REVENUE - JUNE 30	<u>\$32,721</u>		<u>\$34,469</u>

*Reflects a decrease in net revenues of \$18,052,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'19 ACTUAL	FY'20 APPROVED BUDGET	ACTUAL YEAR ENDING 6/30/20
<u>REVENUES</u>			
Sewer Use Charges	\$341,496	\$377,902	\$346,985
Account Maintenance Fee	15,737	15,825	17,010
Infrastructure Investment Fee	19,246	19,272	20,408
Rockville Sewer Use	3,106	3,000	3,147
Interest Income	8,527	3,500	5,062
Plumbing & Inspection Fees	5,844	5,430	6,129
Use of Accumulated Net Revenue	5,674	5,557	5,557
Miscellaneous	10,912	9,200	11,237
TOTAL REVENUES	410,542	439,686	415,535
<u>EXPENSES</u>			
Salaries & Wages	56,016	65,968	59,092
Heat, Light & Power	8,540	8,628	6,880
Regional Sewage Disposal	54,809	59,000	56,414
All Other	132,861	125,786	134,865
PAYGO	8,339	17,494	0
Debt Service	159,068	173,091	156,170
GROSS EXPENSES	419,633	449,967	413,421
Less: Reconstruction Debt Service Offset	(8,500)	(7,600)	(7,600)
Less: SDC Debt Service Offset	(3,156)	(1,118)	(3,220)
Less: Premium Transfer	0	(1,563)	(6,567)
NET EXPENSES	407,977	439,686	396,034
NET REVENUE (LOSS)	2,565	\$0	19,501
ACCUMULATED NET REVENUE - JULY 1	142,948		118,262 *
Use of Fund Balance	(5,674)		(5,557)
Fund Balance Transfer	0		(19,070)
ACCUMULATED NET REVENUE - JUNE 30	\$139,839		\$113,136

*Reflects a decrease in net revenues of \$21,577,000 resulting from prior year adjustments.

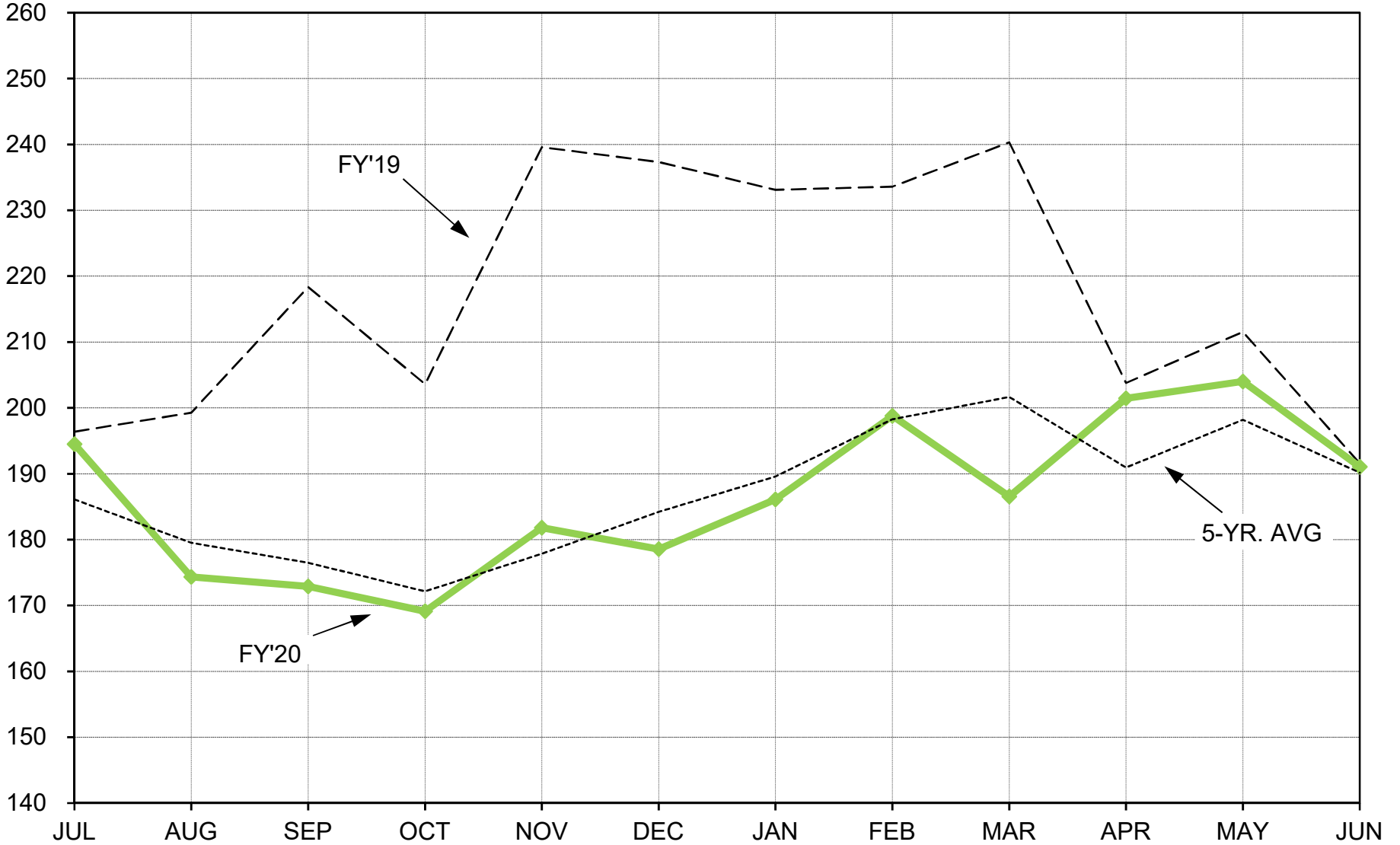
**FY'20
SEWAGE FLOWS**

<u>MONTH</u>	<u>WSSC PLANTS AVERAGE (MGD)</u>	<u>BLUE PLAINS AVERAGE (MGD)</u>	<u>FY'20 MONTHLY AVERAGE (MGD)</u>
July	79.40	115.10	194.50
August	69.54	104.80	174.34
September	62.40	110.50	172.90
October	64.32	104.80	169.12
November	66.31	115.50	181.81
December	70.86	107.70	178.56
January	73.11	113.00	186.11
February	76.80	122.00	198.80
March	69.14	117.40	186.54
April	73.94	127.50	201.44
May	75.82	128.20	204.02
June	69.04	122.00	191.04
TOTAL (MG)	<u><u>25,945.73</u></u>	<u><u>42,324.00</u></u>	<u><u>68,269.73</u></u>
AVG. (MGD)	<u><u>70.89</u></u>	<u><u>115.64</u></u>	<u><u>186.53</u></u>

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>ACTUAL YEAR ENDING 6/30/20</u>
<u>REVENUES</u>			
Front Foot Benefit & House Connection			
Assessments	\$15,809	\$12,507	\$12,824
Interest Income	1,127	500	483
Miscellaneous	268	260	174
Use of Accumulated Net Revenue	12,500	11,600	11,600
Reconstruction Debt Service Offset	(12,500)	(11,600)	(11,600)
TOTAL REVENUES	<u>17,204</u>	<u>13,267</u>	<u>13,481</u>
<u>EXPENSES</u>			
Salaries & Wages	751	459	863
All Other	825	738	852
Debt Service	17,271	13,576	12,577
GROSS EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>14,292</u>
NET EXPENSES	<u>18,847</u>	<u>14,773</u>	<u>14,292</u>
NET REVENUE (LOSS)	(1,643)	<u><u>(\$1,506)</u></u>	(811)
ACCUMULATED NET REVENUE - JULY 1	48,372		34,229
Use of Fund Balance	(12,500)		(11,600) *
ACCUMULATED NET REVENUE - JUNE 30	<u><u>\$34,229</u></u>		<u><u>\$21,818</u></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	26,792
Interest Income	<u>230</u>
FUNDS AVAILABLE	37,370
Less MOU Credit Reimbursement	(2,868)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(3,475)
Sewer Operating - Debt Service	(3,220)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	(5,822)
Sewer Disposal Bond	<u>(8,255)</u>
Account Balance	13,730
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	<u>(8,105)</u>
AVAILABLE ACCOUNT BALANCE, JUNE 30, 2020	<u><u>\$5,625</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.