



FY 2022
MONTHLY STATUS REPORT
FEBRUARY 2022



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

^{DS}
PC

DATE: June 22, 2022

SUBJECT: MONTHLY STATUS REPORT – FEBRUARY 2022

Attached is the February Monthly Status Report on the budgetary and fiscal performance of WSSC Water. The report provides summary information delineating WSSC Water's current and projected financial status for Fiscal Year 2022 (FY'22). Beginning back in September 2021 we developed a Cost Savings Plan to address the continuing impacts of the Covid-19 pandemic on our operations and the projected revenue shortfall. The FY'22 planned expenditure reductions cross all departments reducing expenses by 2.3%. The Cost Savings Plan includes debt related savings and adjustments, and the reduction of the PAYGO transfer for capital projects. We have evaluated our financial position and have modified our projected financial results due to the continued effects of the pandemic and to the current economic conditions. Projected revenues and expenses have been evaluated and adjusted.

Total revenues are projected to be \$32.6 million below budget. Projected water consumption and sewer use revenues are projected to be \$43.3 million below budget, offset by a projected \$10.7 million favorable variance in all other revenues. Total expenses are projected to be \$39.7 million below budget; \$25.3 million in operating expenses, \$4.0 million in PAYGO, and \$7.4 million in debt service, plus the use of an additional \$3.0 million in premium transfer. The savings in operating expenses are primarily from \$3.4 million in salaries and wages and \$22.8 million in all other expenses, offset by a \$0.9 million

CARLA A. REID
MONTHLY STATUS REPORT – FEBRUARY
JUNE 22, 2022
PAGE 2

expected increase in heat, light and power. The result is a projected net revenue of \$5.8 million.

The accumulated net revenue at year end is projected to be \$172.7 million (see page 2 of the report), of which \$124.3 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'22 through FY'24 budgets have been eliminated.

Capital spending remains slower than planned, impacted by current economic conditions. We anticipate spending only 61% of the capital budget. This is lower than the budgeted completion factor for capital projects of 70%.

Beginning with FY'21 we have shifted away from water production to water consumption and sewer use data by tier as the basis for our modeling and revenue projections. The additional data points are expected to result in greater insight and more accurate forecasts of water and sewer revenue. While fiscal to date water consumption at 130.4 MGD is 0.94% above the five-year average, water consumption and sewer use revenue is currently tracking at 6.0% below budget primarily due to more of the consumption occurring in the lower rate tiers (pages 3 & 4).

Other highlights of the February 2022 report are as follows:

Revenues

- Total revenues (all funds) through February were \$554.5 million or 66.2% of total budgeted.
- Total revenues (all funds) are projected to be \$804.5 million; \$32.6 million less than budgeted.

Expenses

- Total net expenses (all funds) through February were \$506.4 million or 60.4% of total budgeted.
- Total net expenses (all funds) are projected to be \$798.7 million; \$39.7 million less than budgeted.

Water Consumption

- Water consumption through February averaged 130.4 MGD (page 4).

Workyears

- Cumulative workyears through the end of February were 1,655 (page 5).

CARLA A. REID
MONTHLY STATUS REPORT – FEBRUARY
JUNE 22, 2022
PAGE 3

System Development Charge

- The available account balance through February was \$30.2 million. The account balance will be 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'21 ACTUAL	FY'22 APPROVED BUDGET	FY'21 ACTUAL THRU 2/28/21	FY'22 ACTUAL THRU 2/28/22	PROJECTED THRU 6/30/22
REVENUES					
Water Consumption and Sewer Use Charges	\$628,555	\$717,803	\$433,885	\$465,539	\$674,481
Use of Accumulated Net Revenue	8,000	0	0	0	0
All Other Revenues	120,474	119,282	81,467	88,921	130,020
TOTAL REVENUES	757,029	837,085	515,352	554,460	804,501
EXPENSES					
Operating Expenses	456,650	507,681	286,421	287,027	482,419
PAYGO	0	27,585	0	17,254	23,585
Debt Service Expense	291,980	316,827	203,136	211,321	309,428
GROSS EXPENSES	748,630	852,093	489,557	515,602	815,432
Less: Reconstruction Debt Service Offset	(9,500)	(6,000)	(6,333)	(4,000)	(6,000)
Less: SDC Debt Service Offset	(5,772)	(5,772)	(3,849)	(3,848)	(5,772)
Less: Premium & Underwriter's Discount Transfers	(9,151)	(2,000)	(6,101)	(1,332)	(5,000)
NET EXPENSES	724,207	838,321	473,274	506,422	798,660
NET REVENUE (LOSS) FOR YEAR	\$32,822	(\$1,236)	\$42,078	\$48,038	\$5,841

COMBINED WATER AND SEWER OPERATING FUNDS

(In Thousands)

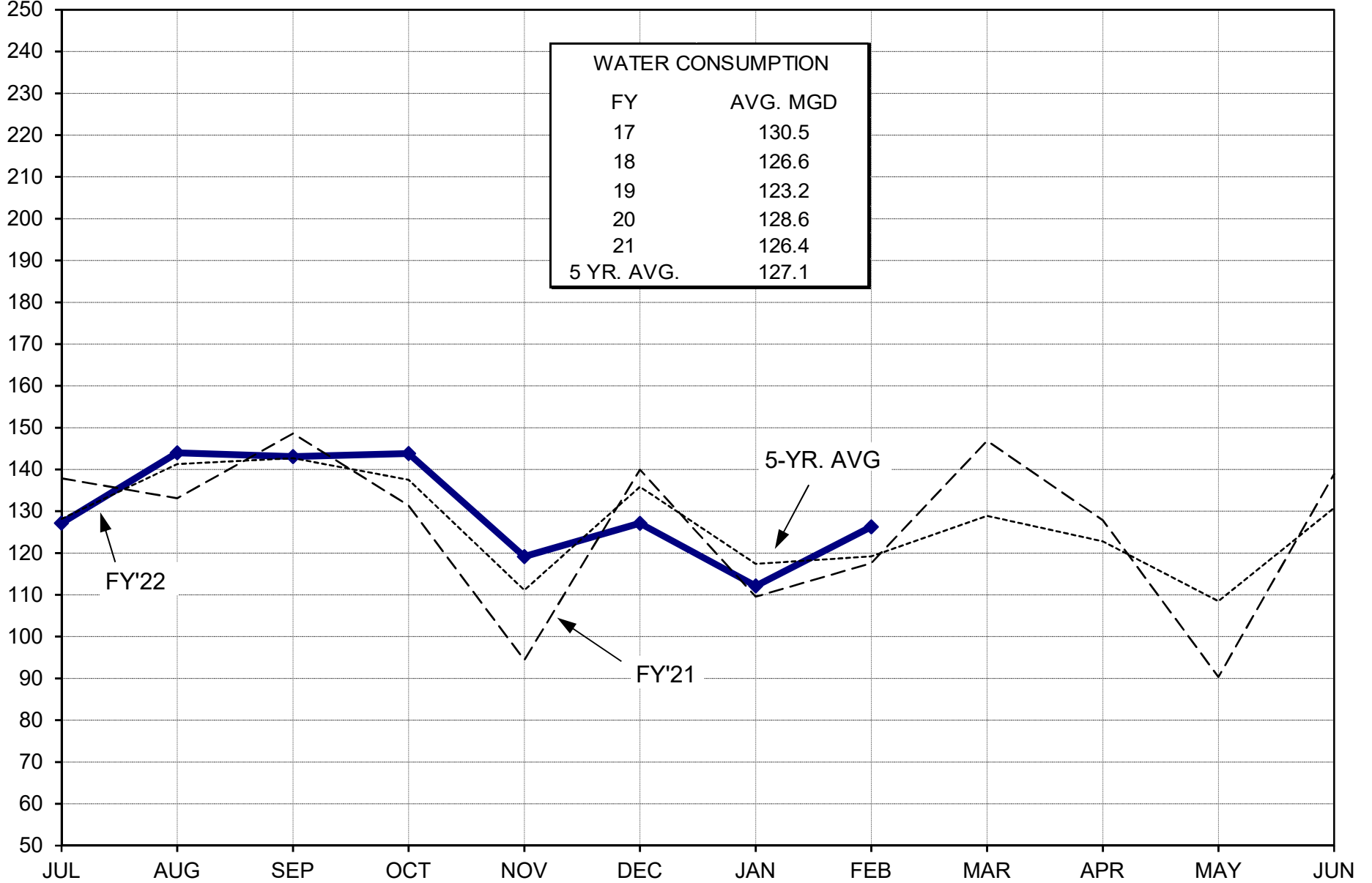
	<u>FY'21 ACTUAL</u>	<u>FY'22 APPROVED BUDGET</u>	<u>FY'21 ACTUAL THRU 2/28/21</u>	<u>FY'22 ACTUAL THRU 2/28/22</u>	<u>PROJECTED THRU 6/30/22</u>
REVENUES					
Water Consumption & Sewer Use Charges	\$628,555	\$717,803	\$433,885	\$465,539	\$674,481
Use of Accumulated Net Revenue	8,000	0	0	0	0
All Other Revenues	109,601	110,724	73,919	82,848	121,462
TOTAL REVENUES	<u>746,156</u>	<u>828,527</u>	<u>507,804</u>	<u>548,387</u>	<u>795,943</u>
EXPENSES					
Operating Expenses	454,780	505,669	285,291	285,887	480,407
PAYGO	0	27,585	0	17,254	23,585
Debt Service Expense	281,844	309,045	195,043	205,398	301,646
GROSS EXPENSES	<u>736,624</u>	<u>842,299</u>	<u>480,334</u>	<u>508,539</u>	<u>805,638</u>
Less: Reconstruction Debt Service Offset	(9,500)	(6,000)	(6,333)	(4,000)	(6,000)
Less: SDC Debt Service Offset	(5,772)	(5,772)	(3,849)	(3,848)	(5,772)
Less: Premium & Underwriter's Discount Transfers	(9,151)	(2,000)	(6,101)	(1,332)	(5,000)
NET EXPENSES	<u>712,201</u>	<u>828,527</u>	<u>464,051</u>	<u>499,359</u>	<u>788,866</u>
NET REVENUE (LOSS) FOR YEAR	<u>\$33,955</u>	<u>\$0</u>	<u>\$43,753</u>	<u>\$49,028</u>	<u>\$7,077</u>
ACCUMULATED NET REVENUE - BEGINNING OF YEAR	142,942				165,652
NET REVENUE (LOSS) FOR YEAR	33,955				7,077
USE OF ACCUMULATED NET REVENUE	(8,000)				0
ACCUMULATED NET REVENUE - END OF YEAR	<u>\$168,897</u>				<u>\$172,729</u> *
WATER CONSUMPTION (MGD)	126.4	122.1	126.7	130.4	122.1

* Includes Working Capital Reserve of \$124.3 million.

NOTE: Refer to Pages 8 and 9 for details of Water and Sewer Operating Funds.

WATER CONSUMPTION

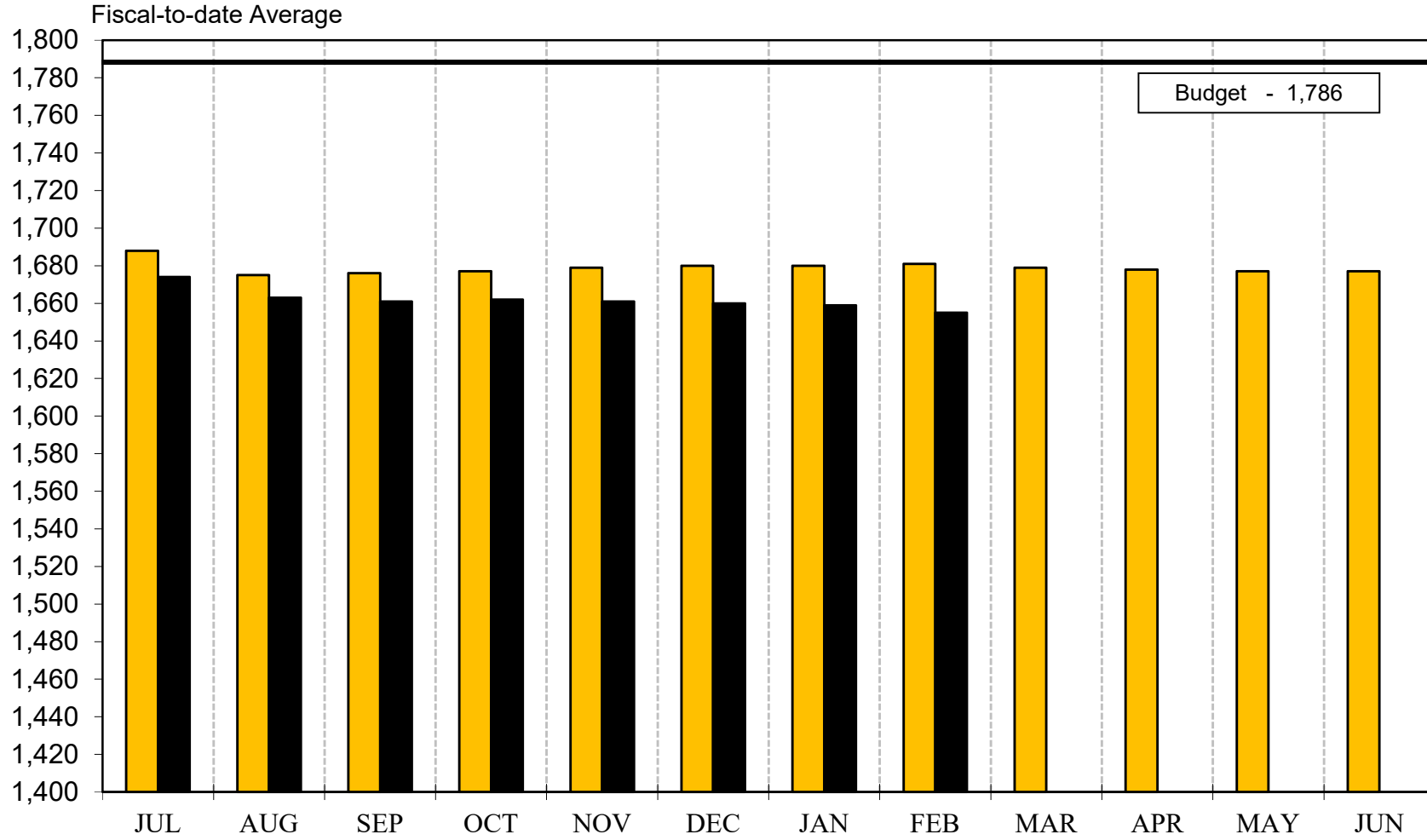
AVERAGE MGD



**FY'22
WATER CONSUMPTION**

<u>MONTH</u>	<u>MONTHLY AVERAGE (MGD)</u>	<u>FY'22 CUMULATIVE AVERAGE (MGD)</u>	<u>FY'21 CUMULATIVE AVERAGE (MGD)</u>
July	127.157	127.157	137.879
August	143.975	135.566	135.479
September	143.068	138.012	139.758
October	143.787	139.468	137.641
November	119.139	135.482	129.170
December	127.124	134.073	130.983
January	112.127	130.909	127.891
February	126.255	130.373	126.704
March			128.980
April			128.866
May			125.300
June			126.422

ACTUAL WORKYEARS



 FY'21	1,688	1,675	1,676	1,677	1,679	1,680	1,680	1,681	1,679	1,678	1,677	1,677
 FY'22	1,674	1,663	1,661	1,662	1,661	1,660	1,659	1,655	-	-	-	-

STATEMENT OF CAPITAL FUNDS INCOME AND EXPENDITURES
CAPITAL FUNDS TOTAL

(In Thousands)

	<u>FY'21 ACTUAL</u>	<u>FY'22 APPROVED BUDGET</u>	<u>FY'21 ACTUAL THRU 2/28/21</u>	<u>FY'22 ACTUAL THRU 2/28/22</u>	<u>PROJECTED THRU 6/30/22</u>
<u>GROSS FUNDS AVAILABLE</u>					
Bonds Issued and Cash on Hand	\$402,261	\$635,351			
Anticipated Contributions:					
Federal & State Grants	4,392	24,471			
System Development Charge	8,393	31,329			
Other	14,192	12,594			
Available for Current Construction	<u>429,238</u>	<u>703,745</u>			
<u>CAPITAL COSTS</u>					
Salaries & Wages	\$25,911	\$27,449	\$16,931	\$18,335	\$27,449
Contract Work	217,590	444,405	133,199	153,720	248,000
Consulting Engineers	42,349	79,614	18,422	17,026	46,900
All Other	141,043	152,277	70,144	38,254	107,277
TOTAL COSTS	<u><u>\$426,893</u></u>	<u><u>\$703,745</u></u>	<u><u>\$238,696</u></u>	<u><u>\$227,335</u></u>	<u><u>\$429,626</u></u>

CONSOLIDATED STATEMENT OF OPERATING FUNDS, REVENUES AND EXPENDITURES

(In Thousands)

	FY'21 ACTUAL	FY'22 APPROVED BUDGET	FY'21 ACTUAL THRU 2/28/21	FY'22 ACTUAL THRU 2/28/22	PROJECTED THRU 6/30/22
REVENUES					
Water Consumption Charges	\$275,019	\$318,941	\$190,659	\$207,895	\$299,681
Sewer Use Charges	353,536	398,862	243,226	257,644	374,800
Account Maintenance Fees	32,346	31,866	21,576	21,578	32,349
Infrastructure Investment Fee	39,886	38,808	26,565	26,601	39,940
Front Foot Benefit & House Connection Assessments	10,664	8,428	7,396	5,954	8,428
Plumbing & Inspection Fees	16,882	14,350	11,095	12,226	18,145
Interest Income	412	1,000	363	140	600
Rockville Sewer Use	3,147	3,100	2,111	2,205	3,100
Use of Accumulated Net Revenue	8,000	0	0	0	0
Miscellaneous	17,137	21,730	12,361	20,217	27,458
TOTAL REVENUES	757,029	837,085	515,352	554,460	804,501
EXPENSES					
Salaries & Wages	131,799	133,730	87,409	86,135	130,374
Heat, Light & Power	18,234	18,493	12,010	13,282	19,388
Regional Sewage Disposal	58,658	59,160	38,189	40,706	59,160
All Other	247,959	296,298	148,813	146,904	273,497
PAYGO	0	27,585	0	17,254	23,585
Debt Service	291,980	316,827	203,136	211,321	309,428
GROSS EXPENSES	748,630	852,093	489,557	515,602	815,432
Less: Reconstruction Debt Service Offset	(9,500)	(6,000)	(6,333)	(4,000)	(6,000)
Less: SDC Debt Service Offset	(5,772)	(5,772)	(3,849)	(3,848)	(5,772)
Less: Premium & Underwriter's Discount Transfers	(9,151)	(2,000)	(6,101)	(1,332)	(5,000)
NET EXPENSES	724,207	838,321	473,274	506,422	798,660
NET REVENUE (LOSS) FOR YEAR	32,822	(\$1,236)	\$42,078	48,038	5,841
ACCUMULATED NET REVENUE - JULY 1	164,760				176,837
Use of Fund Balance	(17,500)				(6,000)
ACCUMULATED NET REVENUE - JUNE 30	\$180,082				\$176,678

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'21 ACTUAL	FY'22 APPROVED BUDGET	FY'21 ACTUAL THRU 2/28/21	FY'22 ACTUAL THRU 2/28/22	PROJECTED THRU 6/30/22
<u>REVENUES</u>					
Water Consumption Charges	\$275,019	\$318,941	\$190,659	\$207,895	299,681
Account Maintenance Fee	17,075	16,251	11,377	11,220	16,498
Infrastructure Investment Fee	20,918	19,792	13,919	13,735	20,369
Plumbing & Inspection Fees	9,657	8,180	6,318	6,991	10,887
Interest Income	96	500	73	50	100
Use of Accumulated Net Revenue	4,080	0	0	0	0
Miscellaneous	8,066	10,200	5,444	9,053	13,938
TOTAL REVENUES	334,911	373,864	227,790	248,944	361,473
<u>EXPENSES</u>					
Salaries & Wages	71,852	72,834	47,626	46,436	71,176
Heat, Light & Power	10,333	10,541	6,965	7,818	11,436
All Other	129,869	147,825	75,530	76,343	145,686
PAYGO	0	8,867	-	5,023	7,583
Debt Service	123,270	140,498	87,011	90,167	137,245
GROSS EXPENSES	335,324	380,565	217,132	225,787	373,126
Less: Reconstruction Debt Service Offset	(4,845)	(3,060)	(3,230)	(2,040)	(3,060)
Less: SDC Debt Service Offset	(2,731)	(2,731)	(1,821)	(1,821)	(2,731)
Less: Premium & Underwriter's Discount Transfers	(1,540)	(910)	(1,027)	(606)	(1,680)
NET EXPENSES	326,208	373,864	211,054	221,320	365,655
NET REVENUE (LOSS)	8,703	\$0	\$16,736	\$27,624	(4,182)
ACCUMULATED NET REVENUE - JULY 1	32,924				36,199 *
Use of Fund Balance	(4,080)				0
Fund Balance Transfer	0				0
ACCUMULATED NET REVENUE - JUNE 30	\$37,547				\$32,017

*Reflects a decrease in net revenues of \$1,348,000 resulting from prior year adjustments.

SEWER OPERATING

(In Thousands)

	FY'21 ACTUAL	FY'22 APPROVED BUDGET	FY'21 ACTUAL THRU 2/28/21	FY'22 ACTUAL THRU 2/28/22	PROJECTED THRU 6/30/22
<u>REVENUES</u>					
Sewer Use Charges	\$353,536	\$398,862	\$243,226	\$257,644	\$374,800
Account Maintenance Fee	15,271	15,615	10,199	10,358	15,851
Infrastructure Investment Fee	18,968	19,016	12,646	12,866	19,571
Rockville Sewer Use	3,147	3,100	2,111	2,205	3,100
Interest Income	296	500	275	83	500
Plumbing & Inspection Fees	7,225	6,170	4,777	5,235	7,258
Use of Accumulated Net Revenue	3,920	0	0	0	0
Miscellaneous	8,882	11,400	6,780	11,052	13,390
TOTAL REVENUES	411,245	454,663	280,014	299,443	434,470
<u>EXPENSES</u>					
Salaries & Wages	59,032	60,205	39,186	39,100	58,507
Heat, Light & Power	7,901	7,952	5,045	5,464	7,952
Regional Sewage Disposal	58,658	59,160	38,189	40,706	59,160
All Other	117,135	147,152	72,750	70,020	126,490
PAYGO	0	18,718	0	12,231	16,002
Debt Service	158,574	168,547	108,032	115,231	164,401
GROSS EXPENSES	401,300	461,734	263,202	282,752	432,512
Less: Reconstruction Debt Service Offset	(4,655)	(2,940)	(3,103)	(1,960)	(2,940)
Less: SDC Debt Service Offset	(3,041)	(3,041)	(2,028)	(2,027)	(3,041)
Less: Premium & Underwriter's Discount Transfers	(7,611)	(1,090)	(5,074)	(726)	(3,320)
NET EXPENSES	385,993	454,663	252,997	278,039	423,211
NET REVENUE (LOSS)	25,252	\$0	\$27,017	\$21,404	11,259
ACCUMULATED NET REVENUE - JULY 1	110,018				129,453 *
Use of Fund Balance	(3,920)				0
Fund Balance Transfer	0				0
ACCUMULATED NET REVENUE - JUNE 30	\$131,350				\$140,712

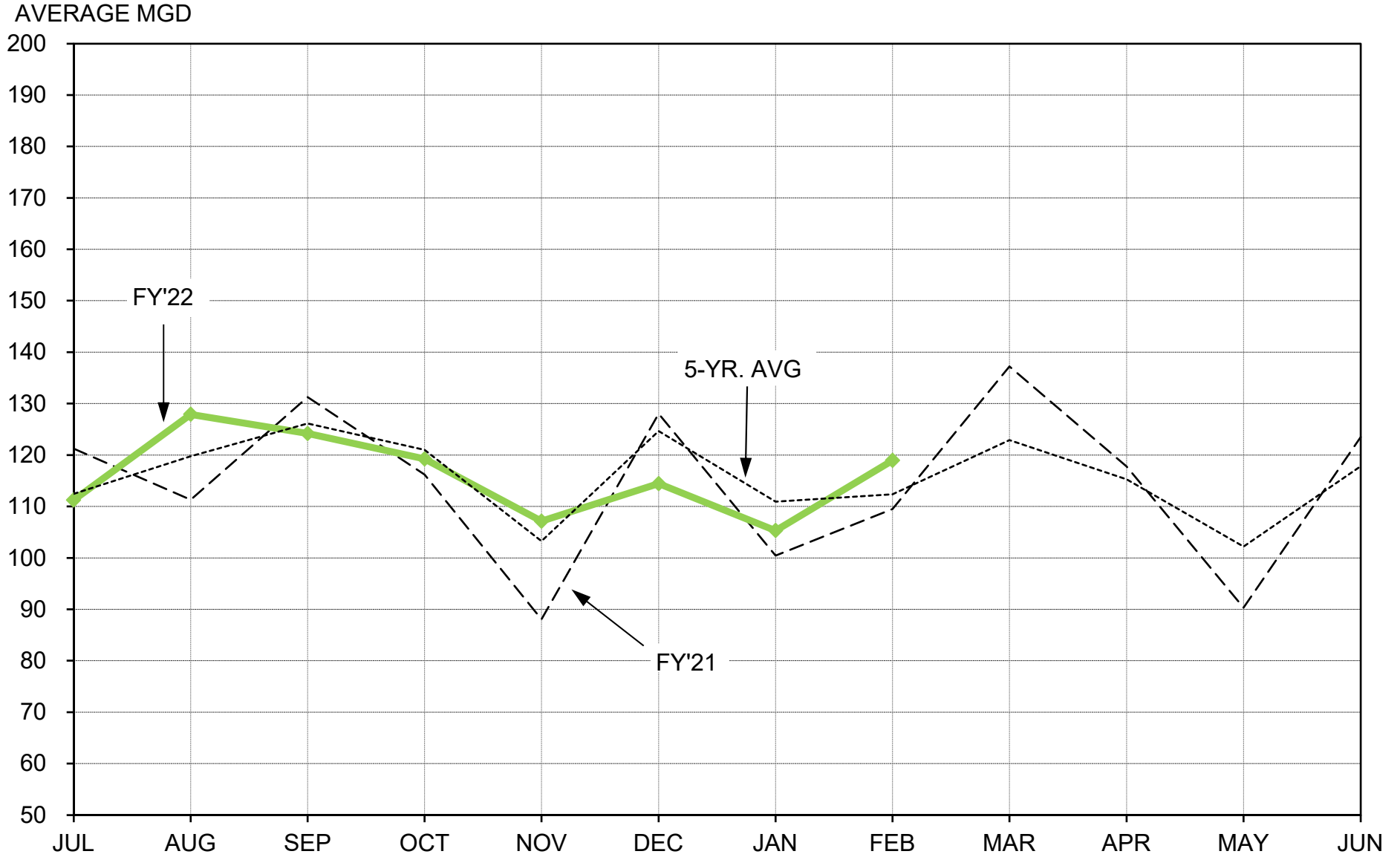
*Reflects a decrease in net revenues of \$1,897,000 resulting from prior year adjustments.

**FY'22
SEWER USE**

<u>MONTH</u>	<u>FY'22 MONTHLY AVERAGE (MGD)</u>	<u>FY'22 CUMULATIVE AVERAGE (MGD)</u>	<u>FY'21 CUMULATIVE AVERAGE (MGD)</u>
July	111.25	111.25	121.25
August	127.92	119.58	116.27
September	124.20	121.09	121.16
October	119.24	120.62	119.91
November	107.12	117.97	113.67
December	114.46	117.38	116.09
January	105.32	115.64	113.83
February	118.97	116.03	113.33
March			116.04
April			116.21
May			113.81
June			114.61

SEWER USE

(INCLUDES BLUE PLAINS)



GENERAL BOND DEBT SERVICE FUND

(In Thousands)

	FY'21 ACTUAL	FY'22 APPROVED BUDGET	FY'21 ACTUAL THRU 2/28/21	FY'22 ACTUAL THRU 2/28/22	PROJECTED THRU 6/30/22
REVENUES					
Front Foot Benefit & House Connection					
Assessments	\$10,664	\$8,428	\$7,396	\$5,954	\$8,428
Interest Income	20	0	15	7	0
Miscellaneous	189	130	137	112	130
Use of Accumulated Net Revenue	9,500	6,000	6,333	4,000	6,000
Reconstruction Debt Service Offset	(9,500)	(6,000)	(6,333)	(4,000)	(6,000)
TOTAL REVENUES	10,873	8,558	7,548	6,073	8,558
EXPENSES					
Salaries & Wages	915	691	597	599	691
All Other	955	1,321	533	541	1,321
Debt Service	10,136	7,782	8,093	5,923	7,782
GROSS EXPENSES	12,006	9,794	9,223	7,063	9,794
NET EXPENSES	12,006	9,794	9,223	7,063	9,794
NET REVENUE (LOSS)	(1,133)	(\$1,236)	(\$1,675)	(\$990)	(1,236)
ACCUMULATED NET REVENUE - JULY 1	21,818				11,185
Use of Fund Balance	(9,500)				(6,000) *
ACCUMULATED NET REVENUE - JUNE 30	\$11,185				\$3,949

* Reflects transfer of \$6,000,000 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, 2021	\$28,705
<u>ACCOUNT ADDITIONS:</u>	
SDC Revenues, Net	19,217
Interest Income	<u>10</u>
FUNDS AVAILABLE	47,932
Less MOU Credit Reimbursement	(2,134)
<u>TRANSFERRED TO OPERATING FUNDS:*</u>	
Water Operating - Debt Service	(1,821)
Sewer Operating - Debt Service	(2,027)
<u>TRANSFERRED TO BOND FUNDS:</u>	
Water Supply Bond	0
Sewer Disposal Bond	<u>0</u>
Account Balance	41,950
Less Amounts Billed But Not Yet Collected	0
Less Reserve for MOU Related Reimbursements	<u>(11,722)</u>
AVAILABLE ACCOUNT BALANCE, FEBRUARY 28, 2022	<u><u>\$30,228</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.