

Capital Improvements

CAPITAL IMPROVEMENTS BUDGET POLICY

For capital budgeting purposes, the Utility staff uses a strategic weighting scale to determine priorities for each of the scheduled projects. Criteria used to prioritize capital projects include regulatory requirements; aging and condition; overloaded or overtaxed infrastructure; environmental impacts; reliability; drought, customer service; other agency driven projects (street and highway construction); growth and new development; new water supplies, financial impacts; and operational efficiency. The Utility defines a capital expenditure as an asset with an individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Due to state procurement laws and the nature of capital improvement expenditures, it generally takes more than one fiscal year to completely spend one year's appropriations. By law, EPWU cannot award a project unless it is fully funded. However, many large projects have multiple year and/or multiple phase construction periods. El Paso Water Utilities uses several benchmarks of efficiency to ensure capital budget integrity. These include timely completion clauses, aggressive efforts to minimize change orders, and tracking the progress of the overall **capital improvement plan (CIP)**. On an annual basis, staff members from Engineering, Planning, Operations, and Finance update the CIP. The final CIP document stretches from a mid-year update out to a ten year planning horizon. It incorporates all known or likely to occur variables based on growth, maintenance of the current system, and addresses issues including new and/or probable regulatory requirements or political directives.

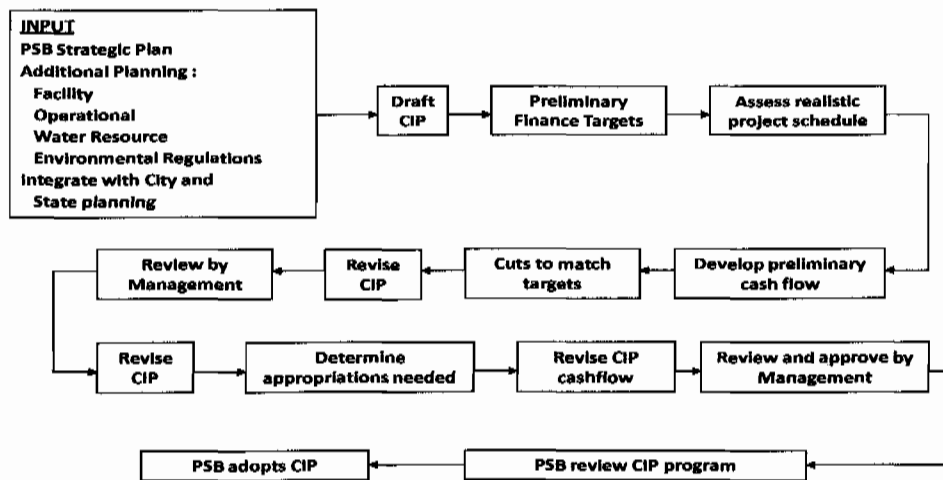
The following is a typical schedule for the development of a CIP budget:

- ❑ March 1 – fiscal year begins
- ❑ April to May – strategic planning updates to the 10 year capital plan
- ❑ August – Project managers gather information for 1st draft CIP budget
- ❑ September – draft CIP budget reviewed by Management and Finance
- ❑ October – revisions made to draft and presented to President/CEO

- November – Management approves capital budget and Finance assigns necessary funding
- November to January – budget workshops to review the operating and capital budget requests with the Public Service Board and the public can comment
- January – PSB approves and adopts the final combined operating and capital budget for the fiscal year beginning next March 1

This simplified flowchart graphically represents the entire capital budgeting process. In addition, operating costs related to new infrastructure is incorporated in the financial

Annual Capital Improvement Program



plan. There are numerous opportunities for staff updates, public input, and revisions, so this chart is a representative snapshot of a truly dynamic process.

BUDGET TRENDS IN FY 2008 – 2009

While the bulk of capital improvement efforts are geared towards serving the growth of the city, including water resource development, the Utility still pays diligent attention to replacement and rehabilitation of the total system. Phased improvements to reservoirs, pump stations, lift stations, treatment plants, and distribution and collection lines are a critical part of the capital improvement program. This allows the Utility to boast over a 99.99% reliability rating and shows why the TCEQ again rated the Utility a “Superior Water System.” Of the approximately \$50 million invested in plant and system improvements and additions in FY 2008-2009, the Utility spent \$7 million for new reservoirs, \$5 million for new distribution water lines and pumping equipment, and \$4

Capital Improvements

million in rehabilitation of existing water infrastructure. On the wastewater side, the Utility spent \$13 million in new collection systems and pumping facilities, and \$6 million in rehabilitation of existing wastewater infrastructure. Finally, the Utility's geographic information system continues to expand and allow staff to take advantage of cutting edge tools in addressing Utility issues and priorities.

FY 2009 – 2010: MEETING FUTURE DEMANDS

Because many capital projects were postponed during FY 2008-09, the majority of capital projects for FY 2009-10 are already funded through prior years' appropriations. Out of the \$63.3 million capital budget, only \$12.6 million is from new appropriations. The capital budget continues to address water supply issues, continued population growth and water demand, rehabilitation of water and wastewater infrastructure, and new water, wastewater and reclaimed water facilities to meet demand:

- To meet the demands of growth both inside and outside the city, several projects are included in the FY 2009-10 capital budget. One of these is the Arcraft project in the Northwest, which was started in FY 2007-08, and includes a series of elevated reservoirs, pump stations, and construction of a new wastewater collector and lift station. Water distribution lines will be added in East El Paso, as well as the continued expansion of the eastside interceptor system.
- \$12.6 million will be spent to relieve a present system of mains collecting wastewater flow from the North/Central area of El Paso that includes Ft. Bliss. This relief line is needed to increase the system's capacity ahead of the planned expansion of Ft. Bliss.
- The continuation of the major renovation of the Fred Hervey Water Reclamation Plant, which is now over 25 years old, is included in this year's budget. The final phase of this project includes new headworks and a complete secondary train.
- The expansion of the North Central reclaimed water system will continue into FY 2009-10. These extensions will serve existing and new schools, parks and Fort Bliss.
- The Utility maintains the level of system rehabilitation and replacement, and compliance with existing and new federal and state regulatory mandates.

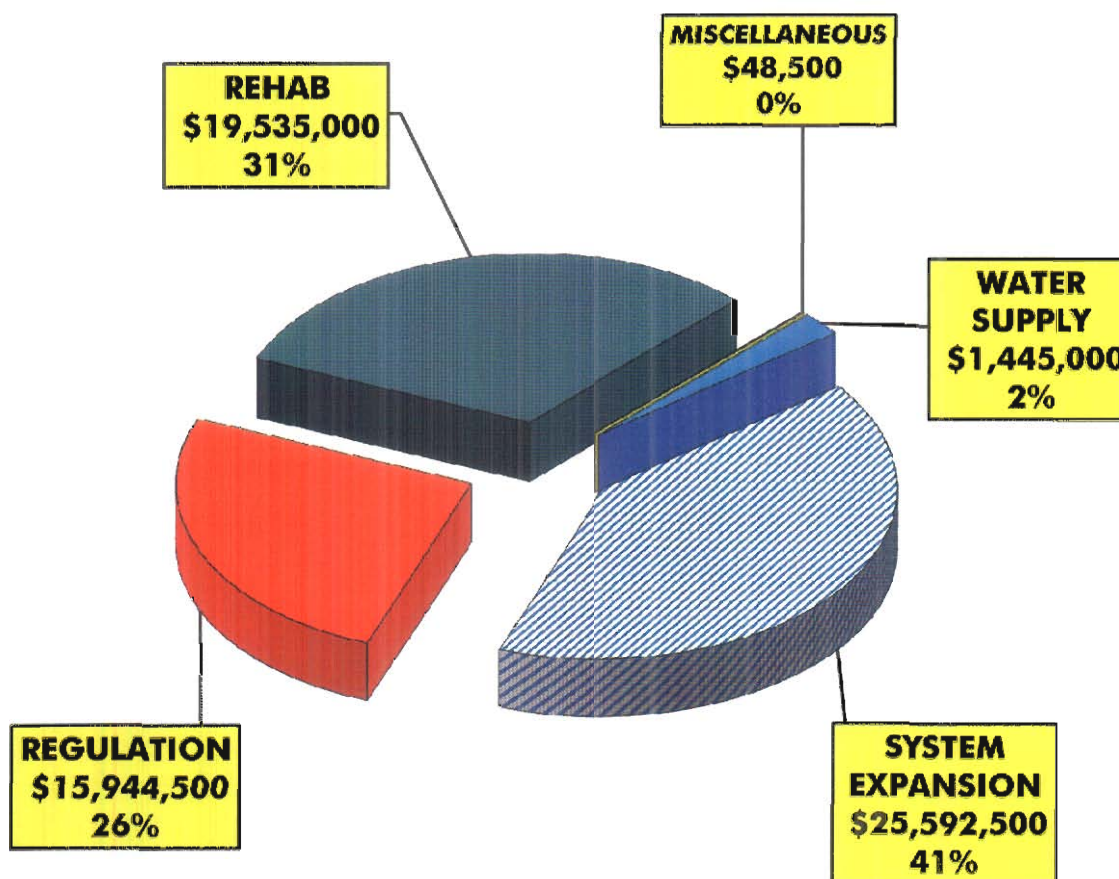
Other projects that make up the capital budget include planning, design, and construction phase work in all parts of town. Critical construction projects will begin or continue on the West Side while crucial planning, design and construction for East Side

projects will go forward. Line replacement and rehabilitation will continue at a high level, with the most critical lines identified and repaired on a prioritized basis. The Utility continues to work in close conjunction with the City of El Paso and the Texas Department of Transportation in major street renovation and highway projects. As El Paso continues to assert its role as the most important city on the U.S.-Mexico border, more joint efforts with the Texas Department of Transportation, Texas Water Development Board, City of El Paso, and other governmental agencies will increase. Many of these projects are associated with state highways and associated rights-of-way, as El Paso remains a major thoroughfare into the 21st century.

FY 2009-2010

Capital Budget Summary

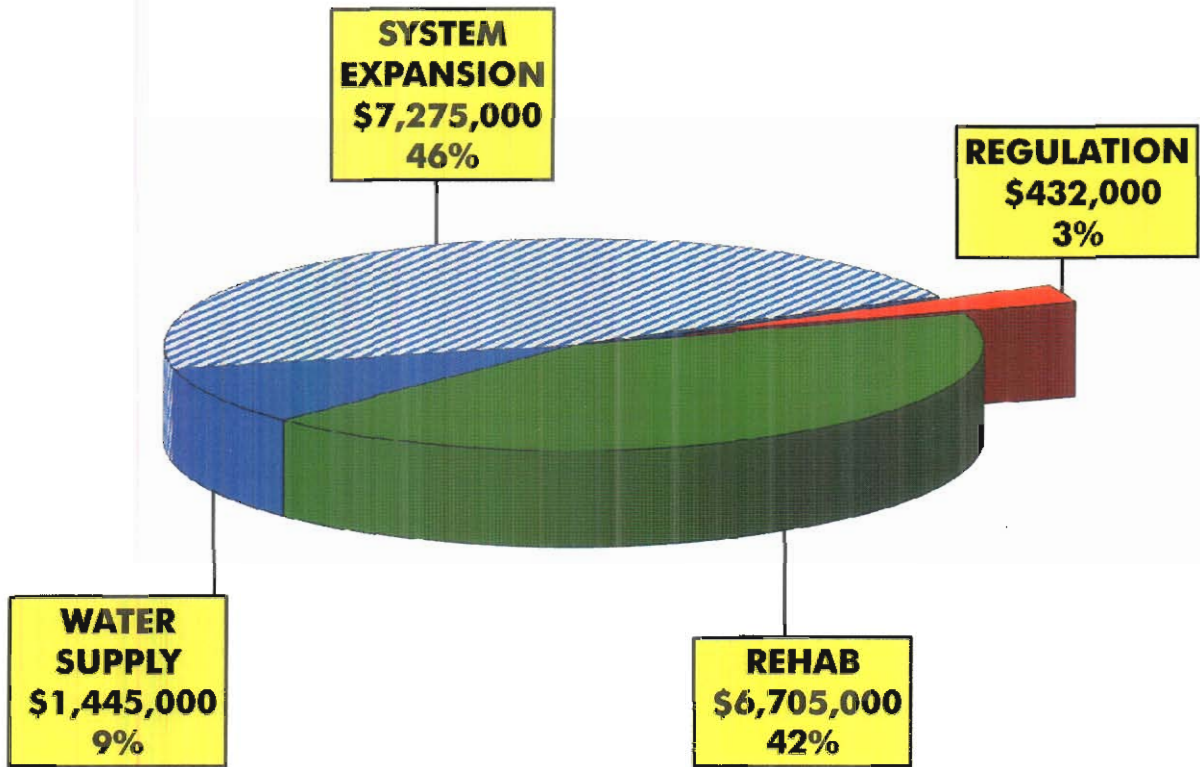
Combined Water + Wastewater + Miscellaneous
Projected Expenditures



Total Capital Budget
\$62,565,500

FY 2009-2010 Capital Budget Summary

Projected Water Expenditures



**Total Water Capital Budget
\$15,857,000**

El Paso Water Utilities
Public Service Board
Capital Improvement Program
Funding for Fiscal Year 2009-2010

WATER SYSTEM IMPROVEMENT

Item #	Project	FY 2009-2010	PROPOSED FUNDING SOURCES FOR NEW MONEY PROJECTS					CIA	
		Funding Request	Projected Expenditures	IMP	WSRC/IMP	ANX/EES IMP	CP		GRANT
WATER SUPPLY FACILITIES									
1102	Well Construction, Plugging & Test Holes	0	1,445,000						
1109	IDF Injection Wells		100,000						
1401	Water Rights, Including Land		1,015,000						
1402	Water Resources Plans (Grant)		80,000						
1405	Watershed Management (Grant)		50,000						
1406	Membrane Pilot-Winter Flow (Grant)		1,250,000						
DISTRIBUTION PUMPING EQUIPMENT									
3001	Axonrad #2 ICE-95AWS/SL-N-W-WEMP	0	1,250,000						
DISTRIBUTION LINES									
4053	Essside Planned Service Area (Passo)	0	4,110,000						
4067	Ponderosa/Western Village (Grant)		3,500,000						
4068	Mexfair/Other External Services (Grant)		60,000						
4073	Vinton-Douglas/Quellette (Grant)		100,000						
4675	Jurf (Grant)		100,000						
REHABILITATION									
5101	Meter Replacement	0	5,530,000						
5102	Primary Metering of Wells/PS		400,000						
5202	CD/Bond Paving Projects		500,000						
5212	Planned Pipeline Replacement		1,000,000						
5245	Paisano Vly 48" Trans Rplcm (DSM)		500,000						
5286	Mesa St., Resler-Alto Mesa (24")		1,500,000						
5301	Well Rehabilitation Operations		750,000						
5406	Reservoir Rehabilitation		200,000						
5511	Plant Emergency & Small Upgrades		550,000						
5512	Disinfect Byproduct Rule/Surface Water Rule Compl		200,000						
5636	Various Valves Replacement		100,000						
NEW CUSTOMERS									
6100	Meters	990,000	990,000						
6200	Fire Hydrants	350,000	350,000						350,000
6300	Supplement for Oversize Lines	350,000	350,000	175,000					175,000
6400	Supplement for Individual Payments	100,000	100,000	100,000					
6500	Extension from Contribution Payments	100,000	100,000	100,000					
6600	Taps Paid from Contribution Payments	50,000	50,000						50,000
6600	Taps Paid from Contribution Payments	40,000	40,000						40,000
SUPPORT FACILITIES									
7001	Central Lab	0	332,000						
7002	Process Automation/SCADA		132,000						
OTHER MAJOR CAPITAL PROJECTS									
8011	M.I.S. Systems	0	2,040,000						
8012	Rehab of PSB Properties		1,650,000						
8013	Regulatory Engine Updares		100,000						
8018	Security Upgrades-Water Facilities		200,000						
TOTAL WATER		990,000	15,457,000	375,000	0	0	0	0	615,000

**EI Paso Water Utilities/Fiscal Year 2009-2010 Annual Budget
APPROVED WATER PROJECTS**

PROGRAM: METERS

CIP #6100

PROGRAM
CATEGORY New Customers
PROJECT METERS - Meters for new customers

Total Funding Request	\$350,000
Funding Sources	CIA \$350,000
FY 2009-10 Projected Expenditures	\$350,000 (Construction)
Total Project Cost	\$350,000 per year
Impact on Operating Budget	None

PROGRAM: FIRE HYDRANTS

CIP #6200

PROGRAM
CATEGORY New Customers
PROJECT FIRE HYDRANTS - Expenses associated with providing new hydrants in developing areas.

Total Funding Request	\$350,000
Funding Sources	IMP \$175,000 CIA \$175,000
FY 2009-10 Projected Expenditures	\$350,000 (Construction)
Total Project Cost	\$350,000
Impact on Operating Budget	None

PROGRAM: SUPPLEMENT FOR OVERSIZED LINES

CIP #6300

PROGRAM
CATEGORY New Customers
PROJECT SUPPLEMENT FOR OVERSIZED LINES - EPWU participation with developers to provide lines greater than 12-inches in diameter when required to meet master plan needs.

Total Funding Request	\$100,000
Funding Sources	IMP \$100,000
FY 2009-10 Projected Expenditures	\$100,000 (Construction)
Total Project Cost	\$100,000/yr increasing to \$125,000 in 4 years
Impact on Operating Budget	None

**El Paso Water Utilities/Fiscal Year 2009-2010 Annual Budget
APPROVED WATER PROJECTS**

PROGRAM: SUPPLEMENT FOR INDIVIDUAL PAYMENTS

CIP #6400

PROGRAM
CATEGORY New Customers

PROJECT SUPPLEMENT FOR INDIVIDUAL PAYMENTS - EPWU share of line extension cost to serve new customers.

Total Funding Request	\$100,000
Funding Sources	IMP \$100,000
FY 2009-10 Projected Expenditures	\$100,000 (Construction)
Total Project Cost	\$100,000/yr increasing to \$125,000 in 4 years
Impact on Operating Budget	None

PROGRAM: EXTENSION FROM CONTRIBUTION PAYMENTS

CIP #6500

PROGRAM
CATEGORY New Customers

PROJECT EXTENSION FROM CONTRIBUTION PAYMENTS - Customer financed extension of lines.

Total Funding Request	\$50,000
Funding Sources	CIA \$50,000
FY 2009-10 Projected Expenditures	\$50,000 (Construction)
Total Project Cost	\$50,000/yr increasing to \$60,000 in 4 years
Impact on Operating Budget	None

PROGRAM: TAPS PAID FROM CONTRIBUTION PAYMENTS

CIP #6600

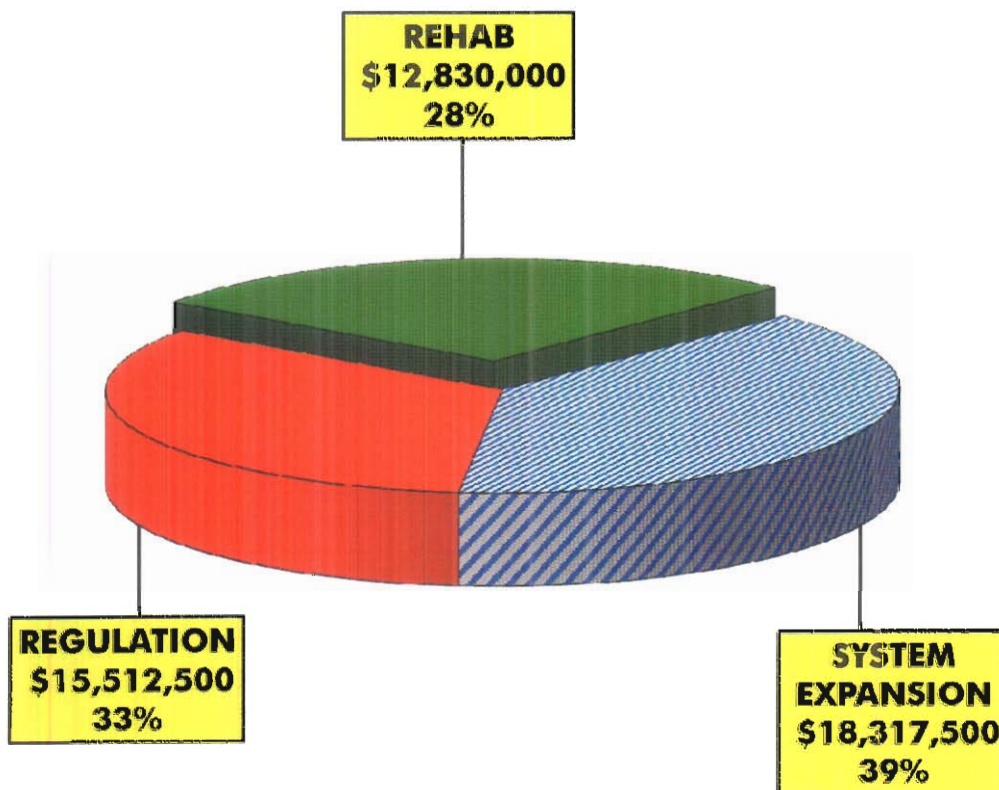
PROGRAM
CATEGORY New Customers

PROJECT TAPS PAID FROM CONTRIBUTION PAYMENTS - Customer financed tap cost.

Total Funding Request	\$40,000
Funding Sources	CIA \$40,000
FY 2009-10 Projected Expenditures	\$40,000 (Construction)
Total Project Cost	\$40,000/yr increasing to \$50,000 in 4 years
Impact on Operating Budget	None

FY 2009-2010 Capital Budget Summary

Projected Wastewater Expenditures
(Including Reclaimed Water System)



Total Wastewater Capital Budget
\$46,660,000

El Paso Water Utilities
Public Service Board
Capital Improvement Program
Funding for Fiscal Year 2009-2010

WASTEWATER SYSTEM IMPROVEMENTS

Item #	Project	FY 2009-2010 Funding Request	FY 2009-2010 Projected Expenditures	PROPOSED FUNDING SOURCES FOR NEW MONEY PROJECTS						
				IMP	WSRC/IMP	ANX/FFES IMP	CP	GRANT	BONDS	CIA
COLLECTION SYSTEM										
1102	Manholes	12,600,000	30,000							
1218	Other Interceptors (Area #8, East)		1,000,000							
1229	Loop 375 East Interceptor System		9,000,000							
1340	Boone Relief Line	12,600,000	12,600,000				12,600,000			
PUMPING AND FORCE MAINS										
2011	LINE DYER/RR Lift Station (7 MGD)	0	280,000							
REHABILITATION										
4101	Routine Line Rehabilitation	0	1,000,000							
4102	C.D./B. I. Projects		500,000							
4111	Manholes		50,000							
4209	Plant Emergencies & Small Upgrades		500,000							
4210	Fred Hervey Renovation & Process CH		15,000,000							
4214	Haskell Street RAS Pumps		50,000							
4215	HKS-Engine/Flare/Gate		500,000							
4216	RRB Digester Rehab		400,000							
4217	RRB Aeration System Rehab		400,000							
4301	Lift Station Replacement:		100,000							
4314	Lone Star Force Main		200,000							
NEW CUSTOMER FACILITIES										
5100	Line Relocation	325,000	325,000						50,000	
5200	Supplement for Oversize Lines	50,000	100,000							
5300	Supplement for Individual Payments	100,000	100,000							
5400	Lines Financed by Contribution	75,000	75,000						75,000	
OTHER MAJOR CAPITAL PROJECTS										
8003	Security Upgrades - Sewer Facilities	0	25,000							
TOTAL WASTEWATER				0	0	0	12,600,000	0	0	125,000

El Paso Water Utilities
Public Service Board
Capital Improvement Program
Funding for Fiscal Year 2009-2010

RECLAIMED AND BRACKISH WATER SYSTEM IMPROVEMENTS

Item #	Project	FY 2009-2010	FY 2009-2010	PROPOSED FUNDING SOURCES FOR NEW MONEY PROJECTS						CIA	
		Funding Request	Projected Expenditures	IMP	WSRC/IMP	ANN/FEE/IMP	CP	GRANT	BONDS		
6002	WASTEWATER REUSE DISTRIBUTION SYSTEM Haskell Street WWTP North Central	0	4,500,000								
6005	North West WWTP Phases II & III		500,000								
TOTAL RECLAIMED AND BRACKISH WATER IMPROVEMENT		0	4,500,000	0	0	0	0	0	0	0	0
TOTAL COMBINED SYSTEM IMPROVEMENTS		13,915,000	62,517,000	375,000	0	0	12,600,000	0	0	0	740,000

APPROVED WASTEWATER PROJECTS

PROGRAM: BOONE RELIEF LINE

CIP #1240

PROGRAM
CATEGORY Collection System

PROJECT BOONE RELIEF LINE – This project is to relieve a present system of mains collecting wastewater flow from the North/Central area of El Paso that also includes Ft. Bliss. The present system consists of 30-inch, 25-inch, & 21-inch diameter mains along Boone Street, from Yandell Drive to Haskell Street Wastewater Treatment Plant. This relief line is needed to increase the system’s capacity ahead of the planned expansion of Ft. Bliss. Approximately 12,100 LF of 36-inch new pipe is needed for the new relief line. This relief line will go from the junction box at Yandell Drive and Boone Street to the Haskell Street WWTP. Construction is scheduled to begin in 2009 and be completed in 2010. Once this relief line is in service, rehabilitation of the existing lines through CIP 4172 can be done.

Total Funding Request	\$12,600,000
Funding Sources	CP \$12,600,000
FY 2009-10 Projected Expenditures	\$12,600,000 (Construction)
Total Project Cost	\$12,600,000
Impact on Operating Budget	Negligible < \$5,000

PROGRAM: LINE RELOCATION

CIP #5100

PROGRAM
CATEGORY New Customer Facilities

PROJECT LINE RELOCATION - Various line relocations and upgrades as they conflict with other public projects.

Total Funding Request	\$50,000
Funding Sources	CIA \$50,000
FY 2009-10 Projected Expenditures	\$50,000 (Construction)
Total Project Cost	\$50,000/yr
Impact on Operating Budget	None

PROGRAM: SUPPLEMENT FOR OVERSIZE LINES

CIP #5200

PROGRAM
CATEGORY New Customer Facilities

PROJECT SUPPLEMENT FOR OVERSIZE LINES - Payments to developers towards master plan lines installed greater than 12 inch or greater than necessary to serve their development.

Total Funding Request	\$100,000
Funding Sources	IMP \$100,000
FY 2009-10 Projected Expenditures	\$100,000 (Construction)

El Paso Water Utilities/Fiscal Year 2009-2010 Annual Budget
APPROVED WASTEWATER PROJECTS

CIP #5200 (CONT.)

Total Project Cost	\$100,000/yr
Impact on Operating Budget	None

PROGRAM: SUPPLEMENT FOR INDIVIDUAL PAYMENTS

CIP #5300

PROGRAM	New Customer Facilities
CATEGORY	

PROJECT SUPPLEMENT FOR INDIVIDUAL PAYMENTS - The utility's share of utility extensions to new customers.

Total Funding Request	\$100,000
Funding Sources	IMP \$100,000
FY 2009-10 Projected Expenditures	\$100,000 (Construction)
Total Project Cost	\$100,000/yr
Impact on Operating Budget	None

PROGRAM: LINES FINANCED BY CONTRIBUTION

CIP #5400

PROGRAM	New Customer Facilities
CATEGORY	

PROJECT LINES FINANCED BY CONTRIBUTION - New customer paid for sewer extensions.

Total Funding Request	\$75,000
Funding Sources	CIA \$75,000
FY 2009-10 Projected Expenditures	\$75,000 (Construction)
Total Project Cost	\$75,000/yr
Impact on Operating Budget	None

El Paso Water Utilities/Fiscal Year 2009-10 Annual Budget
WATER & WASTEWATER APPROVED CAPITAL OUTLAY FOR
LIGHT, OFFICE and MISCELLANEOUS EQUIPMENT
FY 2009-2010.

Item#	Section	Quantity	Item	Approved Light Capital
1	330	1	Map storage	\$ 10,500
2	525	1	Autotitrator	17,000
3	620	3	5-ton hoists	21,000
Total Light, Office and Miscellaneous Equipment				\$ 48,500

