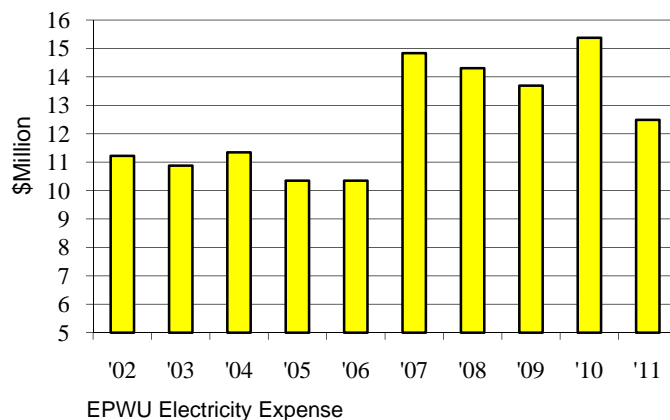


# Financial Plan

## **BUDGET TRENDS IN FY 2010 - 2011**

El Paso Water Utilities continues to evolve in addressing and meeting the needs of our customers in the 21<sup>st</sup> century. It is well prepared to meet the challenges to serve a large metropolitan region in the Southwest. The Utility is one of the most cost-efficient organizations—public or private—in the entire Southwest. The Utility is focused on meeting the supply and demand needs of its current and future customers, while minimizing costs and maximizing service.

FY 2010-2011 saw continued improvements in all areas of EPWU. In accordance with the Public Service Board's guiding plans, the Utility continued its regional leadership, its investment in its employees, and its savings to



customers. Overall operating costs decreased mainly due to fuel surcharge refunds received during the year, therefore reducing electricity costs despite an electric rate increase this year. Chemical costs also decreased by \$500,000 due to the stabilization of chemical prices. Maintenance costs were \$500,000 less than in the previous fiscal year.

In accordance with the Board's Strategic Plan, the Utility focused on becoming a more efficient and better trained workforce through the use of technology, automation and cross training.

“Continuous Process Improvement” is an ongoing management strategy to improve the operations and effectiveness of the Utility. Employee training in total quality management practices has instituted a spirit of team building and pride in work. By constantly striving to do things better, greater operational efficiencies have been realized. The staff is constantly forming “water improvement teams” to improve and streamline processes including preventive maintenance, sampling, signature authority,

and project management. To date over 110 WIT projects have been completed with projected savings of over \$7,800,000 since inception.

One major project that is ongoing is the reduction of unaccounted for water. A comprehensive program from leak detection, to reservoir rehabilitation, to increased meter replacement have all contributed to increased billings and reduced unaccounted for water. Unaccounted for water has decreased from 14% in 1996 to 7.9% in 2010. Results of this program are reflected in various benchmarks in this budget document.

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 2010-2011, the Utility spent \$3 million for new distribution water lines and pumping equipment, and \$7 million in rehabilitation of existing water infrastructure. On the wastewater side, the Utility spent \$12 million in new collection systems and pumping facilities, and \$16 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.

In August 2010, the Utility issued \$15 million in **Build America Bonds (BAB)** thru the NADBank for the Paisano Valley 48” Transmission Replacement project. The Utility was able to utilize the **American Recovery and Reinvestment Act (ARRA)** to obtain a very favorable interest rate on this debt. The issuance of these bonds thru the BAB program allows the Utility to receive a 35% tax credit towards the interest payments on this debt and will be a new source of revenue for the Utility.

### **FY 2011 – 2012: MEETING FUTURE DEMANDS**

The FY 2011-12 operating and capital budget was presented to the Public Service Board for review, input and guidance over a series of public budget workshops held over several months. The budget was adjusted based on direction from the Board; and is

consistent with the Board's Strategic Plan. Budget workshop meetings were open to the public and were held as follows:

<u>Date</u>	<u>Agenda</u>
November 15, 2010	Water, Wastewater and Reclaimed Water Operating and Capital Budget
November 18, 2010	Stormwater Utility Operating and Capital Budget
December 8, 2010	Adoption of Budget, Rates and Rules and Regulations for Water, Wastewater, Reclaimed Water and Stormwater Utilities

### **ASSUMPTIONS**

The FY 2011-12 budget is based on certain assumptions and specific operating and capital budget costs. Financial projections for future years require additional assumptions related to revenue growth, expenditures and necessary rate adjustments. Basic assumptions to this year's five-year financial plan include the following:

#### **Basic Assumptions**

Customer growth rate	1.7%
Water billed	33 billion gallons
Water billed growth rate	0%
Sewer treated	21.0 billion gallons
Sewer treated growth rate	0%
Miscellaneous revenues growth rate	1.0%
Fire Protection growth rate	1.0%
Operations and Maintenance growth rate	1.0% of operating budget
Contingencies	2.5% of operating budget
Interest earnings rate	0.04% of average fund balance
Payment to City (water only)	10.0% of water revenues
Future debt financing costs	4.25% (includes subsidized State Revolving Fund loans)

### **BASIS OF BUDGETING**

The budget and comprehensive annual financial report are prepared using the accrual basis of accounting. Revenue is recognized as it is earned and expenses are recognized as goods or services are delivered. The PSB has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as

Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions, issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict GASB pronouncements. The operating budget is prepared at the **object** level. The object of expenditure is the good or service for which the expenditure was made. For further detail, sub-object listings are provided and reported by the Utility as “account numbers.” For a complete listing of the Utility’s operating budget, refer to the section of this budget book entitled “Operating Budget Detail.”

The Utility’s funds are not appropriated; rather the budget is an approved plan that can facilitate budgetary control and operational evaluations. The Utility defines fund equity as net assets, which equals assets minus liabilities. Fund equity is divided into four categories; invested in capital assets net of related debt, restricted for construction and improvements, restricted for debt service, and unrestricted.

### **FY 2011-12 DETAIL BUDGET**

The Fiscal Year 2011 – 2012 budget reflects the PSB’s updated Strategic Plan goals and objectives and is a balanced budget, with the revenue and other financing sources equal to the expenditures and other financing uses. The FY 2011-12 combined operating and capital budget addresses a continued effort to hold the line on expenditures and not have to raise rates, especially in this economic environment:

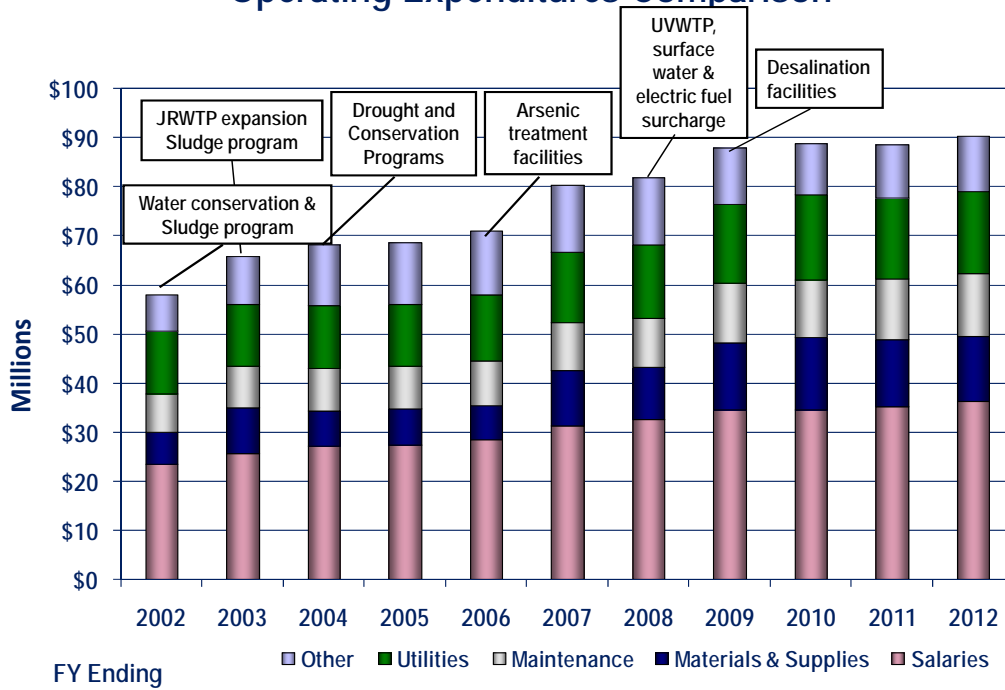
The operating budget increased by \$1.3 million. The following changes to the operating budget show that expenses are up in some areas but offset by decreases in other areas:

- An increase of \$902,000 for normal salary adjustments.
- \$335,000 increase in maintenance costs.
- An increase in software costs of \$298,000 for continued automation throughout the Utility.
- Despite an increase in electric rates, the utilities budget was only increased by \$116,000 due to anticipated savings through energy efficiencies that will help offset these increases.

These increases were offset by decreases in the amounts budgeted for the following:

- \$110,000 decrease due to chemical costs that have decreased recently.
- The emphasis on operational efficiencies, technology and training remains in force.

## Operating Expenditures Comparison

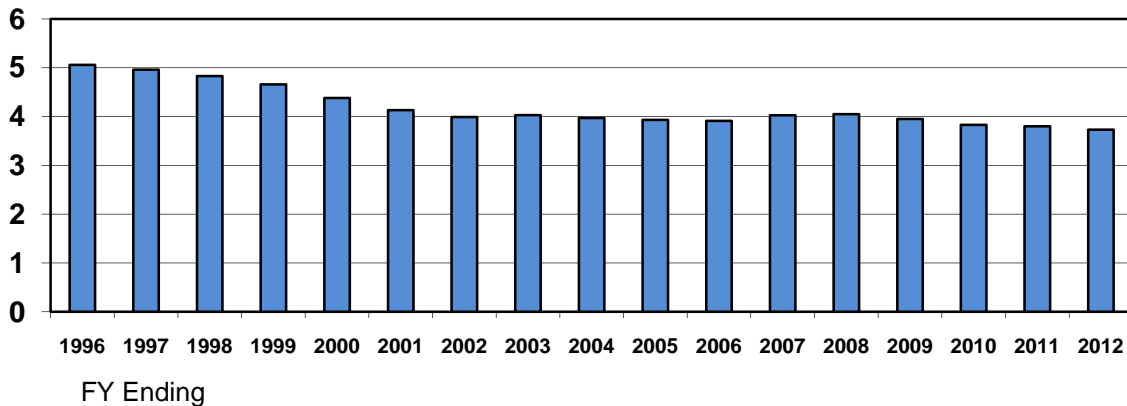


The following table identifies adjustments to the staffing table:

<b>CHANGE IN STAFFING</b>	
<b>SECTION</b>	<b>NUMBER OF POSITIONS</b>
Administration	+1
Water Operations	+1
Operations Management	-1
Customer Service	+2
<b>NET CHANGE, ALL DIVISIONS FY 2011-12</b>	<b>+3 POSITIONS</b>

The Utility's ratio of employees to 1,000 customers has been reduced 20% from 5.0 employees in 1996 to 3.80 employees per 1,000 customers.

## Budgeted Employees Per Thousand Customers



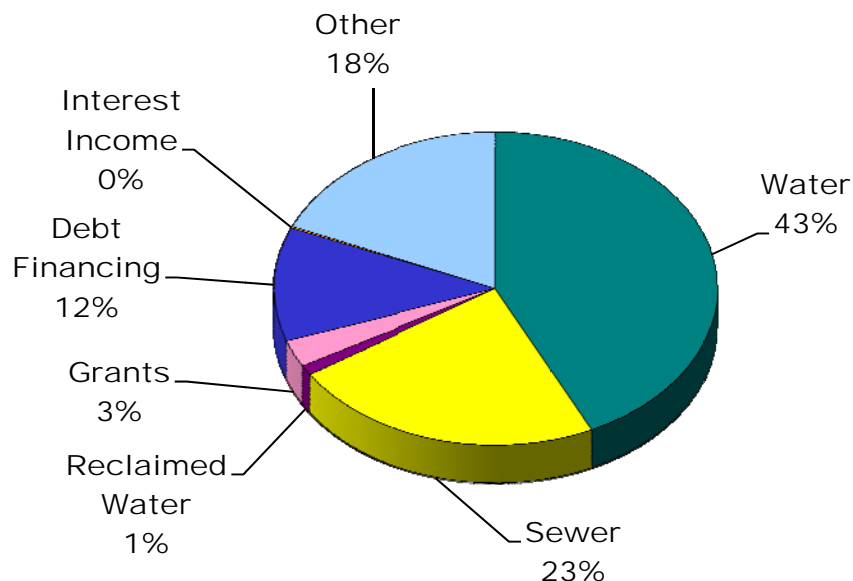
Because some capital projects were delayed in FY 2010-11, almost half of the capital projects for FY 2011-12 are already funded through prior years' appropriations. Out of the \$88.0 million capital budget, \$43.6 million is from new appropriations. The capital budget continues to address water supply 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 2011-12 capital budget. One of these is the Eastside PSA project in the East, which was started in FY 2008-09, and includes a series of elevated reservoirs and distribution lines. The continued expansion of the eastside interceptor system and the installation of an interceptor on the westside are also included in this year's budget.
- The continuation of the installation of a new 48" water line that replaces a deteriorated 36" water line in the central and west parts of town. Besides the needed replacement of this very old line, it will allow the movement of water from Central to West and West to Central, thus providing additional reliability to the system. The total cost of this four year project is \$30 million, of which \$6 million will be spent in FY 2011-12.
- The Utility did include \$8 million for a solar project to provide renewable energy and reduce the carbon footprint at the desalination plant. However, a triple bottom line analysis will be performed to determine whether or not to proceed with this project.

- The Utility will also spend \$2.8 million for the design and construction of digester-gas scrubber and cogeneration plant that will greatly reduce air pollutants and produce electricity.
- The expansion of the North Central reclaimed water system will continue into FY 2011-12. \$1.8 million will be spent this year on these extensions, which are partially grant funded, and will serve existing and new schools, and parks.
- 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.

**REVENUES AND OTHER FINANCING SOURCES**



**Sources of Funds, FY 11-12: \$229.032 million**

**Water** – Water revenues are funds generated for providing potable water service to customers. Water revenue for FY 2011-12 is estimated to increase by \$1.799 million as compared to the prior year. The \$80.722 million in budgeted revenue reflects a slight increase in consumption due to growth.

**Sewer** – Sewer revenues are proceeds from providing wastewater treatment services to customers. Wastewater revenue for FY 2011-12 is estimated to be \$52.481 million. This estimate is slightly higher from the previous year's budget reflecting growth and continued indoor conservation.

**Water Supply Replacement Charge** – Water Supply Replacement Charge (WSRC) is restricted revenue used for the costs of attaining future water supplies and the infrastructure associated with it. The revenue source is estimated to be \$17.441 million for FY 2011-12. This is an increase of \$339,000 or .2% over the prior year, readjusting the expected revenues due to slower growth in FY 2010-11.

**Grants** – This category includes any funds from federal and state governmental agencies. Almost always these proceeds are for capital improvement projects. Grant proceeds from existing and/or new grants for FY 2011-12 are estimated to be \$6.368 million, an increase of \$2.768 million or 77% more than in the previous year. There is \$1.7 million projected for water projects, \$2.7 million for wastewater projects and \$1.968 million will be used for a reclaimed water project.

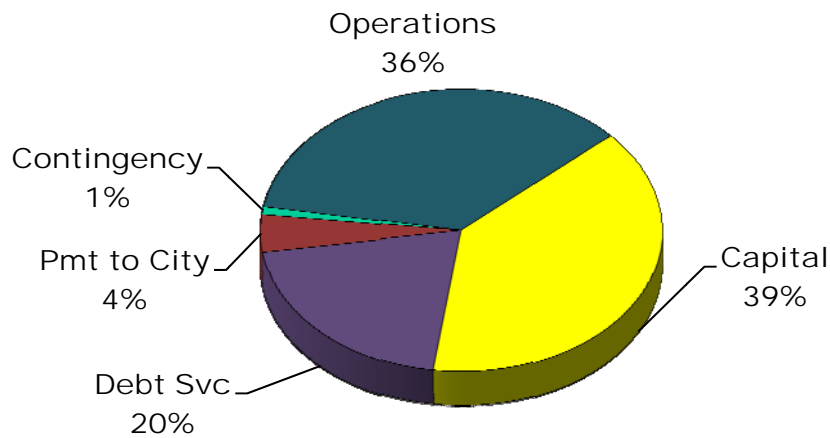
**Debt Service Proceeds** – These are restricted funds available from previously issued and/or new bond issues for a specific use. Proceeds for FY 2011-12 are estimated to be \$27 million. This is a decrease of \$8 million over the previous year due to needing less debt for the capital improvements budget this year.

**Reclaimed** – Reclaimed water revenues are funds generated for supplying advanced secondary and tertiary reuse water services. This revenue source is estimated to generate \$2.379 million in FY 2011-12. The estimated figure is \$38,000 more than FY 2010-11 due to a slight increase in consumption of reclaimed water.

**Interest Income** – This category includes interest earned from investments, other cash management functions and notes receivable. This revenue source is estimated at \$365,000 for FY 2011-12, a decrease from the previous fiscal year due to the continued decline in interest rates on investments.

**Other** – This category includes proceeds from the sale of assets such as land; revenues from fees charged for development of land recently annexed by the City of El Paso; impact fees from new development, other contributions in aid of construction; and lease revenue. It also includes the drawdown of fund balances to fund capital projects. The FY 2011-12 estimated revenue from this source is \$39.486 million, which includes \$2.0 million in land sale proceeds, \$1.0 million in revenue from annexation fees and \$1.836 million in contributions from new customers. A new source of revenue is the BAB 35% tax credit due to the BAB bonds issued in 2010. \$249,000 is included in this year’s budget to reflect this anticipated credit.

**EXPENDITURES AND OTHER FINANCING USES**



**Uses of Funds, FY 11-12: \$229.032 million**

**Operating** – This category includes expenditures for the operations and maintenance costs of the Utility. It includes salaries, materials and supplies, utilities, and all other expenses. Operating and maintenance expenses for FY 2011-12 are estimated to be \$81.404 million. This is a 1.68% increase compared to FY 2010-11.

**Capital** – Capital expenses include all expenditures for the planning, design, construction, rehabilitation or purchase of assets. Total capital expenses for FY 2011-12 are estimated to be \$89.099 million. Water capital projects represent 60.2% of total capital expenditures in FY 2011-12, with wastewater projects representing 37.7%.

**Debt Service** – This category includes expenditures for the payment of principal and interest on bonds and other debt instruments. Debt service for FY 2011-12 is estimated to be \$46.664 million. This is a \$2.807 million or 5.7% decrease over the prior year due

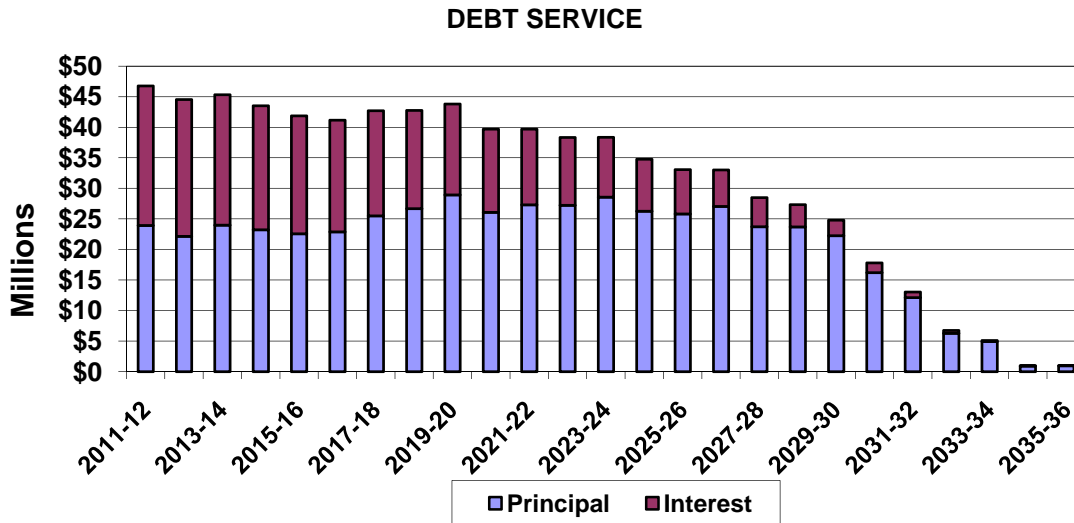
to the advanced refunding of prior debt in October 2010, which resulted in substantial savings in interest costs for the Utility.

**Payment to City** – 10% of water revenues paid to the City of El Paso’s general fund in lieu of taxes. For FY 2011-12, this payment to the City is estimated to be \$9.830 million. This figure is \$175,000 more than the previous year due to the slightly higher water revenues expected in FY 2011-12.

**Contingency** – This category allows for unusual, unbudgeted expenses, equivalent to 2.5% of the operating budget. The contingency this year is \$2.035 million.

**DEBT SERVICE**

The following chart shows, as of February 28, 2011, all outstanding principal and interest owed by El Paso Water Utilities. An adequate level of debt and strong financial positions reflects superior fiscal management that have allowed EPWU to continue to earn among the highest ratings that can be awarded by rating agencies like Standard & Poor’s (AA) and Fitch (AA). In 1997, to leverage the market and be more flexible in financing capital construction projects, the Utility initiated the use of interim commercial paper financing. The credit agreement, in the amount of \$40 million, is equally and ratably secured by and are payable from the sale of bonds or additional borrowing under the commercial paper program. The commercial paper matures from one to 270 days, with interest rates from 0.30% to 0.40%. In 2010, the Utility issued \$15 million in BAB bonds thru the NADBank for the Paisano Valley 48” Transmission Replacement project. The Utility was



able to utilize the ARRA program to obtain a very favorable interest rate on this debt. The Utility also advance refunded \$42.5 million of prior debt in order to take advantage of low interest rates, which resulted in over \$3.1 million or 7.44% in interest cost savings. This new debt service has been included in the FY 2011-12 budget, although there are no new bond issues included in the FY 2011-12 budget. The net result of low interest rates on debt financing means lower overall cost to EPWU customers. The combined result of these efforts allows the Utility to continue to be able to provide the most competitive service in the region.

<b>DEBT SERVICE DETAIL</b>			
<b><u>FISCAL YEAR</u></b>	<b><u>PRINCIPAL</u></b>	<b><u>INTEREST</u></b>	<b><u>TOTAL</u></b>
2011-12	23,935,000	22,833,310	\$46,768,310
2012-13	22,151,000	22,396,567	\$44,547,567
2013-14	23,987,000	21,338,149	\$45,325,149
2014-15	23,228,000	20,284,252	\$43,512,252
2015-16	22,578,000	19,302,403	\$41,880,403
2016-17	22,895,000	18,279,525	\$41,192,525
2017-18	25,506,000	17,208,560	\$42,714,560
2018-19	26,693,000	16,069,742	\$42,762,742
2019-20	28,934,000	14,868,377	\$43,802,377
2020-21	26,070,000	13,636,065	\$39,706,065
2021-22	27,326,000	12,386,983	\$39,712,983
2022-23	27,240,000	11,104,006	\$38,344,006
2023-24	28,575,000	9,787,751	\$38,362,751
2024-25	26,275,000	8,491,266	\$34,766,266
2025-26	25,825,000	7,252,074	\$33,077,074
2026-27	27,040,000	5,989,466	\$33,029,466
2027-28	23,720,000	4,774,329	\$28,494,329
2028-29	23,705,000	3,635,830	\$27,340,830
2029-30	22,265,000	2,524,224	\$24,789,224
2030-31	16,215,000	1,592,926	\$17,807,926
2031-32	12,130,000	915,907	\$13,045,907
2032-33	6,295,000	473,176	\$6,768,176
2033-34	4,910,000	207,163	\$5,117,163
2034-35	920,000	71,500	\$991,500
2035-36	970,000	24,250	\$994,250

## CUSTOMER IMPACTS

Because of the many factors that go into providing quality water and wastewater services, El Paso Water Utilities must continue its leadership in regional and local planning to ensure that its customers continue to receive the highest quality water and sewer services at affordable rates. The Utility uses an “excess use” increasing block rate structure to establish its user charges. The rate structure is designed with a water conservation message such that the less water the customer uses, the less per unit the customer will be billed. Each customer determines the block into which he or she will fall based on their **average winter consumption (AWC)**. AWC is the per-month average based on total consumption during the three winter months of December, January, and February. One can think of AWC as your own personal yardstick, against which your water and sewer use is measured. New customers who have not established an AWC are assigned the AWC based on the meter size for their classification. So a new residential homeowner, for example, would be assigned the residential single, 3/4” class average.

Up to four hundred cubic feet (CCF), or about 2,992 gallons, of water is included in the minimum monthly charge for all non-commercial accounts. The minimum monthly charge for a 3/4” x 5/8” meter is \$4.79 and the rate increases depending on the size of the meter.

### Water Rate Structure

Minimum: up to 4 CCFs

Block 1: over 4 CCFs to 150% of AWC

Block 2: over 150% to 250% of AWC

Block 3: over 250% of AWC

This structure is consistent with the PSB’s goal of sending a pricing signal to high water users or users with high or “discretionary” water use. There are no rate adjustments for water or wastewater rates in the FY 2010-11 budget. The rates that became effective March 1, 2008 are outlined below:

### Rates effective March 1, 2008

Block 1 . . . . . \$1.45 per CCF

Block 2 . . . . . \$3.40 per CCF

Block 3 . . . . . \$4.87 per CCF

The formula for determining into which block a customer will fall is based on what multiple of the customer's AWC is used during that billing period.

In February 1996, the PSB adopted a water supply replacement charge (WSRC). This is dedicated revenue to be used for the acquisition of new water resources to meet current and future water demand. The WSRC is a flat monthly fee charged to each water customer, increasing with equivalent meter size. The typical meter size for a single family detached residence is 3/4" x 5/8" and the WSRC is \$5.91.

The wastewater bill is determined by taking 90% of the customer's AWC, then billing a minimum charge for the first 4 CCFs, and \$1.27 per CCF thereafter. The wastewater portion of the bill will then be fixed until the customer's AWC is calculated again next winter. So the customer determines her/his own AWC, meaning they determine their own rates for service. EPWU continues to offer the most competitive and efficient services possible, and provides one of the most affordable commodities in the West, as supported in a September 2009 survey of similar cities (survey assumes consumption of 13 CCFs of water and 8 CCFs of sewer). A detail history of water and wastewater rates is included in the Statistical section of this budget document.

It should be noted that El Paso Water Utilities continues to serve its customers in this arid region while maintaining affordable prices. Specifically, the area has the lowest average annual rainfall among any of the arid cities in the survey. The result is that EPWU-PSB is able to offer its customers high quality, low cost services and still meet the needs of future generations as well. Proactive planning, regional leadership, visionary management, fiduciary responsibility, and constant communication with the customer will ensure that this will always be the case.

**Water/Wastewater Ten Largest Cities in Texas Survey  
September 2010\***

City	Water	Sewer	Total	Anticipated Rate Increase	Impact Fee	Property Assessment Fee
Austin	\$31.90	\$51.95	\$83.85	Unknown	Water \$2,500 Sewer \$1,400	No
Houston	40.95	41.16	52.11	None	Water \$326 Sewer \$1,157	No
Garland	40.81	34.44	75.25	Yes, amount unknown	Water \$25	No
Arlington	36.49	36.31	72.80	1-3%	Water \$480 Sewer \$380	No
Fort Worth	35.50	28.86	64.36	None	Water \$867 Sewer \$185	No
Plano	26.42	36.65	63.07	Water 6%	Dissolved – Jan 09 Due to build-out	No
Dallas	28.45	33.17	61.62	Unknown	None	No
San Antonio	31.00	20.79	51.79	Unknown	Water \$3,696 Sewer \$1,673	No
El Paso	23.75	16.46	40.21	0%	Avg. Water \$844 Avg. WW \$712	No

\* Assumes 13CCFs water (9,725 gallons) & 9CCFs sewer (6,733 gallons)

**Water/Wastewater Arid Cities Survey  
September 2010\***

City	Water	Sewer	Total	Anticipated Rate Increase	Impact Fee	Property Assessment Fee
Santa Fe (County)	\$75.69	\$50.57	\$126.26	None	Water \$7,500 Sewer \$180	No
Phoenix	40.67	25.25	65.92	Water 9% Sewer 4.5%	Water \$2,726-5,110 Sewer \$1,067-5,439	No
Tucson	27.19	33.64	60.83	Unknown	Water \$1,784 Sewer \$202	No
Lower Valley Water District	31.16	25.15	56.31	Unknown	None	Yes
Las Vegas	23.69	19.14	42.83	5.7% each yr. for 3 yrs.	Water \$6,720 WW \$2,436	No
Albuquerque	26.15	14.89	41.04	Not until 2011	Water \$2,473 Sewer \$1,816 WSC \$1,250	No
Las Cruces	21.16	19.10	40.26	Yes, amount unknown	Water \$2,378 Sewer \$1,665	No
El Paso	23.75	16.46	40.21	None	None	No
Horizon City	16.27	10.38	26.65	No	None	Yes

\*Assumes -13 CCFs water (9,725 gallons) & 9 CCFs sewer (6,733 gallons)

**Water/Wastewater Regional Survey  
September 2010\***

City	Water	Sewer	Total	Anticipated Rate Increase	Impact Fee	Property Assessment Fee
Santa Fe (County)	\$75.69	\$50.57	\$126.26	None	Water \$7,500 Sewer \$180	No
Ruidoso	44.23	45.33	89.56	Yes, Amount Unknown	Water \$2,674 Sewer \$1,834	No
Alamogordo	64.06	19.88	83.94	No	None	No
Tucson	27.19	33.64	60.83	Unknown	Water \$1,784 Sewer \$202	No
Lubbock	48.38	9.80	58.18	None	None	No
Lower Valley Water District	31.16	25.15	56.31	Unknown	None	Yes
Albuquerque**	26.15	14.89	41.04	Not until 2011	Water \$2,473 Sewer \$1,816 WSC \$1,250	No
Las Cruces	21.16	19.10	40.26	Yes, Amount Unknown	Water \$2,378 Sewer \$1,665	No
El Paso	23.75	16.46	40.21	None	Avg. Water \$844 Avg. WW \$712	No
Horizon City	16.27	10.38	26.65	None	None	Yes

\*Assumes -13 CCFs water (9,725 gallons) & 9 CCFs sewer (6,733 gallons)

**El Paso Water Utilities - Public Service Board**  
**SUMMARY OF RECEIPTS & DISBURSEMENTS (IN 1000'S)**  
**2010-11 FISCAL BUDGET**

**Approved -vs- Projected**

	<b>Approved Budget FY 2010-11</b>	<b>Projected FY 2010-11</b>	<b>Variance</b>	<b>% Change</b>
<b>Water Billed (In Billion Gallons)</b>	<b>33.00</b>	<b>33.60</b>	<b>0.60</b>	<b>1.82%</b>
<b>REVENUE</b>				
Water	78,450	79,919	1,469	1.87%
Water Supply Replacement Charge	17,102	17,133	31	0.18%
Reclaimed Water	2,341	2,337	(4)	-0.17%
Fire Protection	850	851	1	0.12%
Service Charges, Misc. Fees	1,842	1,829	(13)	-0.71%
<b>Total Water</b>	<b>100,585</b>	<b>102,069</b>	<b>1,484</b>	<b>1.48%</b>
Wastewater Service	51,496	51,094	(402)	-0.78%
Pretreatment Surcharge	619	504	(115)	-18.58%
<b>Total Wastewater</b>	<b>52,115</b>	<b>51,598</b>	<b>(517)</b>	<b>-0.99%</b>
Misc. Operating Revenues	3,030	2,814	(216)	-7.13%
Interest Revenue on Operating Funds	160	35	(125)	-78.13%
<b>Total Operating Revenues</b>	<b>155,890</b>	<b>156,516</b>	<b>626</b>	<b>0.40%</b>

<b>LESS OPERATING EXPENDITURES</b>				
Operation & Maintenance	80,063	78,060	(2,003)	-2.50%
<b>Total Expenditures</b>	<b>80,063</b>	<b>78,060</b>	<b>(2,003)</b>	<b>-2.50%</b>

<b>Revenues Available</b>	<b>75,827</b>	<b>78,456</b>	<b>2,629</b>	<b>3.47%</b>
Sale of Misc. Assets	240	90	(150)	-62.50%
Interest Revenue on Restricted Funds	400	365	(35)	-8.75%
Build America Bonds (BAB) 35% Tax Credit	0	138	138	N/A
<b>Revenues Available for Debt Service</b>	<b>76,467</b>	<b>79,049</b>	<b>2,582</b>	<b>3.38%</b>
Debt Service - Water and Wastewater	47,090	45,741	(1,349)	-2.86%
Debt Service Reserve Fund	1,544	1,456	(88)	-5.70%
Short Term Commercial Paper - Interest	837	340	(497)	-59.38%
Payment to City	9,655	9,575	(80)	-0.83%
<b>Revenues Avail For Capital Rehab/Impr.</b>	<b>17,341</b>	<b>21,937</b>	<b>4,596</b>	<b>26.50%</b>

<b>PLUS MISC. NON-OPERATING REVENUES</b>				
Sales of Land Assets	2,000	1,500	(500)	-25.00%
Impact Fees	300	228	(72)	-24.00%
Annexation Fees	1,000	1,800	800	80.00%
Contribution of New Customers	1,818	1,300	(518)	-28.49%
<b>Total Non-Operating Revenues</b>	<b>5,118</b>	<b>4,828</b>	<b>(290)</b>	<b>-5.67%</b>

<b>Total Revenues Avail for Capital Rehab/Impr.</b>	<b>22,459</b>	<b>26,765</b>	<b>4,306</b>	<b>19.17%</b>
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<b>CAPITAL EXPENDITURES</b>				
Capital Projects-Water	32,300	16,843	(15,457)	-47.85%
Capital Projects-Wastewater	47,120	26,855	(20,265)	-43.01%
Capital Projects-Reuse	7,750	4,000	(3,750)	-48.39%
Capital Equipment	1,143	1,000	(143)	-12.51%
<b>Total Capital Expenditures</b>	<b>88,313</b>	<b>48,698</b>	<b>(39,615)</b>	<b>-44.86%</b>
Contingencies	2,002	0	(2,002)	-100.00%
<b>Deficiency to be funded by debt or construction funds</b>	<b>(67,856)</b>	<b>(21,933)</b>	<b>45,923</b>	<b>-67.68%</b>
Restricted Bond Construction Funds	0	54,650	54,650	N/A
New Bond Issues & Short Term Commercial Paper Program	35,000	24,000	(11,000)	-31.43%
Grants	3,600	240	(3,360)	-93.33%
<b>Fund Balance (Increase/Decrease)</b>	<b>(29,256)</b>	<b>56,957</b>	<b>86,213</b>	
Debt Service Coverage	1.62	1.73		

**EL PASO WATER UTILITIES - PUBLIC SERVICE BOARD**  
**A COMPONENT UNIT OF THE CITY OF EL PASO**  
**WATER AND WASTEWATER UTILITY FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET TO ACTUAL\***

\*THIS IS AN UNOFFICIAL, UNAUDITED STATEMENT USING DATA FROM EPWU-PSB'S COMPREHENSIVE  
ANNUAL FINANCIAL REPORT AND PREPARED STRICTLY FOR USE IN THIS BUDGET BOOK

	<u>Year End February 28, 2010</u>		<u>Year End February 28, 2011</u>		<u>FY 2011-2012</u>
	Budget	Actual	Budget	Projected	Budget
<b>BILLED WATER (billions of gallons, retail + wholesale)</b>	<b>33.00</b>	<b>32.81</b>	<b>33.00</b>	<b>33.60</b>	<b>33.00</b>
<b>OPERATING REVENUES</b>					
Water service	\$ 77,063,000	\$ 79,239,500	\$ 78,450,000	\$ 79,919,000	\$ 79,862,000
Water supply replacement charge	17,047,000	16,876,029	17,102,000	17,133,000	17,441,000
Reclaimed water service	2,457,000	2,376,661	2,341,000	2,337,000	2,379,000
Fire protection	830,000	843,416	850,000	851,000	860,000
Service charges, misc. fees	1,680,000	1,751,767	1,842,000	1,829,000	1,858,000
Wastewater service	50,900,000	50,960,097	51,496,000	51,094,000	51,968,000
Pretreatment surcharges	559,000	607,630	619,000	504,000	513,000
Misc. operating revenues	2,738,000	4,350,211	3,030,000	2,814,000	3,014,000
Interest revenue on operating funds	200,000	44,598	160,000	35,000	35,000
<b>TOTAL OPERATING REVENUES</b>	<b>153,474,000</b>	<b>157,049,909</b>	<b>155,890,000</b>	<b>156,516,000</b>	<b>157,930,000</b>
<b>OPERATING EXPENSES</b>					
Operations and maintenance - water and reclaimed water	43,226,000	40,059,350	40,940,000	39,916,500	41,580,000
Operations and maintenance - wastewater	23,300,000	23,008,449	23,123,000	22,543,500	23,484,000
General and administrative	14,243,000	18,992,978	16,000,000	15,600,000	16,340,000
Depreciation and amortization	44,000,000	46,442,835	46,500,000	46,600,000	47,000,000
Other operating expenses	-	1,825,429	-	1,850,000	1,850,000
Other Post-Employment Benefits expense	-	898,501	-	900,000	900,000
Payment to City of El Paso per bond covenants	9,511,000	9,613,832	9,655,000	9,575,000	9,830,000
<b>TOTAL OPERATING EXPENSES</b>	<b>134,280,000</b>	<b>140,841,374</b>	<b>136,218,000</b>	<b>136,985,000</b>	<b>140,984,000</b>
<b>OPERATING INCOME</b>	<b>19,194,000</b>	<b>16,208,535</b>	<b>19,672,000</b>	<b>19,531,000</b>	<b>16,946,000</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	1,575,000	544,414	400,000	365,000	365,000
IRS tax credit for Build America Bonds	-	-	-	138,000	249,000
Gain on sale of assets	2,240,000	3,820,281	2,240,000	1,590,000	2,090,000
Interest on bonds and commercial paper	(23,000,000)	(23,772,720)	(24,000,000)	(24,000,000)	(23,500,000)
Impact Fees	-	-	300,000	228,000	500,000
Annexation fees	1,540,000	1,504,393	1,000,000	1,800,000	1,000,000
Tap fees and other customer construction related contributions	2,122,000	2,145,600	1,818,000	1,300,000	1,313,000
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>(15,523,000)</b>	<b>(15,758,032)</b>	<b>(18,242,000)</b>	<b>(18,579,000)</b>	<b>(17,983,000)</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>3,671,000</b>	<b>450,503</b>	<b>1,430,000</b>	<b>952,000</b>	<b>(1,037,000)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>2,000,000</b>	<b>7,943,164</b>	<b>3,600,000</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>INCREASE IN NET ASSETS</b>	<b>5,671,000</b>	<b>8,393,667</b>	<b>5,030,000</b>	<b>4,952,000</b>	<b>2,963,000</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>674,165,794</b>	<b>674,165,794</b>	<b>679,836,794</b>	<b>682,559,461</b>	<b>684,866,794</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 679,836,794</b>	<b>\$ 682,559,461</b>	<b>\$ 684,866,794</b>	<b>\$ 687,511,461</b>	<b>\$ 687,829,794</b>
<b>DEBT SERVICE COVERAGE</b>	<b>1.63</b>	<b>1.58</b>	<b>1.62</b>	<b>1.73</b>	<b>1.72</b>

\* This statement has been revised to reflect the new GASB 34 reporting requirements.

<b>FY 2011-12 WATER &amp; WASTEWATER ANNUAL BUDGET</b>	<b>Approved FY 2011-12</b>
<b>Total Operating and Capital Budget</b>	<b>\$229,032</b>
<b>OPERATING REVENUES</b>	
Water Service	79,862
Water Supply Replacement	17,441
Reclaimed Water Sales	2,379
Fire Protection	860
<b>TOTAL WATER REVENUES</b>	<b>100,542</b>
<b>RATE INCREASE - Water</b>	<b>0.0%</b>
<b>RATE INCREASE - Reuse</b>	<b>0.0%</b>
Wastewater Service	51,968
Pretreatment Surcharges	513
<b>TOTAL WASTEWATER REVENUES</b>	<b>52,481</b>
<b>RATE INCREASE - Wastewater</b>	<b>0.0%</b>
Service Charges, Misc. Fees	4,872
Interest Revenue on Operating Funds	35
<b>TOTAL OPERATING REVENUES</b>	<b>157,930</b>
<b>LESS OPERATING EXPENSES</b>	
Operations & Maintenance	81,404
<b>TOTAL OPERATING EXPENSES</b>	<b>81,404</b>
<b>NET OPERATING REVENUES AVAILABLE</b>	<b>76,525</b>
Sale of Assets	90
Interest Revenue on Restricted Funds	365
Build America Bonds (BAB) 35% Tax Credit	249
<b>REVENUE AVAILABLE FOR DEBT SERVICE</b>	<b>77,230</b>
Existing Debt Service - P & I - Bonds	44,305
Commercial Paper Annual Interest	438
New Debt Service - P & I - Bonds	672
Annual Contributions to Reserve Fund	1,249
Payment to City - Water Only	9,830
<b>REVENUE AVAILABLE FOR CAPITAL IMPROVEMENTS</b>	<b>20,736</b>
<b>PLUS RESTRICTED NON-OPERATING REVENUES</b>	
Impact Fees	500
Land Sales	2,000
Annexation Fees	1,000
Contribution of New Customers	1,313
<b>TOTAL NON-OPERATING REVENUES</b>	<b>4,813</b>
<b>TOTAL REVENUE AVAILABLE FOR CAPITAL IMPROVEMENTS</b>	<b>25,549</b>
<b>CAPITAL EXPENDITURES</b>	
Capital Projects - Water	53,654
Capital Projects - Wastewater	30,229
Capital Projects - Reuse	4,099
Capital Equipment	1,117
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>89,099</b>
Contingencies	2,035
<b>(DEFICIENCY) TO BE FUNDED BY DEBT, GRANTS OR CONSTRUCTION FUNDS</b>	<b>(65,585)</b>
Less Restricted Construction Funds	-
Less New Bond Issues & Commercial Paper	27,000
Less Grants	6,368
<b>Increase /(Decrease) In Fund Balance</b>	<b>(\$32,217)</b>
<b>Debt Service Coverage - Target 2.0x</b>	<b>1.72</b>
<b>Average Residential Water Bill</b>	<b>\$23.75</b>
<b>Average Residential Wastewater Bill</b>	<b>15.19</b>
<b>Average Residential Bill</b>	<b>\$38.94</b>
<b>Percent Increase In Utility Bill</b>	<b>0.0%</b>

**EL PASO WATER UTILITIES/PUBLIC SERVICE BOARD  
WATER AND WASTEWATER OPERATING BUDGET BY OBJECT**

EXPENDITURE	2009-10			2010-11			FY 2011 -12		
	Approved Budget	Actual	%	Approved Budget	Projected	%	Adopted	Increase (Decrease)	%
<b>GENERAL OPERATING</b>									
PERSONAL SERVICES	34,678,400	32,590,732	94.0%	35,353,600	32,753,096	92.6%	36,255,500	901,900	2.55%
MATERIALS & SUPPLIES	14,616,900	13,582,766	92.9%	13,575,100	14,258,847	105.0%	13,405,400	(169,700)	-1.25%
MAINTENANCE	11,876,100	13,170,751	110.9%	12,416,130	12,969,776	104.5%	12,750,800	334,670	2.70%
UTILITIES	17,254,500	16,407,221	95.1%	16,466,050	16,999,120	103.2%	16,581,800	115,750	0.70%
OTHER*	10,382,700	10,711,896	103.2%	10,943,520	10,253,824	93.7%	11,315,400	371,880	3.40%
<b>GROSS O &amp; M BUDGET</b>	<b>88,808,600</b>	<b>86,463,365</b>	<b>97.4%</b>	<b>88,754,400</b>	<b>87,234,663</b>	<b>98.3%</b>	<b>90,308,900</b>	<b>1,554,500</b>	<b>1.75%</b>
Less: Capital Salaries	(3,286,000)	(4,021,211)	122.4%	(3,380,000)	(2,608,705)	77.2%	(3,485,000)	(105,000)	3.11%
Capital Credits	(3,362,000)	(4,750,158)	141.3%	(3,949,000)	(4,827,478)	122.2%	(4,070,000)	(121,000)	3.06%
Stormwater Indirect Cost Allocation	(1,392,100)	(1,392,100)	100.0%	(1,362,600)	(1,392,100)	102.2%	(1,350,000)	12,600	-0.92%
<b>NET OPERATING BUDGET</b>	<b>80,768,500</b>	<b>76,299,897</b>	<b>94.5%</b>	<b>80,062,800</b>	<b>78,406,381</b>	<b>97.9%</b>	<b>81,403,900</b>	<b>1,341,100</b>	<b>1.68%</b>
<b>CLEARING ACCOUNTS</b>									
PERSONAL SERVICES	3,594,000	3,527,872	98.2%	3,652,000	3,558,056	97.4%	3,748,000	96,000	2.63%
MATERIALS AND SUPPLIES	1,293,300	1,206,680	93.3%	1,288,700	1,149,651	89.2%	1,266,000	(22,700)	-1.76%
MAINTENANCE	254,900	250,875	98.4%	265,700	241,794	91.0%	266,200	500	0.19%
UTILITIES	341,000	267,900	78.6%	300,000	278,086	92.7%	260,000	(40,000)	-13.33%
OTHER*	699,000	873,480	125.0%	701,900	857,246	122.1%	895,600	193,700	27.60%
<b>TOTAL CLEARING ACCOUNTS</b>	<b>6,182,200</b>	<b>6,126,807</b>	<b>99.1%</b>	<b>6,208,300</b>	<b>6,084,832</b>	<b>98.0%</b>	<b>6,435,800</b>	<b>227,500</b>	<b>3.66%</b>

**PERSONAL SERVICES-** includes 1.2% for merit & competency increases, 3% for contract salaries increases, 0% for general services increase and \$953,000 in scheduled overtime

\*Other expenditures are those which don't fit the other 4 categories. These include, among others, professional services, employee training, prepaid insurance, sludge hauling, water conservation expenses, fees to financial institutions, and postage.

**EL PASO WATER UTILITIES/PUBLIC SERVICE BOARD  
SUMMARY OF WATER AND SEWER OPERATING BUDGET  
BY PROGRAM AND BY ORGANIZATIONAL UNIT  
FISCAL YEAR 2011-2012**

Section Division	FY 2009-2010			FY 2010-2011			FY 2011-2012		
	Approved Budget	Actual	%	Approved Budget	Projected	%	Approved Budget	Increase (Decrease)	%
<b>ADMINISTRATION</b>									
100 Public Service Board	530,800	542,784	102.3%	541,100	529,882	97.9%	609,700	68,600	12.7%
105 Executive Services	1,614,500	1,582,707	98.0%	2,024,800	1,868,720	92.3%	2,107,800	83,000	4.1%
110 Legal Services	594,000	1,040,602	175.2%	594,900	671,789	112.9%	575,600	(19,300)	-3.2%
115 Communications	332,000	248,473	74.8%	371,300	300,120	80.8%	291,900	(79,400)	-21.4%
120 Human Resources	647,800	517,430	79.9%	648,400	584,565	90.2%	640,400	(8,000)	-1.2%
130 Water Resources Management	441,900	338,159	76.5%	387,700	341,678	88.1%	391,400	3,700	1.0%
140 Land Management	579,700	603,789	104.2%	560,500	556,982	99.4%	645,200	84,700	15.1%
760 Tech20 Learning Center	861,100	699,015	81.2%	802,600	727,110	90.6%	802,500	(100)	0.0%
<b>TOTAL DIVISION</b>	<b>5,601,800</b>	<b>5,572,959</b>	<b>99.5%</b>	<b>5,931,300</b>	<b>5,580,846</b>	<b>94.1%</b>	<b>6,064,500</b>	<b>133,200</b>	<b>2.2%</b>
<b>TECHNICAL SERVICES</b>									
310 Technical Services	578,300	424,468	73.4%	510,900	411,809	80.6%	400,200	(110,700)	-21.7%
315 Water/Wastewater Engineering	870,400	738,057	84.8%	851,300	777,107	91.3%	861,500	10,200	1.2%
320 Planning and Development	1,958,500	1,617,834	82.6%	1,837,500	1,661,556	90.4%	1,897,200	59,700	3.2%
325 Project Administration	504,800	211,158	41.8%	704,900	633,761	89.9%	706,300	1,400	0.2%
330 Stormwater Engineering	523,800	432,796	0.0%	488,700	484,884	99.2%	561,700	73,000	14.9%
370 Construction Administration	524,900	0	0.0%	0	0	0.0%	0	0	0.0%
380 Asset Management	122,200	0	0.0%	0	0	0.0%	0	0	0.0%
<b>TOTAL DIVISION</b>	<b>5,082,900</b>	<b>3,424,313</b>	<b>67.4%</b>	<b>4,393,300</b>	<b>3,969,117</b>	<b>90.3%</b>	<b>4,426,900</b>	<b>33,600</b>	<b>0.8%</b>
<b>OPERATIONS (WATER DIVISION)</b>									
410 Water Division Office	766,900	911,276	118.8%	1,217,600	1,057,938	86.9%	1,286,500	68,900	5.7%
420 Water Production	10,522,400	10,584,730	100.6%	10,723,700	10,751,910	100.3%	11,340,900	617,200	5.8%
425 Instrumentation and Control	936,100	927,643	99.1%	987,700	926,607	93.8%	1,137,700	150,000	15.2%
430 Canal Street Water Treatment Plant	4,973,900	4,251,809	85.5%	4,436,400	4,306,442	97.1%	4,373,000	(63,400)	-1.4%
440 Water Distribution	8,937,500	9,240,890	103.4%	9,203,300	8,882,202	96.5%	9,145,900	(57,400)	-0.6%
450 Jonathan Rogers Water Treatment Plant	9,314,700	9,740,333	104.6%	9,473,000	9,693,068	102.3%	9,427,000	(46,000)	-0.5%
470 Upper Valley Water Treatment Plant	1,517,900	1,330,512	87.7%	1,481,900	1,455,055	98.2%	1,440,600	(41,300)	-2.8%
480 Desalination Plant	2,650,800	2,047,058	77.2%	2,247,600	2,158,363	96.0%	2,083,800	(163,800)	-7.3%
<b>TOTAL DIVISION</b>	<b>39,620,200</b>	<b>39,034,250</b>	<b>98.5%</b>	<b>39,771,200</b>	<b>39,231,585</b>	<b>98.6%</b>	<b>40,235,400</b>	<b>464,200</b>	<b>1.2%</b>
<b>OPERATIONS (OPERATIONS SUPPORT)</b>									
510 Operations Management	552,400	528,616	95.7%	420,900	406,958	96.7%	426,500	5,600	1.3%
520 Environmental Compliance & Ind. Prettrmtnt	666,200	625,939	94.0%	669,100	610,070	91.2%	655,700	(13,400)	-2.0%
525 Laboratory Services	2,267,700	2,389,237	105.4%	2,410,700	2,346,286	97.3%	2,500,400	89,700	3.7%
540 Reclaimed Water System	422,200	418,330	99.1%	431,400	404,166	93.7%	522,000	90,600	21.0%
560 Biosolids Management	1,851,500	1,847,314	99.8%	1,854,780	1,821,350	98.2%	1,854,800	20	0.0%
<b>TOTAL DIVISION</b>	<b>5,760,000</b>	<b>5,809,436</b>	<b>100.9%</b>	<b>5,786,880</b>	<b>5,588,830</b>	<b>96.6%</b>	<b>5,959,400</b>	<b>172,520</b>	<b>3.0%</b>
<b>OPERATIONS (WASTEWATER DIVISION)</b>									
610 Wastewater Division Office	503,500	503,266	100.0%	588,400	569,491	96.8%	570,700	(17,700)	-3.0%
620 Wastewater Lift Stations	2,641,000	2,240,522	84.8%	2,486,700	2,282,608	91.8%	2,536,200	49,500	2.0%
630 Collection System Maintenance	1,581,500	1,602,489	101.3%	1,649,900	1,634,661	99.1%	1,677,000	27,100	1.6%
640 Northwest Wastewater Treatment Plant	2,416,500	2,769,040	114.6%	2,658,000	2,681,106	100.9%	2,677,300	19,300	0.7%
650 Haskell Street Wastewater Treatment Plant	4,057,500	4,108,654	101.3%	4,007,200	4,015,072	100.2%	4,088,200	81,000	2.0%
670 Roberto Bustamante WW Treatment Plant	5,111,700	5,293,224	103.6%	5,139,000	4,887,759	95.1%	5,208,800	69,800	1.4%
680 Fred Hervey Water Reclamation Plant	3,900,100	3,484,526	89.3%	3,591,700	3,546,457	98.7%	3,789,900	197,200	5.5%
690 Wastewater System Repair & Construction	1,551,400	1,510,282	97.3%	1,565,000	1,545,465	98.8%	1,569,500	4,500	0.3%
<b>TOTAL DIVISION</b>	<b>21,763,200</b>	<b>21,512,003</b>	<b>98.8%</b>	<b>21,685,900</b>	<b>21,162,619</b>	<b>97.6%</b>	<b>22,116,600</b>	<b>430,700</b>	<b>2.0%</b>
<b>FINANCIAL &amp; SUPPORT SERVICES</b>									
710 Finance	479,900	559,971	116.7%	506,800	473,559	93.4%	601,300	94,500	18.6%
715 Property and Treasury Management	810,400	760,434	93.8%	847,000	851,453	100.5%	845,000	(2,000)	-0.2%
720 Customer Service	5,215,200	4,953,399	95.0%	5,204,700	5,002,773	96.1%	5,324,200	119,500	2.3%
740 Accounting	745,500	667,322	89.5%	748,200	722,776	96.6%	765,100	16,900	2.3%
750 Purchasing	544,700	522,935	96.0%	541,420	516,152	95.3%	542,800	1,380	0.3%
<b>TOTAL DIVISION</b>	<b>7,795,700</b>	<b>7,464,061</b>	<b>95.7%</b>	<b>7,848,120</b>	<b>7,566,713</b>	<b>96.4%</b>	<b>8,078,400</b>	<b>230,280</b>	<b>2.9%</b>
<b>INFORMATION SERVICES</b>									
810 Information Services	3,184,800	3,277,290	102.9%	3,337,700	3,378,247	101.2%	3,427,700	90,000	2.7%
<b>TOTAL DIVISION</b>	<b>3,184,800</b>	<b>3,277,290</b>	<b>102.9%</b>	<b>3,337,700</b>	<b>3,378,247</b>	<b>101.2%</b>	<b>3,427,700</b>	<b>90,000</b>	<b>2.7%</b>
<b>GROSS O &amp; M BUDGET</b>									
	88,808,600	86,094,312	96.9%	88,754,400	86,477,957	97.4%	90,308,900	1,554,500	1.8%
Less: Capital Salaries	(3,286,000)	(3,777,914)	115.0%	(3,380,000)	(2,848,434)	84.3%	(3,485,000)	(105,000)	3.1%
Less: Capital Credits	(3,362,000)	(5,006,995)	148.9%	(3,949,000)	(4,600,273)	116.5%	(4,070,000)	(121,000)	3.1%
Less: Stormwater Indirect Cost Allocation	(1,392,100)	(1,355,500)	97.4%	(1,362,600)	(1,362,600)	100.0%	(1,350,000)	12,600	-0.9%
<b>NET OPERATING BUDGET</b>	<b>80,768,500</b>	<b>75,953,903</b>	<b>94.0%</b>	<b>80,062,800</b>	<b>77,666,650</b>	<b>97.0%</b>	<b>81,403,900</b>	<b>1,341,100</b>	<b>1.7%</b>
<b>CLEARING ACCOUNTS</b>									
912 Meter Repair & Testing	418,500	382,917	91.5%	439,500	430,544	98.0%	454,400	14,900	3.4%
913 Supplies & Stock	35,000	23,020	65.8%	30,000	20,796	69.3%	30,000	0	0.0%
914 Warehouse	360,200	387,943	107.7%	365,700	375,340	102.6%	367,600	1,900	0.5%
915 Fleet Maintenance	2,147,700	2,056,479	95.8%	2,154,200	2,162,027	100.4%	2,178,000	23,800	1.1%
916 Heavy Equipment Operations	1,992,200	2,166,989	108.8%	2,071,300	2,258,149	109.0%	2,282,500	211,200	10.2%
917 Facilities Maintenance	1,228,600	1,109,460	90.3%	1,147,600	1,067,730	93.0%	1,123,300	(24,300)	-2.1%
<b>TOTAL CLEARING ACCOUNTS</b>	<b>6,182,200</b>	<b>6,126,807</b>	<b>99.1%</b>	<b>6,208,300</b>	<b>6,314,586</b>	<b>101.7%</b>	<b>6,435,800</b>	<b>227,500</b>	<b>3.7%</b>

**EL PASO WATER UTILITIES/PUBLIC SERVICE BOARD  
SUMMARY, FY 2011-2012  
STAFFING BY DIVISION AND SECTION**

		Budgeted FTE's					
Division/Section		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Administration</b>	Executive Services	5	5	9	10	14	15
	Legal Services	4	4	4	4	4	4
	Communications	4	4	2	2	2	2
	Human Resources	8	8	8	8	8	8
	Water Resources Management	6	6	6	5	5	5
	Land Management	6	7	7	7	7	7
	Tech20 Learning Center	3.5	3.5	5.5	10	10	10
	<b>Total Division</b>	<b>36.5</b>	<b>37.5</b>	<b>41.5</b>	<b>46</b>	<b>50</b>	<b>51</b>
<b>Technical Services</b>	Technical Services	3	3	3	3	3	3
	Water/Wastewater Engineering	16	15	15	14	14	14
	Planning and Development	33	33	34	34	33	33
	Project Administration	10	6	6	6	8	8
	Stormwater Engineering	0	0	6	6	6	6
	Contracts Administration & Development	4	0	0	0	0	0
	Construction Administration	0	6	6	6	0	0
	Asset Management	0	1	1	1	0	0
<b>Total Division</b>	<b>66</b>	<b>64</b>	<b>71</b>	<b>70</b>	<b>64</b>	<b>64</b>	
<b>Financial &amp; Support Services</b>	Finance	3	3	3	3	3	3
	Property and Treasury Management	13	13	13	13	13	13
	Customer Service	87	87	96	96	96	98
	Water Conservation	12.5	12.5	6.5	0	0	0
	Information Services	0	0	0	0	0	0
	Accounting	12	12	14	14	14	14
	Purchasing	6	10	10	9	9	9
	Meter Repair Shop	11	11	11	11	11	11
	Warehouse	6	7	8	9	9	9
<b>Total Division</b>	<b>150.5</b>	<b>155.5</b>	<b>161.5</b>	<b>155</b>	<b>155</b>	<b>157</b>	
<b>Information Services</b>	Information Services	19	20	23	24	24	24
	<b>Total Division</b>	<b>19</b>	<b>20</b>	<b>23</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Operations (Water System)</b>	Water Division Office	4	4	4	3	3	3
	Well Production	43	43	43	43	43	43
	Instrumentation and Control	13	13	13	13	13	14
	Canal Street WTP	21	21	20	20	20	20
	Water Distribution	91	95	96	96	96	96
	Jonathan Rogers WTP	19	19	19	19	18	18
	Upper Valley WTP	15	15	15	15	15	15
	Desalination Plant	14	14	14	14	14	14
<b>Total Division</b>	<b>220</b>	<b>224</b>	<b>224</b>	<b>223</b>	<b>222</b>	<b>223</b>	
<b>Operations (Wastewater System)</b>	Wastewater Division Office	5	5	5	5	5	5
	Wastewater Lift Stations	17	17	20	20	20	20
	Wastewater Collection System Maintenance	30	31	31	31	33	33
	Northwest WWTP	16	17	17	17	17	17
	Haskell Street WWTP	32	32	32	32	32	32
	Roberto Bustamante WWTP	29	31	31	31	31	31
	Fred Hervey WRP	30	30	30	30	30	30
	Wastewater System Repair & Construction	20	20	20	20	20	20
<b>Total Division</b>	<b>179</b>	<b>183</b>	<b>186</b>	<b>186</b>	<b>188</b>	<b>188</b>	
<b>Operations (Operations Support)</b>	Operations Management	5	5	4	4	3	3
	Environmental Compliance/Industrial Pretreatment	11	11	11	11	11	10
	Laboratory Services	26	27	28	28	29	29
	Reclaimed Water System	1.5	1.5	1.5	1.5	1.5	1.5
	Biosolids Management	0.5	0.5	0.5	0.5	0.5	0.5
<b>Total Division</b>	<b>44</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>44</b>	
<b>Operations (Equipment &amp; Facilities Maintenance)</b>	Fleet Maintenance	18.3	18.3	21.3	21.3	21.3	21.3
	Heavy Equipment Operations	22.3	22.3	41.3	41.3	42.3	42.3
	Facilities Maintenance	19.3	20.3	20.3	19.3	17.3	17.3
	<b>Total Division</b>	<b>60</b>	<b>61</b>	<b>83</b>	<b>82</b>	<b>81</b>	<b>81</b>
<b>TOTAL BUDGETED POSITIONS</b>		<b>775</b>	<b>790</b>	<b>835</b>	<b>831</b>	<b>829</b>	<b>832</b>
<b>TOTAL ACTUAL POSITIONS</b>		<b>678</b>	<b>688</b>	<b>745</b>	<b>765</b>	<b>759</b>	

## **FIVE YEAR FINANCIAL PLAN**

A five-year financial plan is also prepared which incorporates best estimates of operating and capital expenditures over the near term and projected revenue sources and future revenue requirements. This plan is a guide for management and the Public Service Board to assess and review as it addresses current budget proposals and in considering Utility water, wastewater and reclaimed water initiatives and the short and long term impact such initiatives will have on the financial condition of the Utility.

### **Incremental Operating and Capital Improvement Expenses**

This five year plan includes additional Operations and Maintenance (O&M) expenses for new infrastructure being placed into service. There were no major incremental O & M expense adjustments in the FY 2011-12 budget, however adjustments have been made to reflect the energy optimization plan that the Utility is implementing utility-wide. These savings in energy costs will help offset higher electric rates implemented in 2010. Overall, this plan attempts to capture and reflect future incremental increases in operating costs due to new facilities being placed into service and compliance with new federal, state and local regulations.

### **Alternative or New Revenue Sources**

The five-year plan includes several assumptions regarding additional revenue sources. The plan includes significant amounts of grants to fund certain projects. Fiscal year 2011-12 includes an estimated \$6.4 million in grant funds to be used by the Utility. Future grants (estimated at \$4.5 million) are also included in the plan for reclaimed water projects. The anticipated sale of land currently owned by the Utility and being master planned will be a source of revenue in years to come. This year \$2 million in land sales revenues is budgeted, with \$14 million projected for the following four years. The City of El Paso adopted water and wastewater impact fees in May 2009, therefore a new source of funding for impact fees was reflected in the FY 2010-11 plan. We anticipate collecting \$500,000 in impact fees in FY 2011-12 and an additional \$6.1 million in the following four years.

**El Paso Water Utilities / Public Service Board  
Five Year Financial Plan\* (in \$1,000's)**

<b>WATER &amp; WASTEWATER FUND WSRC \$5.91 in FY 2010-11</b>	<b>Adopted Budget FY 2010-11</b>	<b>Projected Budget FY 2010-11</b>	<b>Proposed FY 2011-12</b>	<b>Projected FY 2012-13</b>	<b>Projected FY 2013-14</b>	<b>Projected FY 2014-15</b>	<b>Projected FY 2015-16</b>
<b>Total Operating and Capital Budget</b>	<b>\$229,504</b>	<b>\$183,870</b>	<b>\$229,032</b>	<b>\$201,756</b>	<b>\$199,210</b>	<b>\$215,280</b>	<b>\$214,857</b>
<b>OPERATING REVENUES</b>							
Water Service	78,450	79,919	79,862	85,293	86,615	92,505	94,170
Water Supply Replacement	17,102	17,133	17,441	18,627	18,916	20,202	20,566
Reclaimed Water Sales	2,341	2,337	2,379	2,541	2,580	2,756	2,805
Fire Protection	850	851	860	868	877	886	894
<b>TOTAL WATER REVENUES</b>	<b>98,743</b>	<b>100,240</b>	<b>100,542</b>	<b>107,329</b>	<b>108,988</b>	<b>116,348</b>	<b>118,435</b>
<b>RATE INCREASE - Water</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>RATE INCREASE - Reuse</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>
Wastewater Service	51,496	51,094	51,968	55,455	56,271	60,047	61,074
Pretreatment Surcharges	619	504	513	522	530	540	550
<b>TOTAL WASTEWATER REVENUES</b>	<b>52,115</b>	<b>51,598</b>	<b>52,481</b>	<b>55,977</b>	<b>56,802</b>	<b>60,587</b>	<b>61,624</b>
<b>RATE INCREASE - Wastewater</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>
Service Charges, Misc. Fees	4,872	4,643	4,872	4,921	4,970	5,020	5,070
Interest Revenue on Operating Funds	160	35	35	35	35	35	35
<b>TOTAL OPERATING REVENUES</b>	<b>155,890</b>	<b>156,516</b>	<b>157,930</b>	<b>168,262</b>	<b>170,795</b>	<b>181,990</b>	<b>185,164</b>
<b>LESS OPERATING EXPENSES</b>							
Operations & Maintenance	80,063	78,060	81,404	81,419	80,933	81,742	82,560
<b>TOTAL OPERATING EXPENSES</b>	<b>80,063</b>	<b>78,060</b>	<b>81,404</b>	<b>81,419</b>	<b>80,933</b>	<b>81,742</b>	<b>82,560</b>
<b>OPERATING REVENUES AVAILABLE</b>	<b>75,827</b>	<b>78,456</b>	<b>76,525</b>	<b>86,843</b>	<b>89,862</b>	<b>100,248</b>	<b>102,604</b>
Sale of Assets	240	90	90	90	90	90	90
Interest Revenue on Restricted Funds	400	365	365	365	365	366	366
Build America Bonds (BAB) 35% Tax Credit	0	138	249	249	240	231	221
<b>REV. AVAILABLE FOR DEBT SERVICE</b>	<b>76,467</b>	<b>79,048</b>	<b>77,230</b>	<b>87,548</b>	<b>90,557</b>	<b>100,935</b>	<b>103,281</b>
Existing Debt Service - P & I - Bonds	45,914	45,741	44,305	44,008	43,556	45,118	45,190
Commercial Paper Annual Interest	837	340	438	393	355	348	385
New Debt Service - P & I - Bonds	1,176	0	672	2,252	4,513	6,469	7,635
Annual Contributions to Reserve Fund	1,544	1,456	1,249	1,220	1,220	728	311
Payment to City - Water Only	9,655	9,575	9,830	10,642	10,803	11,371	11,574
<b>REV. AVAIL. FOR CAPITAL IMPROVEMENTS</b>	<b>17,341</b>	<b>21,937</b>	<b>20,736</b>	<b>29,033</b>	<b>30,110</b>	<b>36,901</b>	<b>38,185</b>
<b>PLUS MISC. NON-OPERATING REVENUES</b>							
Impact Fees	300	228	500	1,000	1,700	1,700	1,700
Land Sales	2,000	1,500	2,000	5,000	5,000	2,000	2,000
Annexation Fees	1,000	1,800	1,000	1,000	1,000	1,000	1,000
Contribution of New Customers	1,818	1,300	1,313	1,326	1,339	1,353	1,366
<b>TOTAL NON-OPERATING REVENUES</b>	<b>5,118</b>	<b>4,828</b>	<b>4,813</b>	<b>8,326</b>	<b>9,039</b>	<b>6,053</b>	<b>6,066</b>
<b>TOT. REV. AVAIL. FOR CAPITAL REHAB/IMPR</b>	<b>22,459</b>	<b>26,765</b>	<b>25,549</b>	<b>37,359</b>	<b>39,150</b>	<b>42,954</b>	<b>44,252</b>
<b>CAPITAL EXPENSES</b>							
Capital Projects - Water	32,300	16,843	53,654	39,529	41,182	39,767	32,242
Capital Projects - Wastewater	47,120	26,855	30,229	17,494	11,861	26,631	31,833
Capital Projects - Reuse	7,750	4,000	4,099	1,764	1,764	64	64
Capital Equipment	1,143	1,000	1,117	1,000	1,000	1,000	1,000
<b>TOTAL CAPITAL EXPENSES</b>	<b>88,313</b>	<b>48,698</b>	<b>89,099</b>	<b>59,787</b>	<b>55,806</b>	<b>67,461</b>	<b>65,138</b>
Contingencies	2,002	0	2,035	2,035	2,023	2,044	2,064
<b>(DEFICIENCY) TO BE FUNDED BY DEBT, GRANTS OR CONSTRUCTION FUNDS</b>	<b>(67,856)</b>	<b>(21,933)</b>	<b>(65,585)</b>	<b>(24,463)</b>	<b>(18,680)</b>	<b>(26,550)</b>	<b>(22,950)</b>
Less Restricted Construction Funds	0	54,650	0	0	0	0	0
Less New Bond Issues & Commercial Paper	35,000	24,000	27,000	21,000	31,000	15,000	20,000
Less Grants	3,600	240	6,368	2,847	1,632	500	500
<b>Increase / Decrease In Fund Balance</b>	<b>(\$29,256)</b>	<b>\$56,957</b>	<b>(\$32,217)</b>	<b>(\$616)</b>	<b>\$13,952</b>	<b>(\$11,050)</b>	<b>(\$2,450)</b>
<b>DSC Senior Lien Debt - 1.50x</b>	<b>1.62</b>	<b>1.73</b>	<b>1.72</b>	<b>1.89</b>	<b>1.88</b>	<b>1.96</b>	<b>1.96</b>
<b>Cash Reserve Balance - % of O&amp;M</b>	<b>56%</b>	<b>91%</b>	<b>47%</b>	<b>47%</b>	<b>64%</b>	<b>50%</b>	<b>47%</b>
<b>Debt Service Coverage All Debt - 1.50x</b>	<b>1.62</b>	<b>1.73</b>	<b>1.72</b>	<b>1.89</b>	<b>1.88</b>	<b>1.96</b>	<b>1.96</b>
<b>Average Residential Water Bill (w/ WSRC)</b>	<b>\$23.75</b>	<b>\$23.75</b>	<b>\$23.75</b>	<b>\$24.94</b>	<b>\$24.94</b>	<b>\$26.18</b>	<b>\$26.18</b>
<b>Average Residential Wastewater Bill</b>	<b>\$15.19</b>	<b>\$15.19</b>	<b>15.19</b>	<b>15.95</b>	<b>15.95</b>	<b>16.75</b>	<b>16.75</b>
<b>Total Residential Bill</b>	<b>\$38.94</b>	<b>\$38.94</b>	<b>\$38.94</b>	<b>\$40.89</b>	<b>\$40.89</b>	<b>\$42.93</b>	<b>\$42.93</b>
<b>Percent Increase</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Cumulative Increase - %</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>10.3%</b>	<b>10.3%</b>

\*This financial plan is not approved by the Public Service Board but is used as a guide for financial planning purposes.

<b>Beginning of Year Fund Balance</b>	73,801	\$68,472					
<b>Restricted Fund Balance for Construction</b>		(\$54,650)					
<b>Beginning of Year Fund Balance - Net Cash</b>	<b>\$73,801</b>	<b>\$13,822</b>	<b>\$70,779</b>	<b>\$38,561</b>	<b>\$37,945</b>	<b>\$51,897</b>	<b>\$40,846</b>
<b>Operating/Capital Reserve (Increase/Decrease)</b>	<b>(29,256)</b>	<b>56,957</b>	<b>(32,217)</b>	<b>(616)</b>	<b>13,952</b>	<b>(11,050)</b>	<b>(2,450)</b>
<b>Actual Cash Reserves - \$</b>	<b>\$44,545</b>	<b>\$70,779</b>	<b>\$38,561</b>	<b>\$37,945</b>	<b>\$51,897</b>	<b>\$40,846</b>	<b>\$38,396</b>

