



**PUBLIC SERVICE BOARD MEETING
AGENDA ITEM**

**REGULAR MEETING
Wednesday, October 11, 2017**

SUBJECT

EPWater 2nd Quarter Financial and Performance Measures Report for period ending August 31, 2017.

BACKGROUND

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

EVALUATION PROCESS

N/A

FINANCIAL IMPLICATIONS

N/A

PROPOSED ACTION REQUESTED

Review and accept the El Paso Water 2nd Quarter Financial and Performance Measures Report for period ending August 31, 2017.

SUPPORTING DOCUMENTATION PROVIDED

) 2nd Quarter Financial Report



**Water and Sewer Revenue and Expense Summary
Second Quarter
March 1 through August 31, 2017**

Water Billed

Budgeted billed water for FY 2017-18 is 34.3 billion gallons. Actual YTD through August was 19.08 billion gallons, a decrease of 2.8% as compared to last fiscal year. This decrease is due to an increase in precipitation of 1.27 inches or 23.3% as compared to last fiscal year.

Water Revenues

Water revenues through the second quarter of \$80.0 million increased by \$2.5 million or a 3.2% increase when compared to last year. The increase is mainly due to the approved seven percent rate increase effective March 1, 2017 and offset by a 2.8% decrease in water billed. Total retail and wholesale customers increased by 3,686 as compared to last fiscal year.

Wastewater Revenues

Wastewater revenues of \$37.5 million were generated through the second quarter, which is an increase of \$2.9 million or an 8.3% increase when compared to last year. This increase was mostly due to the approved seven percent rate increase effective March 1, 2017. Total retail and wholesale customers increased by 3,109 as compared to last fiscal year.

Total Water & Wastewater Operating Revenues

Total operating revenues through the second quarter of \$126.1 million represents an increase of 7.9% as compared to last fiscal year. This increase was mostly due to the approved seven percent water and wastewater rate increases effective March 1, 2017, and \$4.1 million in farming revenues.

Total Water & Wastewater Operating Expenses

Total operating expenses of \$47.6 million increased by \$6.4 million more when compared to last year. The increase is mainly due to \$3.4 million in farm operation expenditures. Water and Wastewater operation and maintenance expenses of \$42.4 million increased by \$3.0 million when compared to the same period last year due to increase in salaries and wages of \$940,000, an increase in chemical costs of \$280,000, an increase of maintenance of \$270,000 and increase in utilities of \$560,000.

Debt Service

Debt service payments, including Bond Reserve funding, Commercial Paper interest, and Land Note Payable interest costs of \$32.3 million have increased by \$3.7 million as compared to last year mainly due to the additional debt service cost that resulted from the two new bonds issued during FY 2016-17:

-) Issued \$68.67 million of bonds Series 2016 to fund capital improvement projects, take long Commercial Paper and advance refund prior issued debt.
-) Issued \$100.00 million of Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Series 2016A bonds.

Contributions from Customers

Contributions from customers of \$1.3 million increased 21.3% 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 \$863,000 of impact fees collected through the second quarter, a 1.2% decrease compared to last year. Annexation fees of \$634,000 are 9.4% less than collected in the previous fiscal year.

Capital Expenditures

Capital expenditures of \$58.4 million are \$23.9 million less than last year. 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 2.60 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 2.03 times adopted in this year's budget.

Water & Wastewater Summary

Operating revenues for the fiscal year were \$9.3 million more than the prior fiscal year mainly due to the approved seven percent water and wastewater rate increases effective March 1, 2017 and the \$4.1 million of farming revenue. Operating expenses increased by \$6.4 million mainly due to \$3.4 million in farming operation expenses and an increase of \$3.0 million in Water and Wastewater operating and maintenance expense. The Utility met all of its operating, capital and debt service obligations this year.

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

March 1, 2017 thru August 31, 2017

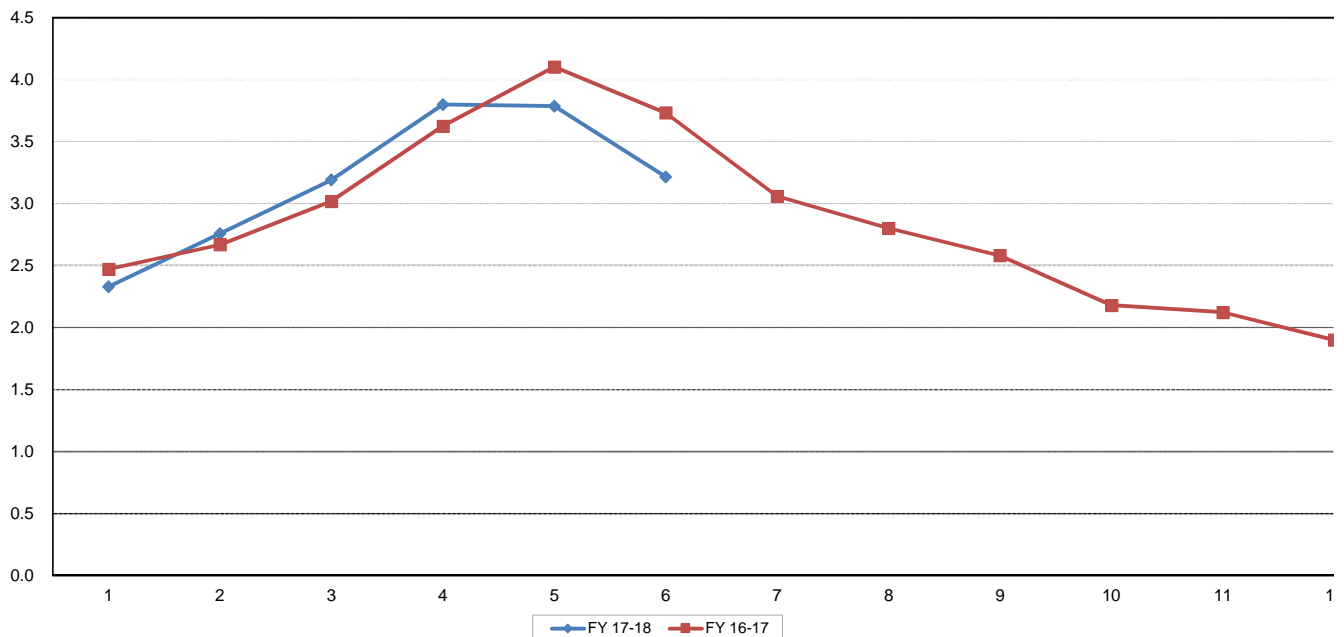
(In 1000's)
UNAUDITED

	Budget FY 17-18	Actual FY 17-18	Actual FY 16-17	Variance (+/-)	%
Water Billed (In Billion Gallons)	34.30	19.08	19.63	(0.55)	-2.8%
Revenue					
Water	112,932	63,642	62,366	1,276	2.0%
Water Supply Replacement Charge	27,026	13,729	12,654	1,075	8.5%
Reclaimed water	3,475	2,101	2,028	72	3.6%
Fire Protection	957	494	445	49	11.1%
Total Water & Reclaimed Water	144,390	79,966	77,494	2,472	3.2%
Wastewater Service	75,020	37,305	34,371	2,933	8.5%
Pretreatment Surcharge	594	231	275	(44)	-16.1%
Total Wastewater	75,614	37,535	34,646	2,889	8.3%
	220,004	117,501	112,140	5,362	4.8%
City of El Paso Franchise Fee	3,550	1,768	1,774	(6)	-0.3%
Farm Operations Revenue	7,500	4,053	-	4,053	100.0%
Lease Revenue, Service Charges and Misc. Fees	6,323	2,842	2,991	(149)	-5.0%
	17,373	8,662	4,765	3,898	81.8%
Total Operating Revenues	237,377	126,163	116,904	9,259	7.9%
Operations and Maintenance	97,380	42,381	39,375	3,006	7.6%
Farm Operations Expenditures	6,500	3,424	-	3,424	100.0%
Payment to City Franchise Fee	3,550	1,768	1,794	(26)	-1.5%
Total Operating Expenses	107,430	47,573	41,169	6,404	15.6%
Miscellaneous Non-Operating Revenues					
Sale of Assets	50	90	3	87	2960.9%
Build America Bonds (BAB) 35% Tax Credit	195	93	98	(5)	-5.3%
Interest Income	1,050	911	463	448	96.8%
Revenues Available for Debt Service	131,243	79,684	76,299	3,385	4.4%
Debt Service - Water and Wastewater	64,617	30,696	27,800	2,896	10.4%
Debt Service Reserve Fund	2,751	1,380	681	699	102.6%
Commercial Paper - Interest and Financing Fees	303	222	122	100	82.4%
Land Notes Payable - Interest	-	19	36	(17)	-46.8%
Payment to City Per Bond Covenants	14,496	7,559	7,311	248	3.4%
Revenues Avail For Capital Rehab/Impr.	49,076	39,808	40,350	(542)	-1.3%
Restricted Non-Operating Revenues					
Contribution of New Customers	2,200	1,300	1,072	228	21.3%
Sale of Land	10,000	-	3	(3)	-100.0%
Impact Fees	1,600	863	874	(11)	-1.2%
Annexation Fees	1,300	634	700	(66)	-9.4%
Total Non-Operating Revenues	15,100	2,797	2,649	148	5.6%
Total Revenues Avail for Capital Rehab/Impr.	64,176	42,606	42,999	(393)	-0.9%
Capital Expenditures					
Capital Projects - Water	214,070	47,275	72,654	(25,380)	-34.9%
Capital Projects - Wastewater	55,311	7,121	9,137	(2,016)	-22.1%
Capital Projects - Reuse	356	58	165	(108)	-65.2%
Capital Equipment	1,902	3,939	372	3,567	958.7%
Total Capital Expenditures	271,639	58,392	82,329	(23,937)	-29.1%
Contingencies	2,432	-	-	-	-
Capital Funding Sources					
Improvement, Construction and CP Funds	267,029	14,815	39,235	(24,813)	-62.2%
Grants	4,610	971	95	876	923.8%
Total Capital Funding Sources	271,639	15,786	39,330	(23,937)	-59.9%
Debt Service Coverage	2.03	2.60	2.74		

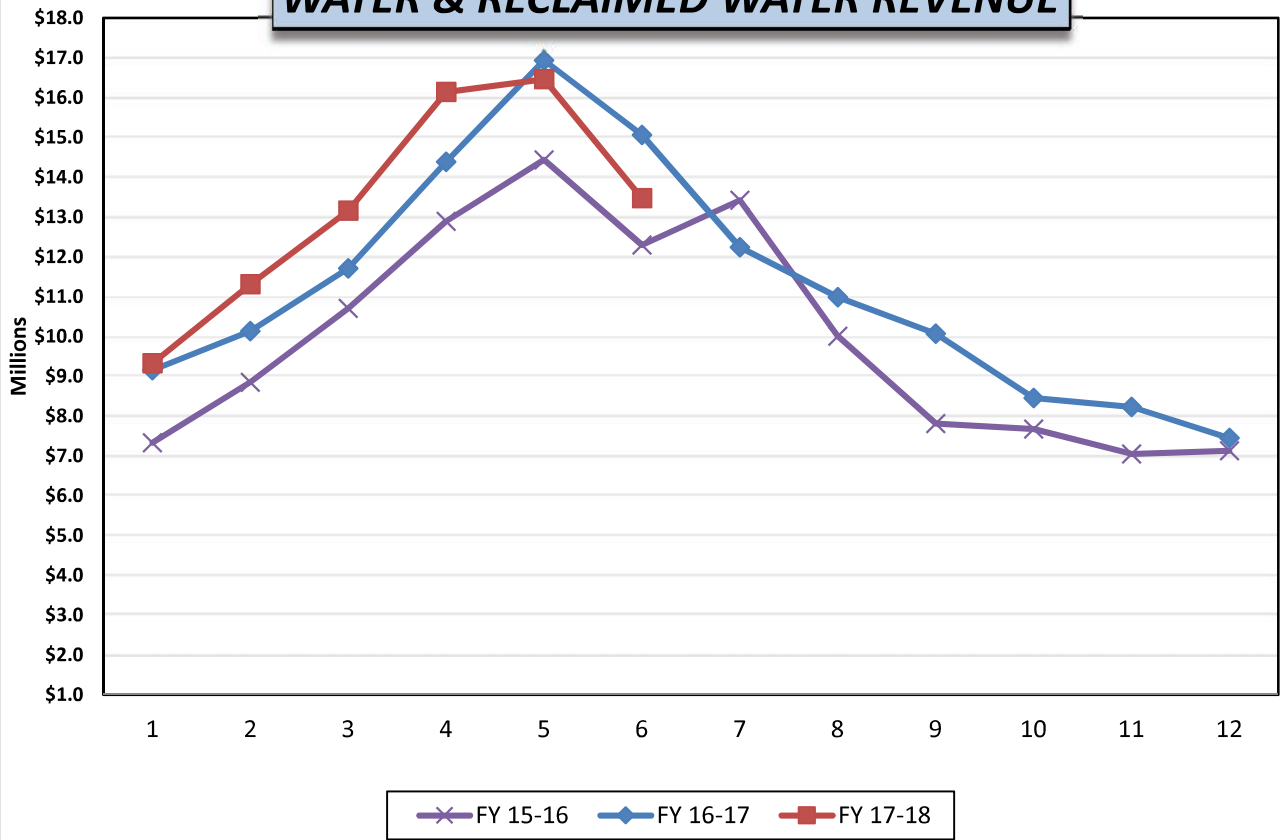
EL PASO WATER UTILITIES / PUBLIC SERVICE BOARD
WATER & WASTEWATER
As of August 31, 2017 & August 31, 2016

ADDITIONAL STATISTICAL DATA				
	2017-18	2016-17		%
	YTD	YTD	Difference	Inc(Dec)
Water Billed (1,000 Gallons)	19,081,215	19,627,594	(546,379)	-2.8%
Average Residential Water Bill	\$38.92	\$38.89	\$0.03	0.1%
Average Residential Wastewater Bill	20.47	19.21	1.26	6.6%
Average Residential Total Bill	\$59.39	\$58.10	\$1.29	2.2%
Average Temperature (°F) August	81.4	80.6	0.80	1.0%
Average High Temperature (°F) August	92.8	92.0	0.80	0.9%
Rainfall - Inches	6.71	5.44	1.27	23.3%
EPWU - Water Customers	206,118	203,415	2,703	1.3%
LVWD - Water Cust (Wholesale)	17,655	17,144	511	3.0%
Paseo Del Este - Water Cust (Wholesale)	4,507	3,763	744	19.8%
County of El Paso - Water Customers	1,808	1,796	12	0.7%
Haciendas del Norte - Water Customers	345	345	-	0.0%
Ponderosa - Water Customers	-	288	(288)	-100.0%
Mayfair/Nuway - Water Customers	307	307	-	0.0%
Colonia Revolución - Water Cust (Wholesale)	69	65	4	6.2%
Total Water Customers	230,809	227,123	3,686	1.6%
EPWU - Wastewater Customers	195,739	194,005	1,734	0.9%
Paseo Del Este - Wastewater Cust (Wholesale)	4,507	3,763	744	19.8%
LVWD - Wastewater Customers	14,637	14,006	631	4.5%
Total Wastewater Customers	214,883	211,774	3,109	1.5%
Personnel (Active)	851	833	18	2.2%

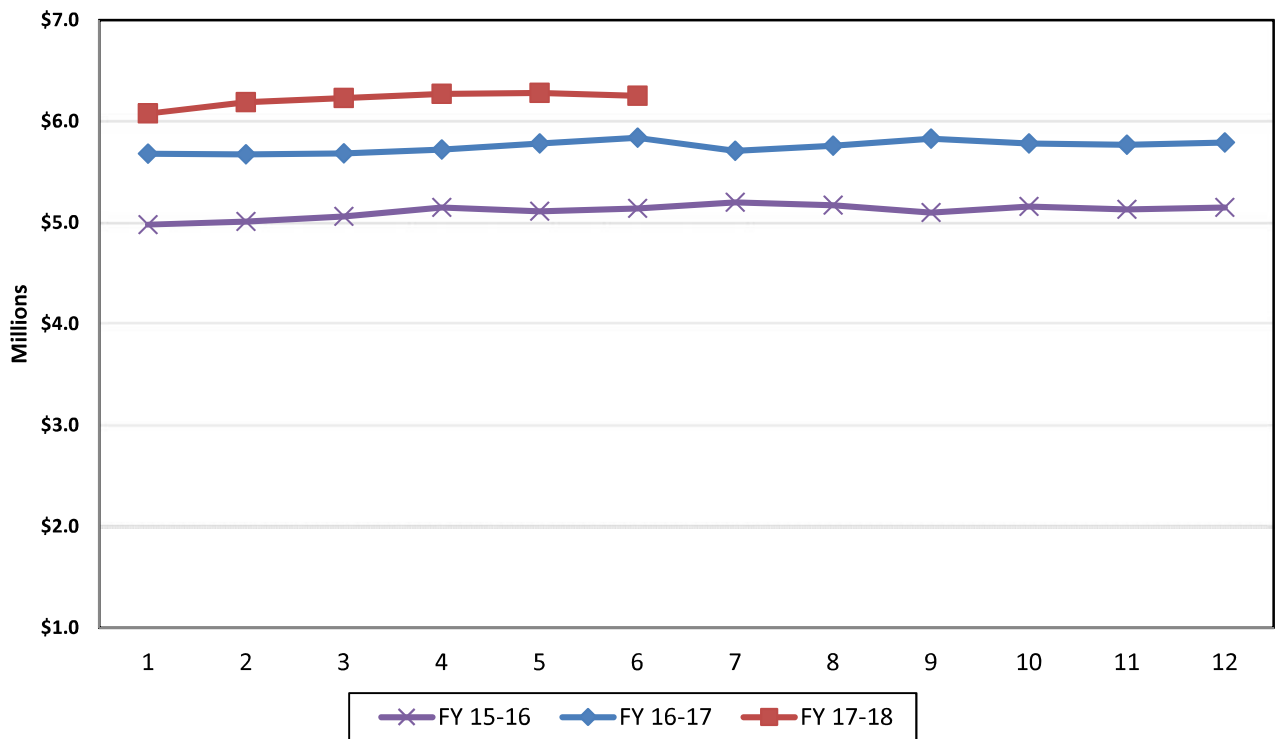
Comparison of Water Billed Fiscal Years 2018 & 2017
Billion Gallons Per Month



WATER & RECLAIMED WATER REVENUE



WASTEWATER REVENUE





**Stormwater Revenue and Expense Summary
Second Quarter
March 1 through August 31, 2017**

Stormwater Revenues

Stormwater revenues through the second quarter were \$11.2 million. This is an increase of \$1.8 million or 18.7% compared to the last fiscal year mainly due to the approved seventeen percent fee increase effective March 1, 2017. Total Stormwater customers increased by 1,667 as compared to last fiscal year.

Stormwater Operating Expenses

Operating expenses were \$2.9 million through the second quarter. This is an increase of \$316,000 or 12.2% compared to last fiscal year due to an increase in maintenance of Stormwater infrastructure of \$600,000 which was offset by a decrease in salaries of \$259,000.

Debt Service

Debt service payments, including Bond Reserve funding costs, of \$4.8 million have increased by \$566,000 as compared to last year. The increase is due to the issuance of the 2016 drainage bonds in the amount of \$19.79 million issued to fund capital projects. The Utility budgeted in fiscal year 2017-18 for the issuance of \$19.4 million in new bonds to finance drainage projects, this bond issue will be completed during the fall.

Stormwater Capital Expenditures

Projected capital expenditures through the second quarter of \$12.1 million are \$2.4 million more compared to last fiscal year.

Debt Service Coverage

Debt service coverage of 2.03 times exceeds the bond covenant requirement of 1.25 times and is above the budgeted debt service coverage of 1.80 times for FY 2017-18.

Summary

In summary, the total operating revenues through the second quarter for the Stormwater Utility were \$1.7 million more than for the same period last year mainly due to the approved seventeen percent fee increase effective March 1, 2017. Operating expenditures are \$316,000 more than last year. 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, 2017 thru August 31, 2017

(In 1000's)

UNAUDITED

	Budget FY 17-18	Actual FY 17-18	Actual FY 17-18	Variance (+/-)	%
Operating Revenues					
Stormwater	22,353	11,226	9,456	1,770	18.7%
Total Stormwater Revenues	22,353	11,226	9,456	1,770	18.7%
Misc. Operating Revenues					
Misc. Operating Revenues	688	291	322	(31)	-9.7%
Interest Revenue	4	12	5	7	127.0%
Total Misc. Operating Revenues	692	303	328	(24)	-7.4%
Total Operating Revenues	23,045	11,529	9,784	1,746	17.8%
Total Operating Expenses	6,364	2,915	2,599	316	12.2%
Net Operating Revenues Available	16,681	8,614	7,185	1,430	19.9%
Interest Revenue on Restricted Funds	140	201	103	97	94.3%
Build America Bonds (BAB) 35% Tax Credit	763	345	365	(20)	-5.6%
Revenues Available for Debt Service	17,584	9,160	7,653	1,507	19.7%
Debt Service - Stormwater Bonds	9,743	4,515	4,008	506	12.6%
Debt Service Reserve Fund	705	324	264	60	22.7%
Revenues Available for Capital Rehab/Impr.	7,136	4,321	3,381	940	27.8%
Restricted Non-Operating Revenues					
Sale of Land	-	-	-	-	-
Total Non-Operating Revenues	-	-	-	-	-
Total Revenues Available for Capital Rehab/Impr.	7,137	4,321	3,381	940	27.8%
Capital Expenditures					
Capital Projects - Stormwater	37,909	12,023	9,628	2,395	24.9%
Capital Equipment - Stormwater	87	36	-	36	100.0%
Total Capital Expenditures	37,996	12,059	9,628	2,431	25.3%
Contingencies	161	-	-	-	N/A
Capital Funding Sources					
Improvement, Construction Funds	31,020	7,738	6,247	1,491	23.9%
Total Capital Funding Sources	31,020	7,738	6,247	1,491	
Debt Service Coverage	1.80	2.03	1.91		