

# Strategic Planning

Long-term water and wastewater planning continues to be a critical component in managing the region's water resources. EPWU continues to take a leadership role in working with various entities from throughout the region that are all devoted to regional planning efforts.

Regional leadership is and has been an important consideration as the Utility implements long-term planning strategies aimed at ensuring a sustainable supply of water.



In 2008, EPWU's water resources managers advanced the knowledge of the city's three water sources (Rio Grande Diversion, Hueco Bolson groundwater and Mesilla Bolson groundwater) as well as potential future sources of water. Future variations in Rio Grande supply were studied in relation to potential climate change scenarios. The staff extended the climate change analysis to evaluate the impacts of increased pumping from the Hueco Bolson due to reduced surface water supplies under climate change scenarios. Data collection continued in the Mesilla Bolson area as part of an ongoing effort to update the groundwater model. Groundwater models simulate potential future groundwater management scenarios, which can be helpful in evaluating the feasibility of proposed projects. The staff obtained additional information about the Mesilla Bolson by drilling five test holes. The Utility also completed an extensive evaluation of the groundwater resources of the Dell City area to guide future strategic decisions regarding a potential groundwater importation project that is currently scheduled for 2030.

In cooperation with the Texas Water Development Board, EPWU staff completed an analysis of climate change impacts to El Paso's water supply. Many sources of research indicate that climate change will occur in the future. Increased greenhouse gas emissions have raised concern as a potential contributor to climate change. Scientists

have forecasted higher temperatures and more frequent droughts for Texas in the coming years. These conditions, combined with increasing populations, are expected to increase demands and stress supplies of municipal water resources.

Both natural and man-made climate change can affect local water supplies, most notably water from the Rio Grande. However, as an effective steward of El Paso's water resources, the Public Service Board incorporates possible climate change scenarios into the Utility's adaptive management water resources policies. Thanks to proactive planning and sound management, El Paso is prepared for the extreme weather patterns that could occur.

Climate change over the last 1,000 years has been well documented, and these data were used to investigate the vulnerability of El Paso's municipal water supplies to historic variation of regional climate, as well as to the consequences of predictions in the 2007 Intergovernmental Panel on Climate Change (IPCC) report. Historic variation was defined using published tree ring data for northern New Mexico. Runoff from northern New Mexico and southern Colorado represents the majority of Rio Grande flow that feeds Elephant Butte Reservoir. This is the major regulating reservoir for agricultural and municipal users in southern New Mexico, far west Texas, and Ciudad Juarez, which is in Chihuahua, Mexico.

Based on the tree-ring data, annual flow to Elephant Butte Reservoir was simulated for 1007 years (1001 to 2007). The analysis was extended by considering precipitation changes based on 21 General Circulation Models described in the IPCC report.

Sixty scenarios of various precipitation and reservoir evaporation conditions were simulated based on both the historic variability and changes to historic variability that were based on IPCC predictions. Each scenario included 985 50-year simulations; thus a total of 57,480 50-year simulations were completed for this analysis. Key results included estimated changes to surface water diversions, estimates of required groundwater pumping to meet demands under the current management approach, and estimates of resulting groundwater storage changes.

The analysis demonstrates that the historic variability and predicted changes associated with climate change are insignificant with respect to meeting municipal water demands in

# **Strategic Plan**

El Paso County. It also highlights the effectiveness of past investments in water infrastructure and the efficacy of the current management approach to responding to climatic variability.

The analysis confirms that because of EPWU's water resource management policies, fresh groundwater storage in the El Paso portion of the Hueco Bolson will remain above 75 percent of 2002 fresh groundwater storage. This means that over the next 50 years, there will not be less than 7.05 million acre-feet of fresh water available in the Hueco Bolson, even under the worst case scenario.

The current management approach and infrastructure ensure that El Paso County's groundwater supply will not be significantly impacted by the worst-case climate change scenario. Future water demands will be met through the year 2060.

The continued implementation of the County Water and Wastewater Master Plan previously developed by the Utility and El Paso County continues to serve as a guide for working with communities located outside the City limits of El Paso that require assistance in receiving water. In addition, efforts to adhere and consider smart growth principles within land use Master Plans developed for property owned by the Public Service Board are well underway. Such planning efforts are to be completed before development occurs and will ensure that the necessary infrastructure and quality of life amenities are in place before development occurs.

## **EL PASO WATER UTILITIES - PUBLIC SERVICE BOARD**

### **CHARTER**

*The El Paso Public Service Board - El Paso Water Utilities exists to serve the water resource needs of the population of the El Paso geographical area. Its strategic and operational impetus is on delivering quality services in an affordable manner to all who demand it. These services include water for all uses, wastewater services, and related services as demanded and as deemed feasible.*

*As a growing Utility in a rapidly growing region, El Paso Water Utilities strives to anticipate, plan for, and react to the changing environment in which it operates. Through diligence in all of its functions, the Utility seeks to deliver ever-increasing value to its customers while promoting orderly growth in its service area. We encourage the involvement and participation of the public through open and honest communication at all levels with all our stakeholders.*

*To be as effective as we can be, we use all our resources to continuously create an enterprise for leadership. That leadership is reflected in our technology, our management style, our critical business practices, and in our vision. Most importantly, it is reflected in the people whose diligence is the cornerstone of the success of the Utility. To that end, we continually work to develop the capabilities and initiative of our employees and our leadership. We believe it is primarily through their efforts that the Utility will continue to excel.*

*We recognize the criticality of the mission with which we are entrusted. Through a consistently high level of attention to the needs of the public, the Utility demonstrates an ongoing commitment to supporting the lifestyle demands of the El Paso Southwest. In all of our actions we seek to balance those demands with attention to conservation and restraint in our use of water resources. With our stakeholders as partners, we envision a bright future of water availability, technological innovation, and support of economic growth for the personal, commercial, and industrial benefit of El Paso.*

## **MISSION STATEMENT**

*The Public Service Board is the trustee for the water and sewer system of the City of El Paso with complete authority and control of the management and operation of the Utility, in accordance with Ordinance 752 and subsequent bond ordinances. The Board provides management and financial stability to the Utility through the establishment of sound rules, regulations, and policies for directing its operation.*

*The mission of the El Paso Water Utilities/Public Service Board is to furnish at fair and reasonable costs to our customers:*

- ❖ High quality potable water in sufficient quantities and at adequate pressures to satisfy domestic, industrial, and fire protection requirements, and in accordance with the Board's Water Conservation Plan.*
- ❖ Collection of liquid waste from individual customers for treatment and disposal without hazard to the health of the community in a manner that will protect the environment.*
- ❖ Planning and management of all Stormwater related functions within the City of El Paso and El Paso County, as contracted by the Public Service Board and the County.*

## **STRATEGIC PLAN FY 2009-10**

In FY 1997-1998, the Public Service Board developed a strategic plan to guide the Utility. This "Ten-Year Strategic Plan" is updated annually and specifies a comprehensive prioritized set of initiatives and ongoing activities to enhance the present and future delivery of quality water and wastewater services for our current and future customers.

Section managers play an active role in the strategic planning process by identifying problem areas, defining plans for addressing various issues within each section, and establishing priorities. Internal and external issues in the technical, finance, operations and maintenance, communications & government affairs, legal, human resources, and policy and administrative related areas are considered and addressed. The internal process includes the development of critical success factors along with key goals and objectives. This process allows key section managers an opportunity to provide policy

recommendations that are considered by the Public Service Board. The approved Strategic Plan is monitored by staff on an ongoing basis to ensure compliance and implementation.

During the planning process for 2009, the PSB determined that the most significant issues centered on financial planning, support to Fort Bliss, service to annexed areas, annexation issues, infrastructure (water/wastewater), westside master plan issues, regional planning, infrastructure rehabilitation, construction of new stormwater facilities, government relations/funding needs. The updated plan identifies the driving forces that have an impact on the Utility, and addresses how the Utility should proactively deal with these driving forces on a prioritized basis:

- ❑ Human Resource Needs
- ❑ Replacement of Infrastructure
- ❑ Meeting Regional System Demands
- ❑ El Paso Electric Rates/Expansion Plans
- ❑ Financial Planning
- ❑ Storm Drainage
- ❑ Annexation Issues
- ❑ Communications

The PSB also identified factors that contribute most critically to the future success of the organization and create an environment of understanding of what needs to be done. The critical success factors fall into six major categories: quality, government affairs/communications & marketing, resource management, organization & management, financial, security and stormwater. These categories are then used to address key water issues and how each issue is to be implemented:

### **I. QUALITY**

- Maintain high quality and reliable service.
- Maintain a high level of community support and customer satisfaction
- Apply technology and innovative management techniques to sustain competitiveness with comparable service providers.
- Use available technology to enhance the Utility's ability to provide superior industry service.

Goal:

1. Empower employees to help achieve best practices through the consistent application of **Total Quality Management (TQM)** principles

Measured by:

- a. Continue training so that remaining 30% of water division employees obtain necessary training by 2009. Wastewater division has met Total Quality Management goals.

2. EPWU will be acknowledged as the leader in providing quality water and wastewater services.

Measured by:

- a. Sustain a 95% customer satisfaction rating measured through a periodic survey of customers.

3. Continue to implement best operation, management, and maintenance practices throughout the Utility.

Measured by:

- a. Use a computerized water distribution maintenance management system to its full potential.
- b. Identify within the Utility's Capital Improvements Program, Nutrient Criteria Implementation to be in effect by the year 2015.
- c. Monitor categorical industries in their respective areas and internally identifying any pollutants that may be of concern by performing chronic bio-monitoring analyses concurrently with EPA pre-treatment priority pollutants.
- d. Develop a SCADA Master Plan and associated CIP to ensure increasing and effective automation of the water system.
- e. Conduct a comprehensive study of radio frequency systems utilization and licensing to encompass SCADA, leak detection, security video imaging, RF Metering and Voice Radio.
- f. Develop a comprehensive automated cathodic protection system monitoring for all large diameter steel pipe segments.

4. Optimize best use practices in planning, engineering and management to protect and gain a high yield on its investments.

Measured by:

- a. Continue the integration of econometric models and economic considerations into the Capital Improvement Project (CIP) planning efforts to optimize quality infrastructure investments.

- b. Implement a priority system for the CIP that includes costs, benefits, environmental, and political considerations.
  - c. Assess the cost-effectiveness and timeliness of the 10-year CIP (comparison of plan vs. history) on an annual basis.
5. Operate and maintain a bi-national regional water quality laboratory and a water quality data management system for the regional Rio Grande Watershed, and be instrumental in directing future Watershed Management activities.

Measured by:

- a. Identify and work with the appropriate agencies to inventory watershed protection data. Data shall meet EPA standards and be incorporated into the Rio Grande Watershed depository.
- b. Obtain NELAP Accreditation.
- c. Create cost analysis for all tests in the laboratory.
- d. Expand testing capabilities, specifically cyanide, and increase organics analysis.
- e. Determine the feasibility of upgrading to the newest revision of LIMS.
- f. Utilize Inventory Control Program to remove excess and unused chemicals/consumables.

## **II. GOVERNMENT AFFAIRS, COMMUNICATIONS & MARKETING**

- Continue to educate political constituents on policy issues.
- Gain public support for EPWU issues and maintain key alliances.
- Deliver effective and consistent messages concerning EPWU's plans, policies and programs.
- Participate in the formulation of water, wastewater and stormwater legislation and policy issues that will further the interests of the Utility.
- Continue to foster an environment of cooperation, coordination, and support with the City and County of El Paso, as well as other regional stakeholders.
- Brand EPWU as an industry leader, its facilities as state of the art, and its services as superior.

Goal:

1. Clearly and consistently communicate its priorities, goals, and objectives to all stakeholders.

Measured by:

- a. Monitor the Strategic Plan to ensure compliance, and updating the plan as external conditions warrant.
  - b. Continue to increase the amount of stakeholder involvement and public support for EPWU initiatives, including private/public partnerships with stakeholders on land management initiatives including, the Corps of Engineers, TXDOT, Fort Bliss, school districts, and the El Paso Association of Builders.
  - c. Meet with major boards and stakeholders of utilities, Chamber(s) of Commerce, Economic Development Council, Paso Del Norte Foundation, etc., to emphasize the availability of a sustainable water supply and support efforts to promote economic development.
  - d. Convene the Public Working Committee to present information plans, policies and programs.
  - e. Emphasize the availability of a sustainable water supply through appropriate water management.
  - f. Inform customers about issues.
  - g. Provide representation and leadership in appropriate “think-tank” organizations and meetings to demonstrate the Utility’s interest in forming partnerships with organizations seeking to improve the quality of life in El Paso.
  - h. Foster good working relationships with various media outlets to increase coverage of important EPWU issues.
2. Use bilingual programs and materials to market programs and services, including stormwater management.
- Measured by:
- a. Develop and disseminate messages and materials, in English and Spanish about the Utility’s plans, policies and programs.
  - b. Conduct surveys to measure customer acceptance of EPWU’s goals and objectives.
3. Nurture regional and international partnerships (both public and private) that recognize, value and support joint regional water initiatives beneficial to our international border reality.
- Measured by:
- a. Identify and obtain support to ensure planning projects address the region’s groundwater issues.

- b. Continue to identify and meet with local, state, and federal (water-related) entities in Mexico in an effort to ensure dialogue and the exchange of information, resulting in the development of a bi-national and/or regional projects(s).
  - c. Work with the Consortium for High Tech Investigations in Water and Wastewater (CHIWAWA) in regard to obtaining funding for projects to include salinity management and groundwater modeling.
4. Work with the state and federal lobbyists to promote and implement the utility's state and federal agendas.

Measured by:

- a. Balance legal and lobbying expenditures vs. strategic goals attained.
  - b. Evaluate lobbyists based on an established performance plan and their ability to comply with the Utility's State and Federal agendas.
  - c. Identify the lobbying investment versus the payback expectation of lobbying efforts tied to strategic planning.
  - d. Continue to emphasize the need for water resource flexibility through the combination of desalination, importation, surface water purchases, and land acquisition for groundwater rights in order to provide varied approaches in maintaining a sustainable water supply.
  - e. Apply for grant funds for eligible water, wastewater, reclaimed water, and stormwater projects as identified in the Utility's CIP program.
  - f. Expand current lobbying efforts through increased interaction and cooperation with key legislators, political and community leaders, state and bi-national entities, local and international service providers.
5. Use marketing and communications to create public awareness of events, conferences, and public use at the Carlos M. Ramirez Tech<sub>2</sub>O Water Resource Learning Center.

Measured by:

- g. Increased attendance at Tech<sub>2</sub>O Center.
- h. Public support for events at Tech<sub>2</sub>O Center.

### **III. RESOURCE MANAGEMENT**

- Secure the financing to construct the necessary infrastructure to ensure a long-term water supply and continue rehabilitation of infrastructure.
- Continue to demonstrate leadership, expertise and excellence, in planning, engineering and operations management, and continue as the regional water and wastewater utility planner and provider.
- Complete and execute the Land Master Plans to promote economic development commensurate with sound water policies.
- Utilize energy management strategies.
- Take a leadership role in working with the City Planning Department to address annexation issues on the east side of the El Paso City limits.
- Develop opportunities to maximize land assets.
- Work with the City to plan and analyze the feasibility of an area-wide impact fee for water and wastewater and stormwater.
- Acquire new water rights set forth in 2005 in the Far West Texas Regional Plan, a component part of the State Water Plan, as a means to ensure the availability of water resources, especially during times of drought.
- Repackage the Northeast Master Plan and sell when economically feasible.
- Update the Northwest Plan as it relates to drainage.

#### **Goal:**

1. Implement the 10-year Capital Improvements Program to meet water supply needs, replacement of infrastructure, growth, system maintenance, and regulatory compliance demands and do so in a cost-effective manner.

#### **Measured by:**

- a. Meet or exceed 70% of annual CIP spending goal.
- b. Complete 95% of projects, including change orders, within the contracted schedule.
- c. Maintain an overall change order level of less than 2% of the original construction contract amount.
- d. Work with URS and other entities to develop clear program priorities for Stormwater CIP initiatives.
- e. Place emphasis on increased funding for replacement of critical water/sewer lines identified by *EPWU Technical Services Department*.
- f. Accelerate the current lift station renovation program to complete the 30 renovations identified in the original plan that was prepared 15 years ago

and develop a second program to include renovation of an additional 30 (23 lift stations have been renovated in 15 years, with a total of 72 lift stations being in the system).

2. Create strong and flexible in-house project management capability and offer training and information assistance to other El Paso area public works managers.

Measured by:

- a. Provide planning for city-wide developments including Master Plan areas.
- b. Continue the improvements made to the Utility's project management procedures.
- c. Continue work with colonias and outside city utility staff in execution of project management and service objectives.
- d. Meet with the Consulting Engineers Council periodically regarding the performance of Utility projects.
- e. Develop uniform designs standards for EPWU facilities and provide access of design standards through internet.
- f. Develop uniform designs standards for pipelines along with Transient Pressures Program.

3. Increase contractor awareness of and capability to execute PSB work, with emphasis on developing local project management and business resources.

Measured by:

- a. Continue to invite and meet on an annual basis with local and out-of-town prime contractors, local subs and material/equipment suppliers to convey information, emphasize local participation, encourage teaming, and discuss other creative approaches regarding Utility contracts.
- b. Assure the Utility continues to successfully attain small, locally owned, minority and women owned (MBE/WBE) business goals.

4. Secure water resources and finance/build infrastructure in order to ensure an adequate and affordable 50-year water supply.

Measured by:

- a. Continue with regional water resource planning to further evaluate the importation of groundwater from West Texas counties, the sharing of international data and technology where possible with Mexico, and the evaluation of the cost of desalinating additional water in El Paso County.
- b. Prepare a feasibility study to analyze moving water into the Upper Valley/Westside from Canal plant.

- c. Incorporate the Mesilla Modeling to include New Mexico and Mexico.
  - d. Renegotiate with EPCWID#1 the Rio Grande Project third party contract by transferring the obligations from the Haskell Street Plant to the Roberto Bustamante Plant.
5. Maintain overall per capita water consumption at or below 140 gallons per person per day.

Measured by:

- a. Analyze cost benefit analysis to reduce water consumption and consider further reductions in per capita consumption (water savings vs. population growth).
  - b. Encourage and promote the availability of xeriscape plant materials in El Paso and evaluate and promote the use of new water efficient turf grasses.
  - c. Continue to promote xeriscape plant materials.
  - d. Monitor the impact of the rate structure on water demand and make recommendations for improvement.
  - e. Expand the reclaimed water “purple pipe” program to reduce the amount of potable water used for irrigation and industrial purposes.
  - f. Measure success by increasing water reuse usage from 10% of total wastewater to 15% over the next 10 years.
6. Promote supply-side conservation and minimize the impact, costs, and effect of drought conditions by carefully managing surface water and balancing available water resources in the Mesilla and Hueco Bolsons.

Measured by:

- a. Encourage supply-side entities to cooperate in conservation initiatives and promote supply-side conservation at every opportunity.
  - b. Obtaining additional data regarding supply and demand on both sides of the border.
  - c. Develop a plan to ensure that effluent discharge quantities are addressed with EPCWID#1.
7. Develop a range of scenarios and strategies on energy issues to provide the optimum benefit to the Utility and its customers and to obtain a reliable power supply.

Measured by:

- a. Implement a new energy policy and promote its daily use.

- b. Calculate the cost of operating system components using gas versus electricity.
  - c. Monitor changes in cost of gas and electricity and adjust operating strategies accordingly.
  - d. Calculate energy efficiency of large energy using equipment. Rank by efficiency and prioritize use according to efficiency.
  - e. Use SCADA system to monitor energy efficiency.
  - f. Install more energy efficient lighting and energy saving controls.
  - g. Perform energy audits to identify energy saving opportunities, quantify potential savings and promote projects with short payback periods.
  - h. Promote specification of more energy efficient products in utility projects by revising utility standards. Enforce its adoption on new projects and project upgrades.
  - i. Implement the selected strategies in a timely and cost-effective manner.
  - j. Work with El Paso Electric to expand regional power generation.
8. Identify and obtain needed funding in order to expand the provision of reclaimed water to those areas where feasible to do so.

Measured by:

- a. Continue to expand the provision of reclaimed water to the El Paso Independent School District.
  - b. Continue to expand the reclaimed water infrastructure (purple pipe distribution) to provide capacity for the City's northwest area.
  - c. Design and start construction of reclaimed water facilities for the North Central, Central El Paso and Fort Bliss areas by fall 2009.
  - d. Continue the leadership role on developing a consolidated maintenance program for turf management with an emphasis on municipal property, i.e.; golf courses, parks and right of ways.
9. Provide service to out-of-city areas and participate in cost sharing of projects based on cost of service, grant funding, and water availability in accordance with "smart growth" principles.

Measured by:

- a. Provide service to the newly annexed areas as per the City's Master Plan, along with those areas outside the City where it is feasible and cost-effective to extend service.

- b. Provide leadership in working with the City Planning Department to address annexation issues in the El Paso City limits (to include clarifying CCN between the City of El Paso and Town of Horizon).

10. Develop opportunities to maximize PSB-owned land assets.

Measured by:

- a. Continue to develop opportunities for maximizing lease revenues.
- b. Implement the Utility's master plan to allow for sale and development of land in Northeast El Paso.
- c. Identify and budget required infrastructure to make land available for development in northeast and northwest El Paso.
- d. Conduct an inventory and develop a marketing strategy to sell excess PSB property, primarily within the developed area of the City that is no longer needed for water and wastewater infrastructure.
- e. Prepare a market survey/analysis to identify builder demands.
- f. Consider the development of a market-phasing plan for northwest El Paso.

11. Acquire new water rights as a means to ensure the availability of water resources, especially during times of drought.

Measured by:

- a. Implement the Region E Plan that includes the integration of water management strategies (conjunctive use of water) into the Plan through the year 2050.
- b. Continue with a series of studies regarding the 10,000 AF/yr increase in local conjunctive use by 2020. (Some of these studies have been completed in preliminary form or will be completed by the end of the year). Studies need to consider the following:
  - 20 mgd expansion of JRWTP vs surface water diversion and treatment in the upper valley and smaller Rogers expansion.
  - Increased fresh groundwater pumping capacity vs. brackish groundwater desalination in the Lower Valley.
- c. Evaluate the cost of Right of Way permits.

#### **IV. ORGANIZATION/MANAGEMENT**

- Recognize, plan and implement succession planning.
- Keep the focus on our core business practices.

- Optimize the use of limited resources.
- Monitor, measure, and evaluate performance constantly and update strategies as necessary.
- Evaluate staffing needs for meeting growing demands for service, operation, and maintenance of new facilities.
- Initiate and continue discussions with other city departments for completing a stormwater utility analysis.
- Expand the leadership development plan into the trades to ensure EPWU has adequate trained staff to continue field and plant operations.

Goal:

1. Implement a leadership development program to sustain internal leadership and minimize the impact resulting from the departure of key leadership.

Measured by:

- a. Continue to build a leadership development plan for all the Utility's key areas and continue implementation of consultant's recommendation re: organization structure, training, recruitment, succession planning, etc.
  - b. Identify any licensing/professional registrations that may be required for the positions and enter the training and licensing requirements for in-house interim replacements under the goals sections of the performance evaluation reports.
  - c. Inform in-house interim replacements of the progress achieved during the rating period.
  - d. Continue review of job class specifications for managers and professionals to determine whether minimum qualifications need to be adjusted based on in-house replacements or market availability.
  - e. Develop and implement an incentive program to promote certification over and above the current job specification in order to be able to retain and promote Utility plant technicians when vacancies for higher positions are available.
2. Retain and attract talented employees by implementing a competency management system that facilitates extending the careers of managers and professionals beyond normal retirement.

Measured by:

- a. Reduce retirements of exemplary managers/professionals by providing initiatives and benefits from extended careers in Civil Service.

- b. Use turnover ratios to determine effectiveness.
  - c. Provide salaries commensurate with the market value of the position and recruits.
  - d. Take a direct role in the recruitment process by setting Utility parameters for the selection process.
  - e. Continue to provide initiatives and benefits designed to attract and retain high level managers that report to the Utility's President/CEO and Vice-Presidents of the Utility.
3. Evaluate staffing needs for meeting growing demands for service, operation, and maintenance of new facilities.

Measured by:

- a. Ensure needed staff are budgeted and accounted for during the budget process.
- b. Evaluate the Utility's current organizational structure and modify as appropriate in an effort to meet current and future Utility needs.
- c. Prepare an audit of operations within the Utility to ensure best management practices are being adhered to and that the Utility is operating efficiently.
- d. Develop an appropriate executive coaching program and succession plan for certain key management employees.
- e. Continue to provide salaries to key employees that are commensurate with the market value of recruits.
- f. Continue to reduce employee injuries and minimize lost time.

## **V. FINANCIAL**

- Fully price water as a precious resource and allocate expenses accordingly.
- Optimize supply and demand planning and econometric modeling to support the Utility's Capital Improvement Program.

Goal:

- 1. Deliver the best-valued product by continuing to fully price water as a precious resource, and allocate expenses in order to deliver the best-valued product.

Measured by:

- a. Size Capital Infrastructure bond issues for FY 2009-10 and incorporate into the Utility's Financial Plan.

- b. Continue annual update and use of the Utility's comprehensive water, wastewater and reuse rate models based on AWWA's rate methodology.
- c. Maintain competitive water and wastewater rates as compared to other utilities that reside in an arid climate and also those that utilize both ground and surface water supplies.
- d. Develop econometric models for every major project that analyzes socioeconomic, environmental, political, engineering, planning and financial data in order to provide the Public Service Board and management with the best available information to make informed decisions regarding proposed capital improvement projects and its financial impacts on the community on a project-by project basis, annually.
- e. Develop financing scenarios, including the evaluation of restructuring debt, lowering the debt service coverage requirement, accessing low-interest loans and grants and other financing alternatives to mitigate rate impacts and ensure the Utility receives the best available costs.
- f. Maintain the Utility's bond rating of AA from Fitch and Standard and Poors.
- g. Maintain the Utility's commercial paper rating of A1+ from Standard and Poors.
- h. Maintain debt service coverage at or above the 1.5 times bond covenant requirement. However, evaluate the pros and cons of reducing Bond Reserve Requirements on all new bond issues to 1.25 times the coverage.
- i. Utilize the \$50 million commercial paper program to finance interim construction costs at a rate of 125 basis points below a fixed 20-year municipal revenue bond.
- j. Maintain a 45-day operating reserve fund balance and a 45-day capital reserve fund balance based on the current adopted annual operating and capital budget.
- k. Maintain a debt ratio (outstanding debt/total assets) of not more than 50%.
- l. Evaluate Automated Meter Reading (AMR)
- m. Update Information Technology Plan to 2013.
- n. Manage city's system and continue with GIS implementation.

- o. Implement Debit/Credit Cards for bill payment by spring 2009.

## **VI. SECURITY**

- Keep abreast of security issues, identify vulnerabilities, and implement the measures necessary to protect the Utility's services, personnel, property, plant and equipment.
- Continue to update and coordinate the Utility's Emergency Management Plan, test and evaluate the updated security strategies.
- Obtain the necessary funding to build the required and necessary security.

### Goal:

1. As part of the Utility's risk management strategy, the Utility will mitigate/minimize security threats that endanger Utility assets or that might prevent the Utility from being able to provide water and wastewater service to its customers.

### Measured by:

- a. Review and improve emergency response coordination with City, County and State.
  - b. Prepare for Pandemic Flu by establishing a committee to begin to prepare recommendations for developing a plan.
  - c. Convene a Risk Management Committee to evaluate next year's worker's compensation incentive program.
  - d. Enhance the partnership in effect with the Protective Security Advisor for the Department of Homeland Security, U.S. Border Patrol, and El Paso Police Department as a means to identify and address security threats.
  - e. Maintain a high security profile for the entire Utility, identifying and addressing vulnerabilities as they arise, and implementing the measures necessary to protect Utility assets.
  - f. Continue to maintain a leadership role in the American Society for Industrial Security.
2. Explore opportunities for federal funds as a means to implement and construct needed security measures.

### Measured by:

- a. Identify funding needs and work with federal lobbyists as a means to identify federal funding opportunities.

## **VI. STORMWATER**

- Adopt budget, rates, and rules and regulations for stormwater utility.
- Implement the Stormwater Utility Plan.
- Continue to evaluate existing stormwater facilities and construct new ones as needed.
- Consider needed stormwater facilities located outside the city and discuss providing assistance to County residents.

Goal:

1. EPWU will implement its Stormwater Management Plan.

Measured by:

- a. Complete Stormwater Capital Improvement Program priority list of projects.
- b. Issue \$36 million in Stormwater Revenue Bonds in FY 2009-10 to fund projects.
- c. Start design and construction of identified CIP projects.
- d. Begin acquisition of open space stormwater properties.
- e. Work with the city to start design and construction of identified park/ponds.
- f. Continue implementation of Stormwater Preventive Maintenance Program.
- g. Continue communication outreach to the community on all aspects of the Stormwater Utility.
- h. Apply for Federal Stimulus monies to fund stormwater projects.
- i. Apply for state funding with the county for regional stormwater planning.
- j. Comply with all federal, state and local stormwater regulations.

## ***ACHIEVEMENTS FY 2008-09***

The approved Strategic Plan is monitored on an ongoing basis to ensure compliance and implementation. The following are a few of the achievements resulting from the established goals and critical success factors for FY 2008-09.

## **QUALITY GOALS**

- Maintain high quality and reliable service
- Maintain a high level of community support and customer satisfaction

- Apply technology and innovative management techniques to sustain competitiveness with comparable service providers.
- Use available technology to enhance the Utility's ability to provide superior industry service.

### **QUALITY ACHIEVEMENTS**

1. Completed 1 Water Improvement Team recommendation for fiscal year.
2. Documented TQM efforts, including costs and benefits, on an annual basis.
3. Continued to implement best practices based on the results of the QualServe Program.
4. Maintained "Superior Water System" designation by TCEQ.
5. Earned the "NACWA Platinum Award" for eligible wastewater treatment plants.
6. Provided uninterrupted service 99.99% of the time as measured by customer hours of service.
7. Complied with all government regulations applicable to water and wastewater systems.
8. Optimized process control at the Canal Water Plant to maintain production losses of less than 4%.
9. Continued to use the GIS to optimize infrastructure management using the proper econometric, vulnerability/risk assessment, technical, planning, and engineering criteria.
10. Continued to achieve an overall system availability benchmark consistent with the industry.
11. Continued to monitor the automated chemical feed system at the Canal Plant to optimize usage.
12. Continued to achieve best in class benchmarks against leaders in the industry.
13. Maximized the use of new Hansen Facilities Maintenance Management Plan to its full potential.
14. Prevented plant shutdowns due to the lack of preventive maintenance.
15. Maintained a 70% to 30% ratio of preventive to corrective maintenance.
16. Continued to work with the Laboratory Information Management System (LIMS).
17. A total of 519 employees have received training in Total Quality Management in the last five years.
18. Continued to use the latest technology to locate distribution system leaks and keep unbilled water at less than 10% of the total production.

## **GOVERNMENT AFFAIRS, COMMUNICATIONS & MARKETING GOALS**

- Continue to educate political constituents on policy issues.
- Gain public support for EPWU issues and maintain key alliances.
- Communicate and deliver an effective and consistent message concerning the availability of a sustainable water supply, the need for conservation, etc.
- Deliver effective and consistent messages concerning EPWU's plans, policies and programs.
- Participate in the formulation of water and wastewater legislation and policy issues that will further the interests of the Utility.
- Continue to foster an environment of cooperation, coordination, and support with the City and County of El Paso, as well as other regional stakeholders.
- Brand EPWU as an industry leader, its facilities as state of the art, and its services as superior.

## **GOVERNMENT AFFAIRS, COMMUNICATIONS & MARKETING ACHIEVEMENTS**

1. Continued to increase the amount of stakeholder involvement and public support for EPWU initiatives, including private/public partnerships with stakeholders on land management initiatives including, the Corps of Engineers, **Texas Department of Transportation (TXDOT)**, Fort Bliss, school districts and the El Paso Association of Builders.
2. Met with major Boards and utility stakeholders, Chamber(s) of Commerce, Economic Development Council, PDN Foundation, etc., to emphasize the availability of a sustainable water supply and support efforts to promote economic development.
3. Continued to emphasize the availability of a sustainable water supply through appropriate water management that includes reclamation, desalination, conservation and eventual importation.
4. Continued to inform customers about various key issues.
5. Continued to provide representation and leadership in pertinent and appropriate "think-tank" organizations and meetings to demonstrate the Utility's interest in promoting economic development and improving the quality of life in El Paso.
6. Worked with state and federal lobbyists to support favorable legislation and rules that would benefit the Utility.

7. Continued to work with and identified key stakeholders and present them with a clear message of the Utility's needs.
8. Expanded current lobbying efforts through increased interaction/cooperation with key legislators, political and community leaders, state and bi-national entities, local and international service providers.
  - a. Considered legal and lobbying expenditures vs. strategic goals attained.
  - b. Evaluated lobbyists based on an established performance plan and their ability to comply with the Utility's State and Federal agendas.
  - c. Identified the lobbying investment versus the payback expectation of our lobbying efforts tied to the strategic plan
9. Continued to emphasize the need for water resource flexibility through the combination of desalination, importation, surface water purchases, and land acquisition for groundwater rights in order to provide varied approaches in maintaining a sustainable water supply.
10. Promoted key messages and obtained the Public Service Board's support in disseminating EPWU message to include the Utility's priorities and key objectives.
11. Distributed messages and materials about the Utility's plans and programs, particularly stormwater.

### **RESOURCE MANAGEMENT GOALS**

- Secure the financing to construct the necessary infrastructure to ensure a long-term water supply and continue rehabilitation of infrastructure.
- Continue to demonstrate leadership, expertise and excellence, in planning, engineering and operations management, and continue as the regional water and wastewater utility planner and provider.
- Complete and execute the Land Master Plans to promote economic development commensurate with sound water policies.
- Utilize energy management strategies.
- Take a leadership role in working with the City Planning Department to address annexation issues on the east side of the El Paso City limits.
- Develop opportunities to maximize land assets.
- Work with the City to plan and analyze the feasibility of an area-wide impact fee for water, wastewater and stormwater.

- Acquire new water rights set forth in 2005 in the Far West Texas Regional Plan, a component part of the State Water Plan, as a means to ensure the availability of water resources, especially during times of drought.
- Implement the Northeast Master Plan and begin developing the Northwest Master Plan.

### **RESOURCE MANAGEMENT ACHIEVEMENTS**

1. Continued to pursue additional water rights and improvements along with other operating agreements with EPWCID#1.
2. Assisted the City's Parks and Recreation Department in best management practices related to turf management.
3. Coordinated with EPCWID #1 to optimize use of surface water.
4. Completed the phasing plan and market study for 3,300 acres in Northeast El Paso.

### **ORGANIZATION/MANAGEMENT GOALS**

- Recognize, plan and implement succession planning.
- Keep the focus on our core business practices.
- Optimize the use of limited resources.
- Monitor, measure, and evaluate performance constantly and update strategies as necessary.
- Evaluate staffing needs for meeting growing demands for service, operation and maintenance of new facilities.
- Initiate and continue discussions with other city departments for completing a stormwater utility analysis.

### **ORGANIZATION/MANAGEMENT ACHIEVEMENTS**

1. Monitored a list of high-level professionals that may be leaving the utility within 5-10 years. Considered in-house/interim replacements for those positions. Determined and began to identify what technical, management and supervisory skills are required to fill vacant positions.
2. Provided in-house training for each professional interim replacement. (Water Utilities Management and TQM training is a prerequisite for all professional managers).

3. Job specifications were recently reviewed as part of the City's implementation of a new Classification study.
4. Utility underwent a new reorganization in an effort to continue to meet current and future needs.
5. Provided salaries to key employees that are commensurate with the market value of recruits.
6. Reduced employee injuries for the second consecutive year from 19 lost time injuries to 7 injuries per year resulting in significant savings to the Utility.

#### **FINANCIAL MANAGEMENT GOALS**

- Fully price water as a precious resource and allocate expenses accordingly.
- Optimize supply and demand planning and econometric modeling to support the Utility's Capital Improvement Program.

#### **FINANCIAL MANAGEMENT ACHIEVEMENTS**

1. Developed financing scenarios, including evaluating the restructuring of debt, lowering the debt service coverage requirement, accessing low-interest loans and grants and other financing alternatives that will mitigate rate impacts to our customers and ensure that the Utility is receiving the best available costs.
2. Maintained the Utility's bond rating of Aa3 from Fitch and AA from Standard and Poors. Debt service coverage for 2007-08 was 1.61.
3. Issued \$66 million in bonds to refund \$51 million of commercial paper notes and to advance refund of \$15.38 million of existing debt to lower debt financing costs.
4. Issued \$35.5 million to refund commercial paper notes.
5. Utilized the \$50 million commercial paper program to finance interim construction costs at a rate of 125 basis points below a fixed 20-year municipal revenue bond. Issued \$44 million in bonds during the 2007-08 fiscal year.
6. Debt ratio for FY 2007-08 was .40.
7. Sized Capital Infrastructure bond issues for FY 2008-09 and incorporated into the Utility's Financial Plan.
8. Continued annual update and use of the Utility's comprehensive water, wastewater and reuse rate models based on AWWA's rate methodology.
9. Maintained competitive water and wastewater rates as compared to other utilities that reside in an arid climate and also those that utilize both ground and surface water supplies.

10. Developed econometric models for every major project that analyzes socioeconomic, environmental, political, engineering, planning and financial data in order to provide the Public Service Board and management with the best available information to make informed decisions regarding proposed capital improvement projects and its financial impacts on the community on a project-by-project basis, annually.
11. Developed financing scenarios, including the evaluation of restructuring debt, lowering the debt service coverage requirement, accessing low-interest loans and grants and other financing alternatives to mitigate rate impacts and ensure the Utility receives the best available costs.
12. Maintained the Utility's commercial paper rating of A1+ from Standard and Poors.
13. Upgraded CIS system to EnQuesta.
  - a. Implemented new technology in cash receipting, i.e. electronic checks, debit and credit cards.
  - b. Implemented new technology in customer service, i.e. information on demand system, on-line turn-ons and offs.
14. Evaluated Automated Meter Reading (AMR)

### **SECURITY GOALS**

- Keep abreast of security issues, identify vulnerabilities, and implement the measures necessary to protect the Utility's services, personnel, property, plant and equipment.
- Continue to update and coordinate the Utility's Emergency Management Plan, test and evaluate the updated security strategies.
- Obtain the necessary funding to build the required and necessary security.

### **SECURITY ACHIEVEMENTS**

1. Implemented security recommendation and measures as identified in a planned and phased approach to protect the Utility's facilities and water supply from terrorists and vandals. This includes, but is not limited to the following measures:
  - a. Physical hardening of identified facilities including increased monitoring capabilities.
  - b. Providing for critical backup facilities as identified and designated.

- c. Coordinated and participated with the Department of Homeland Security along with identified local, state and other federal agencies in monitoring, assessing and reacting to possible terrorist threats or attacks.

### **STORMWATER GOALS**

- Adopt budget, rates, and rules and regulations for stormwater utility.
- Implement the Stormwater Utility Plan.
- Continue to evaluate existing stormwater facilities and construct new ones as needed.
- Consider needed stormwater facilities located outside the city and discuss providing assistance to County residents.

### **STORMWATER ACHIEVEMENTS**

1. Presented Stormwater Capital Improvement Program to Stormwater Advisory Committee.
2. Developed three year financial plan to fund stormwater projects and fund operations and maintenance programs.
3. Completed rehabilitation and upgrades to several major stormwater pump stations.
4. Began desilting of basins neglected for many years.
5. Implemented the start of preventive maintenance program.
6. Started compiling stormwater infrastructure assets into comprehensive database and GIS system.



# *Financial Policies*

EPWU is accounted for as an Enterprise Fund, which is a proprietary fund. Enterprise Funds are used to account for operations that are financed and operate in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection. EPWU uses no other funds to account for its' activities.

## **FLOW OF FUNDS POLICY**

City Ordinance No. 752 established certain "funds". These "funds" are mandatory asset segregation and not funds in the sense of governmental fiscal and accounting entities with self-balancing sets of accounts. These funds are described in the following paragraphs.

EPWU funds are designated in City Ordinance No. 52 which was adopted on May 22, 1952. This ordinance authorized the issuance of a series of Revenue Bonds entitled "City of El Paso, Texas, Water and Sewer Revenue Bonds Series 1952", and the City reserved the right and option in the 1952 resolution to issue, under certain conditions, additional bonds on a parity as to lien and right with the Series 1952 Bonds.

Ordinance No. 752, as amended, requires that gross revenues of the System be applied in sequence to: (a) current expenses of maintenance and operations; (b) debt service and service requirements; (c) capital expenditures, or unexpected or extraordinary repairs or replacements, or for any other lawful purpose. The following funds have been established to account for the application of gross revenues: (i) Water and Sewer Fund; (ii) Water and Sewer Revenue Bond Funds, known as the Interest and Sinking Fund; (iii) Water and Sewer Revenue Bond Reserve Funds; and (iv) Water and Sewer Improvement Fund. All revenues of every nature received through operations of the System shall be paid into the Water and Sewer Fund. The Bonds Funds are required to contain an amount of money and investments equal to the principal and interest requirement during the fiscal year. The funds are described as follows:

### **Water & Sewer Fund**

All gross revenues shall be deposited from day to day as collected in the Revenue Fund. Moneys on deposit in the Revenue Fund shall be first used to pay all Operation and Maintenance Expenses. The revenues of the System not actually required to pay Operation and Maintenance Expenses (the "Net Revenues") shall be transferred from the Revenue Fund to the other funds, in the order of priority, in the manner set forth in the Bond Ordinance.

### **Interest and Sinking Fund**

The following shall be deposited in the Interest and Sinking Fund:

1. Such amounts, in equal monthly installments, commencing on the first day of the month next following the month of Closing, and on the first day of each month thereafter, as will be sufficient to pay the interest scheduled to come due on the bonds next interest payment date, less any amounts already on deposit therein for such purposes derived from the proceeds of the bonds or from any other lawfully available source.
2. Such amounts, in equal monthly installments, commencing on the first day of the month next following the month of Closing, and on the first day of each month thereafter, as will be sufficient to pay the next maturing principal of the bonds, including any scheduled mandatory redemption of bonds.

### **Reserve Fund**

So long as the funds on deposit in the Reserve Fund created for the benefit of all bonds are equal to the Reserve Fund Requirement, no deposits need to be made to the credit of the Reserve Fund. However, should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the Utility shall transfer from the Net Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund, on the first day of each month, such amounts in equal monthly installments to accumulate within at least five years and one month a sum equal to the Reserve Fund Requirement. The money on deposit in the Reserve Fund may be used to pay the principal of and interest on all bonds at any time there are not sufficient funds on deposit in the Interest and Sinking Fund for such purpose.

# **Financial Policies**

### **Improvement Fund**

All money remaining in the Revenue Fund at the end of each month after all payments required to be made from the revenue fund have been made and all deficiencies accumulated from prior months have been paid shall continue to be paid to the Improvement Fund established in connection with the System, and shall be held in and paid out from such fund for the following purposes:

1. To pay the cost of any special or extraordinary repairs or replacements to or of the properties comprising the System, properly payable with such money under the laws of the State of Texas, necessitated by reason of some emergency.
2. To the extent permitted by law, for the making of extensions, improvements, and betterments of the System.

### **Contributions in Aid of Construction Fund**

Any moneys that may be received by the Board that shall represent contributions in aid of construction shall be deposited in a separate account at the Depository Bank. Such contributions shall not be considered as part of the gross revenues of the System. Payments from such bank account shall be made only for the purposes for which the contributions were made, including any refunds that may become due to any contributor.

## **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

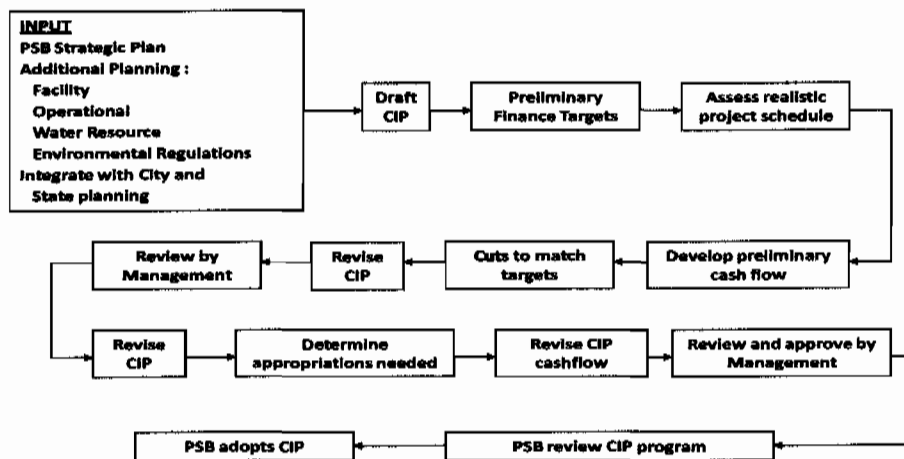
tracking the progress of the overall **capital improvement plan (CIP)**. On an annual basis, staff members from Engineering, Planning, Operations, and Finance update the CIP. The final CIP document stretches from a mid-year update out to a ten year planning horizon. It incorporates all known or likely 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 1<sup>st</sup> 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.

## **OPERATING BUDGET POLICY**

The Utility's fiscal year runs from March 1 to the last day of February the following year. EPWU ties its 12-month budget year to the water "season." Historically speaking, without a year-round water supply of surface water to treat, the water treatment plants shut down for maintenance during the winter months. The surface water supply is not year-round because the upstream irrigation and diversion dams, including Elephant Butte and Caballo dams, are served by snow melt from the Rocky Mountains. The water is released annually in conjunction with the farmers' irrigation season, which normally starts in mid-February and ends in early October. The Utility's surface water production season runs concurrently with the farmers' irrigation season. A normal fiscal year would include the following significant financial events:

- Mid February – surface water production season begins except in times of drought
- March 1 – fiscal year begins
- April to May – strategic planning updates to the 10 year capital plan
- May to September – peak consumption months for EPWU customer demand
- September – six month operating results distributed to each section manager so sections can begin planning for the upcoming fiscal year beginning next March
- October – surface water production ends (mid-month) and water treatment plants shut down except in times of drought
- October – sections submit operating budget requests
- October – internal budget conferences begin between the Sections and Management/Finance
- November – Management approves preliminary capital and operating budget requests
- November/January – budget workshops in which the Public Service Board reviews the budget requests 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

The Utility's FY 2009-10 budget is a balanced budget, with the revenue and other financing sources equal to the expenditures and other financing uses.

## **BUDGET AMENDMENT POLICY**

Operating or capital budget line item transfers are done on a memorandum basis, submitted by the requesting manager to Finance. The transfer is subject to approval by management but does not need approval by the Public Service Board. Emergency funding authorizations and amendments to the approved operating or capital budgets can only be done with approval by the Public Service Board.

## **REVENUE POLICY**

Ordinance No. 752 also requires that the Board maintain rates sufficient to produce or yield revenues to produce in each fiscal year an amount adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses shall accrue during the year and to produce an additional amount equal to 150% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bond Funds. Another financial target that is used in preparing the five-year financial plan is maintaining a 45-day operating reserve fund balance.

Ordinance No. 752 also provides that the Board will permit no free water or services to be supplied to the City or to any other user. However, the ordinance requires that 10% of the total amounts received by the Board from the sale of water be paid to the City Treasurer. The money received by the City Treasurer may be expended by the City under the direction of the City Council for any purpose for which revenues of the System may be legally used under the state laws of the State of Texas.

EPWU is a component unit of the City of El Paso and operates as an autonomous enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance, financing and related debt service, and billing and collection. Because the Utility operates in a proprietary manner, the major revenue sources are user charges for water and wastewater services. The Utility's revenue requirements are based on cost of service.

This includes operating costs, expenditures for capital improvements, and repayment of debt. The description and figures of the revenue sources are covered in the financial overview section of this budget.

### **INVESTMENT POLICY**

The Utility also has an Investment Policy which establishes the guidelines for: 1) who can invest PSB funds; 2) how PSB funds will be invested; and 3) when and how a periodic review of investments will be made. In addition to this policy, bond funds shall be managed by their governing ordinance and all applicable State and Federal Law. The investment policy must comply with the Texas Public funds Investment Act of 1995 and any such amendments since then. The primary objectives of the investment policy are 1) preservation of capital; 2) safety of PSB funds; 3) maintenance of sufficient liquidity; 4) maximization of return within acceptable risk constraints; and 5) diversification of investments. The investment policy requires an annual review and adoption of its investment policy and strategies, and a quarterly comprehensive report to the PSB.

### **DEBT SERVICE POLICY**

Planned rate increases on a consistent basis are programmed in the Financial Plan, and are mainly driven by the capital improvement program and debt service coverage required both by the revenue bond covenants and by the Public Service Board's benchmarks for financial management. While the revenue bond covenants require debt service coverage of 1.5 times (meaning 150% of the current year's debt service requirements must be available that fiscal year), the Public Service Board's financial benchmark is to maintain as close to a 2.0 times coverage as feasibly possible. The Utility does not have a legal debt limit.

