



**PUBLIC SERVICE BOARD MEETING
AGENDA ITEM**

**REGULAR MEETING
Wednesday, January 11, 2017**

SUBJECT

El Paso Water (EPWater) 3rd Quarter Financial and Performance Measures Report for period ending November 30, 2016.

BACKGROUND

The Public Service Board requires regular financial reporting from the President/CEO and staff on the financial condition of the EPWater.

EVALUATION PROCESS

N/A

FINANCIAL IMPLICATIONS

N/A

PROPOSED ACTION REQUESTED

Review and approve the EPWater 3rd Quarter Financial and Performance Measures Report for period ending November 30, 2016.

SUPPORTING DOCUMENTATION PROVIDED

- 3rd Quarter Financial Report



**Water and Sewer Revenue and Expense Summary
Third Quarter
March 1 through November 30, 2016**

Water Billed

Budgeted billed water for FY 2016-17 is 34.5 billion gallons. Actual YTD through November was 28.1 billion gallons, an increase of 1.2% as compared to last fiscal year. This increase is due to a decrease in rain and higher temperatures as compared to last fiscal year.

Water Revenues

Water revenues through the third quarter of \$110.83 million increased by \$12.89 million or a 13.2% increase when compared to the same period last year. The increase is mainly due to the approved eleven percent rate increase effective March 1, 2016 and a 1.2% increase in water billed. Total retail and wholesale customers increased by 4,057 as compared to last fiscal year.

Wastewater Revenues

Wastewater revenues of \$52.08 million were generated through the third quarter, which is an increase of \$5.85 million when compared to the same period last year. This increase was mostly due to the approved eleven percent rate increase effective March 1, 2016. Total retail and wholesale customers increased by 3,805 as compared to last fiscal year.

Total Water & Wastewater Operating Revenues

Total operating revenues through the third quarter of \$170.09 million represents an increase of 12.6% as compared to the same period last year. This increase was mostly due to the approved eleven percent water and wastewater rate increases effective March 1, 2016.

Water & Wastewater Operating Expenses

Operation and maintenance expenses of \$61.51 million were \$1.57 million more as compared to the same period last year mainly due to an increase of \$1.71 million in maintenance, an increase of \$450,000 in water purchased from EPCWID#1 and offset by a decrease of \$390,000 in utilities and \$875,000 in salaries and workers' compensation expense. It is predicted that we will stay within the operating budget for the year.

Debt Service

Debt service payments, including Bond Reserve funding, Commercial Paper interest, and Land Note Payable interest costs of \$43.30 million have increased by \$5.89 million as compared to last year mainly due to the additional debt service cost that resulted from the

three new bonds issued during FY 2015-16. In addition, on August 17, 2016, the Utility issued \$68.67 million of bonds Series 2016 to fund capital improvement projects, take long Commercial Paper and advance refund prior issued debt and on November 15, 2016 the Utility closed on \$100.00 million of Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Series 2016 A bonds. Debt service cost increases were appropriately budgeted for FY 2016-17.

Contributions from Customers

Contributions from customers of \$1.66 million decreased 3.6% as compared to last fiscal year. These funds are reserved for specific customer water and wastewater capital projects and fluctuate depending on the timing of residential, commercial and industrial development. There were \$1.06 million of impact fees collected through this quarter, a 5.8% decrease compared to last year. Annexation fees of \$1.03 million are 12.4% less than collected in the previous fiscal year and will continue to decrease as the annexed areas are near build out.

Capital Expenditures

Capital expenditures of \$121.38 million are 41.9% of budgeted capital expenditures and \$69.20 million more than as compared to last year. The main reason for the large increase is due to the completion of a land purchase in Hudspeth County in the amount of \$49.91 million. Historically, capital expenditures vary widely from year to year depending on the size and complexity of specific water, wastewater and reclaimed water projects.

Debt Service Coverage

Debt service coverage of 2.54 times debt service requirements exceeds the bond covenant requirement of 1.5 times. This is above the target of 2.00 times coverage as set by the Public Service Board and recommended by rating agencies, and above the target with the debt service coverage of 2.01 times adopted in this year's budget.

Water & Wastewater Summary

Operating revenue through the third quarter is \$19.06 million more than the same period last year mainly due to the approved eleven percent water and wastewater rate increases effective March 1, 2016. Operations and maintenance expenses costs are \$1.57 million more than last year mainly due to an increase of \$1.71 million in maintenance, an increase of \$450,000 in water purchased from EPCWID#1 and, offset by a decrease of \$390,000 in utilities and \$875,000 in salaries and workers' compensation expense. The Utility will meet all of its operating, capital and debt service obligations this year.

El Paso Water Utilities - Public Service Board
Water & Wastewater
Revenues & Expenses

March 1, 2016 thru November 30, 2016

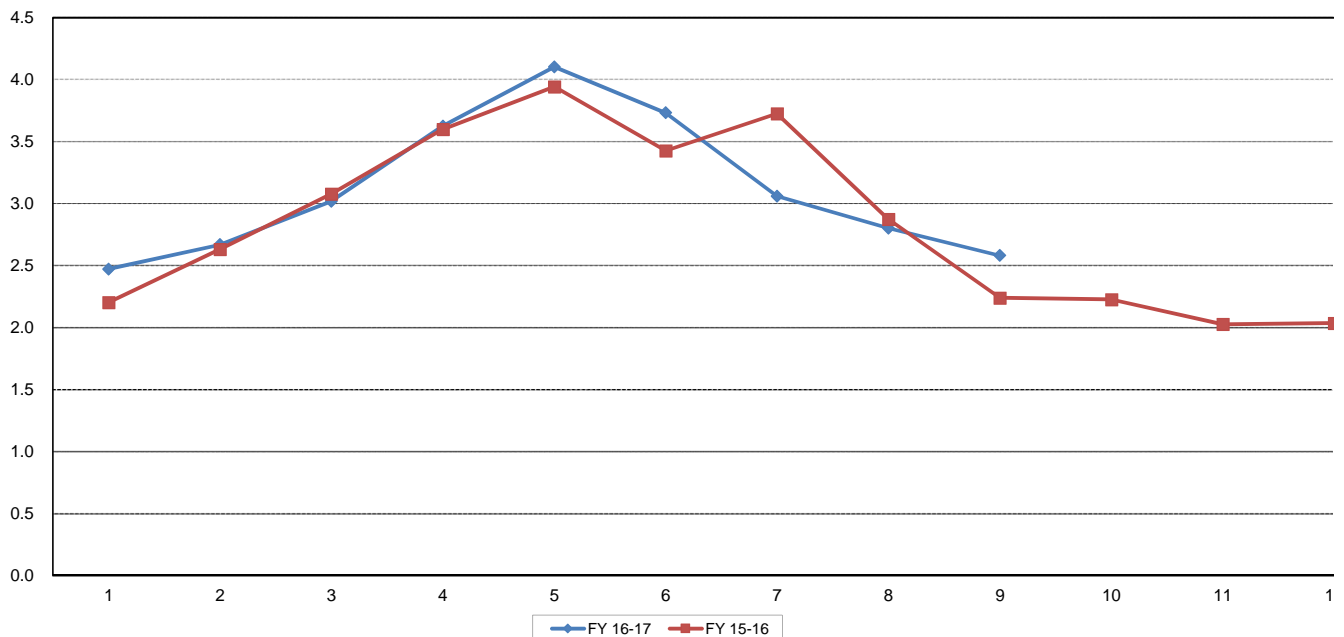
(In 1000's)
UNAUDITED

	Budget FY 16-17	Actual FY 16-17	Actual FY 15-16	Variance (+/-)	%
Water Billed (In Billion Gallons)	34.50	28.07	27.73	0.34	1.2%
Revenue					
Water	106,474	88,263	78,275	9,988	12.8%
Water Supply Replacement Charge	23,456	18,948	16,588	2,360	14.2%
Reclaimed water	3,600	2,947	2,533	414	16.3%
Fire Protection	809	669	542	127	23.4%
Total Water & Reclaimed Water	134,339	110,827	97,938	12,889	13.2%
Wastewater Service	69,075	51,673	45,918	5,755	12.5%
Pretreatment Surcharge	482	407	312	95	30.5%
Total Wastewater	69,557	52,080	46,230	5,850	12.7%
	203,896	162,907	144,168	18,739	13.0%
City of El Paso Franchise Fee	3,550	2,686	2,488	197	7.9%
Lease Revenue, Service Charges and Misc. Fees	6,409	4,498	4,377	122	2.8%
	9,959	7,184	6,865	319	4.6%
Total Operating Revenues	213,855	170,091	151,033	19,058	12.6%
Operations and Maintenance					
Operations and Maintenance	93,876	61,512	59,945	1,567	2.6%
Payment to City Franchise Fee	3,550	2,686	2,488	197	7.9%
Total Operating Expenses	97,427	64,198	62,434	1,764	2.8%
Miscellaneous Non-Operating Revenues					
Sale of Assets	70	34	76	(42)	-55.0%
Build America Bonds (BAB) 35% Tax Credit	195	98	103	(4)	-4.2%
Interest Income	318	740	354	386	109.2%
Revenues Available for Debt Service	117,012	106,765	89,131	17,634	19.8%
Debt Service - Water and Wastewater	58,308	42,004	36,282	5,722	15.8%
Debt Service Reserve Fund	1,626	1,056	739	317	42.9%
Commercial Paper - Interest and Financing Fees	310	195	326	(131)	-40.3%
Land Notes Payable - Interest	-	45	68	(23)	-34.1%
Payment to City Per Bond Covenants	13,324	10,452	9,349	1,102	11.8%
Revenues Avail For Capital Rehab/Impr.	43,444	53,014	42,367	10,646	25.1%
Restricted Non-Operating Revenues					
Contribution of New Customers	2,200	1,659	1,721	(62)	-3.6%
Sale of Land	5,000	9,228	1,711	7,518	439.4%
Impact Fees	1,500	1,061	1,127	(66)	-5.8%
Annexation Fees	1,600	1,025	1,170	(145)	-12.4%
Total Non-Operating Revenues	10,300	12,974	5,729	7,245	126.5%
Total Revenues Avail for Capital Rehab/Impr.	53,745	65,987	48,096	17,891	37.2%
Capital Expenditures					
Capital Projects - Water	239,563	102,734	31,133	71,601	230.0%
Capital Projects - Wastewater	45,718	17,109	17,334	(225)	-1.3%
Capital Projects - Reuse	2,452	1,086	1,772	(685)	-38.7%
Capital Equipment	2,161	450	1,936	(1,486)	-76.8%
Total Capital Expenditures	289,894	121,380	52,176	69,204	132.6%
Contingencies	2,347	-	-	-	-
Capital Funding Sources					
Improvement, Construction and CP Funds	236,650	54,306	3,699	50,606	1368.0%
Grants	1,846	1,087	380	707	185.8%
Total Capital Funding Sources	238,496	55,393	4,080	51,313	1257.7%
Debt Service Coverage	2.01	2.54	2.46		

EL PASO WATER UTILITIES / PUBLIC SERVICE BOARD
WATER & WASTEWATER
As of November 30, 2016 & November 30, 2015

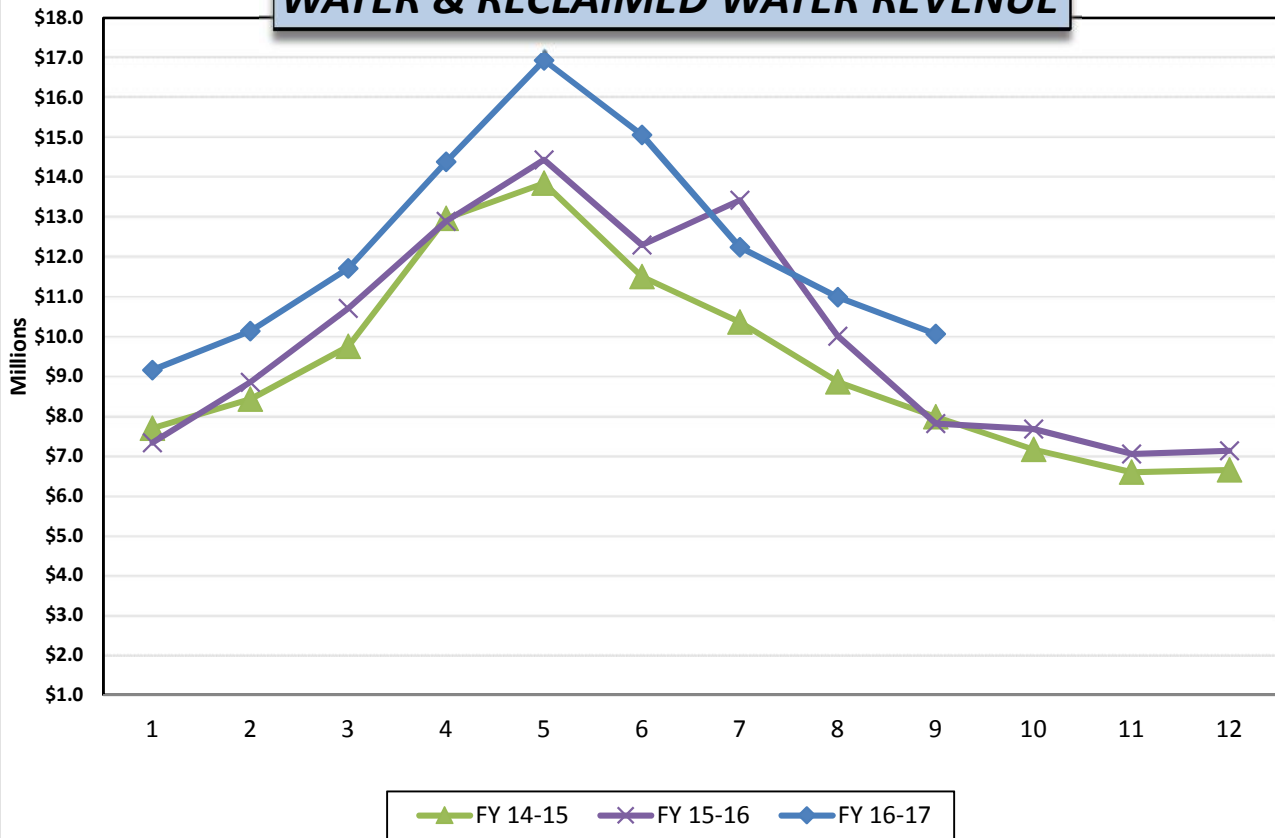
ADDITIONAL STATISTICAL DATA				
	2016-17	2015-16		%
	YTD	YTD	Difference	Inc(Dec)
Water Billed (1,000 Gallons)	28,072,092	27,727,791	344,301	1.2%
Average Residential Water Bill	\$36.46	\$32.57	\$3.88	11.9%
Average Residential Wastewater Bill	\$19.22	\$17.27	\$1.96	11.3%
Average Residential Total Bill	\$55.68	\$49.84	\$5.84	11.7%
Average Temperature (°F) November	57.7	54.8	2.90	5.3%
Average High Temperature (°F) November	68.9	66.9	2.00	3.0%
Rainfall - Inches	7.95	10.12	(2.17)	-21.4%
EPWU - Water Customers	204,044	201,683	2,361	1.2%
LVWD - Water Cust (Wholesale)	17,944	16,867	1,077	6.4%
Paseo Del Este - Water Cust (Wholesale)	4,015	3,106	909	29.3%
County of El Paso - Water Customers	1,799	1,799	0	0.0%
Haciendas del Norte - Water Customers	345	345	-	0.0%
Ponderosa - Water Customers	0	290	(290)	-100.0%
Mayfair/Nuway - Water Customers	305	305	-	0.0%
Colonia Revolución - Water Cust (Wholesale)	67	67	0	0.0%
Total Water Customers	228,519	224,462	4,057	1.8%
EPWU - Wastewater Customers	194,007	191,893	2,114	1.1%
Paseo Del Este - Wastewater Cust (Wholesale)	4,015	3,106	909	29.3%
LVWD - Wastewater Customers	14,734	13,952	782	5.6%
Total Wastewater Customers	212,756	208,951	3,805	1.8%
Personnel (Active)	843	833	10	1.2%

Comparison of Water Billed Fiscal Years 2017 & 2016
Billion Gallons Per Month

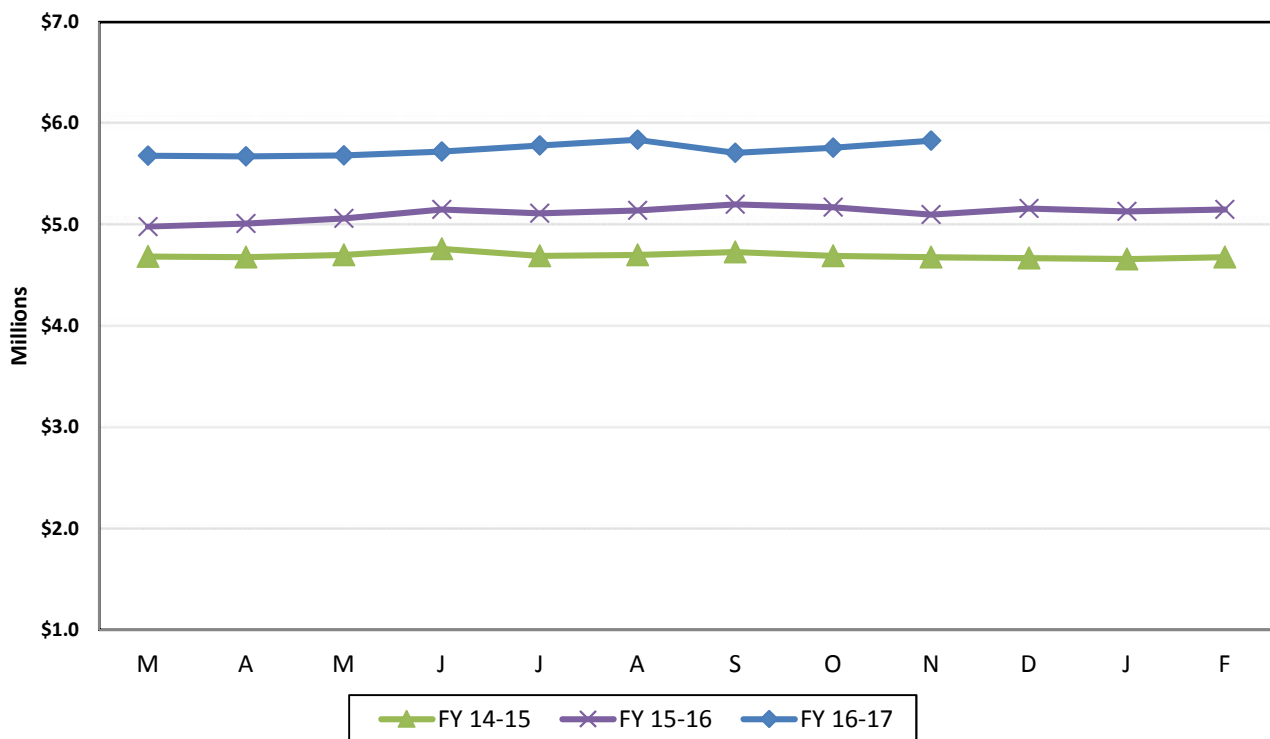


November 2016

WATER & RECLAIMED WATER REVENUE



WASTEWATER REVENUE





**Stormwater Revenue and Expense Summary
Third Quarter
March 1 through November 30, 2016**

Stormwater Revenues

Stormwater revenues through the third quarter of this fiscal year were \$14.20 million. This is an increase of \$1.63 million or 12.9% compared to the last fiscal year mainly due to the approved eleven percent fee increase effective March 1, 2016. Total stormwater customers increased by 1,550 as compared to last fiscal year.

Stormwater Operating Expenses

Operating expenses were \$4.39 million through the third quarter. This is an increase of \$42,000 or 1.0% compared to last fiscal year mainly due to an increase in maintenance expense.

Debt Service

Debt service payments, including Bond Reserve funding costs, of \$6.52 million have increased by \$681,000 as compared to last year. On May 4, 2016, \$19.79 million in bonds were issued to fund capital projects budgeted for Fiscal Year 2016-17. The debt service cost of the 2016 bond issue will increase debt service costs by \$783,000 this fiscal year.

Stormwater Capital Expenditures

Capital expenditures of \$11.60 million through the third quarter are \$9.91 million less than the same period last year.

Debt Service Coverage

Debt service coverage of 1.78 times exceeds the bond covenant requirement of 1.25 times and is above the budgeted debt service coverage of 1.61 times for FY 2016-17.

Summary

In summary, the total operating revenues through the third quarter for the Stormwater Utility were \$1.63 million more than for the same period last year mainly due to the approved eleven percent fee increase effective March 1, 2016. Operating expenditures are \$42,000 more than last year mainly due to an increase in maintenance. The Utility is on target to meet all its operating, capital and debt service requirements this year.

**El Paso Water Utilities - Public Service Board
Municipal Drainage Utility
Revenues & Expenses**

March 1, 2016 thru November 30, 2016

(In 1000's)
UNAUDITED

	Budget FY 16-17	Actual FY 16-17	Actual FY 15-16	Variance (+/-)	%
Operating Revenues					
Stormwater	18,785	14,197	12,571	1,626	12.9%
Total Stormwater Revenues	18,785	14,197	12,571	1,626	12.9%
Misc. Operating Revenues					
Misc. Operating Revenues	688	484	451	34	7.5%
Interest Revenue	4	10	1	9	679.3%
Total Misc. Operating Revenues	692	495	452	43	9.5%
Total Operating Revenues	19,477	14,692	13,023	1,669	12.8%
Total Operating Expenses	6,981	4,387	4,345	42	1.0%
Net Operating Revenues Available	12,496	10,305	8,678	1,627	18.7%
Interest Revenue on Restricted Funds	75	171	88	83	93.7%
Build America Bonds (BAB) 35% Tax Credit	727	365	382	(17)	-4.4%
Revenues Available for Debt Service	13,298	10,841	9,149	1,692	18.5%
Debt Service - Stormwater Bonds	8,265	6,096	5,475	621	11.3%
Debt Service Reserve Fund	680	426	366	60	16.4%
Revenues Available for Capital Rehab/Impr.	4,353	4,319	3,308	1,012	30.6%
Capital Expenditures					
Capital Projects - Stormwater	41,682	11,595	21,279	(9,684)	-45.5%
Capital Equipment - Stormwater	51	5	233	(228)	-98.1%
Total Capital Expenditures	41,733	11,600	21,512	(9,912)	-46.1%
Contingencies	175	-	-	-	N/A
Capital Funding Sources					
Improvement, Construction Funds	37,554	7,280	18,204	(10,924)	-60.0%
Total Capital Funding Sources	37,554	7,280	18,204	(10,924)	
Debt Service Coverage	1.61	1.78	1.67		