



**PUBLIC SERVICE BOARD MEETING
AGENDA ITEM**

**REGULAR MEETING
Wednesday, April 12, 2017**

SUBJECT

El Paso Water (EPWater) 4th Quarter Preliminary Financial and Performance Measures Report for period ending February 28, 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 4th Quarter Preliminary Financial and Performance Measures Report for period ending February 28, 2017.

SUPPORTING DOCUMENTATION PROVIDED

) 4th Quarter Preliminary Financial Report



**Water and Sewer Revenue and Expense Summary
Preliminary Fourth Quarter
March 1 through February 28, 2017**

Water Billed

Budgeted billed water for FY 2016-17 is 34.5 billion gallons. Actual YTD was 34.3 billion gallons, an increase of 0.8% 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 of \$135.0 million increased by \$15.01 million or a 12.5% increase when compared to last year. The increase is mainly due to the approved eleven percent rate increase effective March 1, 2016 and a 0.8% increase in water billed. Total retail and wholesale customers increased by 3,440 as compared to last fiscal year.

Wastewater Revenues

Wastewater revenues of \$69.56 million increased by \$7.72 million when compared to 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 3,544 as compared to last fiscal year.

Total Water & Wastewater Operating Revenues

Total operating revenues for the fiscal year were \$214.03 million represents an increase of 12.1% as compared to the prior fiscal 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 \$85.95 million were \$2.34 million more as compared to the prior year mainly due to an increase of \$1.74 million in maintenance, an increase of \$998,000 in water purchased from EPCWID#1 and offset by a decrease of \$192,000 in utilities and \$196,000 in salaries and workers' compensation expense. We project utilizing 91.6% of the approved Operating Budget from last fiscal year, an 8.4% favorable variance, mainly due to savings in the following accounts:

-) Personnel Services: savings of \$2.59 million. 876 budgeted position and 771 actual filled positions as of February 28, 2017.
-) Chemicals: savings of \$934,000. Reduction of chemical expenses in the sewer treatment plants.
-) Electricity: savings of \$3.09 million. Over budgeted electricity expense in the water distribution and water treatment plants.

Debt Service

Debt service payments, including Bond Reserve funding, Commercial Paper interest, and Land Note Payable interest costs of \$59.29 million have increased by \$4.61 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.

Contributions from Customers

Contributions from customers of \$2.13 million decreased 4.4% 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 \$1.35 million of impact fees collected through this fiscal year, a 2.0% increase compared to last year. Annexation fees of \$1.68 million are 14.1% more than collected in the previous fiscal year.

Capital Expenditures

Projected Capital expenditures of \$191.37 million are 66.0% of budgeted capital expenditures and \$107.0 million more than as compared to last year. The main reason for the large increase is due to the completion of water rights land purchases in Hudspeth County in the amount of \$119.46 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 2.20 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 for the fiscal year were \$23.04 million more than the prior fiscal year mainly due to the approved eleven percent water and wastewater rate increases effective March 1, 2016. Operations and maintenance expenses costs were \$2.34 million more than last year mainly due to an increase of \$1.74 million in maintenance, an increase of \$998,000 in water purchased from EPCWID#1 and, offset by a decrease of \$192,000 in utilities and \$196,000 in salaries and workers' compensation 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, 2016 thru February 28, 2017

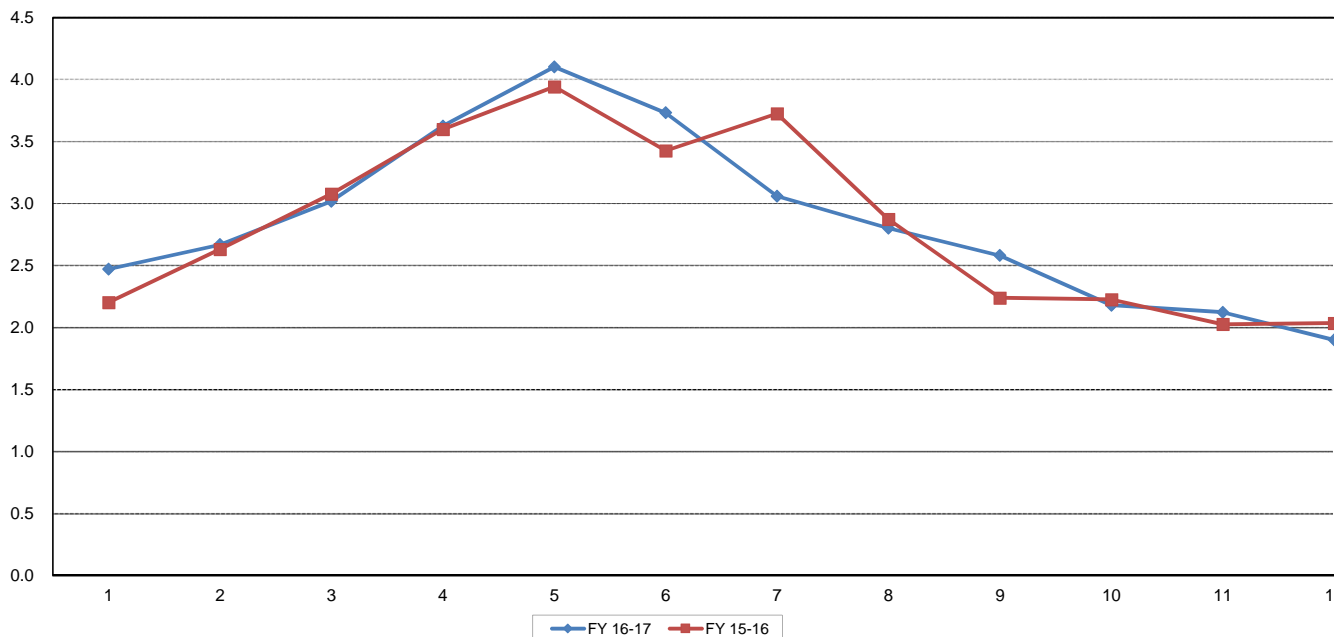
(In 1000's)
UNAUDITED

	Budget FY 16-17	Actual FY 16-17	Actual FY 15-16	Variance (+/-)	%
Water Billed (In Billion Gallons)	34.50	34.28	34.02	0.26	0.8%
Revenue					
Water	106,474	105,804	94,846	10,958	11.6%
Water Supply Replacement Charge	23,456	25,076	21,547	3,530	16.4%
Reclaimed water	3,600	3,227	2,871	357	12.4%
Fire Protection	809	895	730	165	22.6%
Total Water & Reclaimed Water	134,339	135,002	119,993	15,009	12.5%
Wastewater Service	69,075	69,006	61,398	7,608	12.4%
Pretreatment Surcharge	482	551	439	112	25.6%
Total Wastewater	69,557	69,558	61,837	7,721	12.5%
	203,896	204,559	181,830	22,730	12.5%
City of El Paso Franchise Fee	3,550	3,578	3,367	210	6.2%
Lease Revenue, Service Charges and Misc. Fees	6,409	5,890	5,794	95	1.6%
	9,959	9,467	9,162	305	3.3%
Total Operating Revenues	213,855	214,027	190,991	23,035	12.1%
Operations and Maintenance					
Operations and Maintenance	93,876	85,952	83,612	2,340	2.8%
Payment to City Franchise Fee	3,550	3,578	3,367	210	6.2%
Total Operating Expenses	97,427	89,530	86,979	2,551	2.9%
Miscellaneous Non-Operating Revenues					
Sale of Assets	70	39	147	(108)	-73.5%
Build America Bonds (BAB) 35% Tax Credit	195	196	206	(9)	-4.5%
Interest Income	318	1,111	528	582	110.3%
Revenues Available for Debt Service	117,012	125,843	104,893	20,949	20.0%
Debt Service - Water and Wastewater	58,308	57,191	53,279	3,912	7.3%
Debt Service Reserve Fund	1,626	1,746	907	839	92.5%
Commercial Paper - Interest and Financing Fees	310	300	410	(111)	-27.0%
Land Notes Payable - Interest	-	55	86	(32)	-36.7%
Payment to City Per Bond Covenants	13,324	12,753	11,465	1,288	11.2%
Revenues Avail For Capital Rehab/Impr.	43,444	53,798	38,746	15,052	38.8%
Restricted Non-Operating Revenues					
Contribution of New Customers	2,200	2,127	2,226	(99)	-4.4%
Sale of Land	5,000	9,228	2,351	6,878	292.6%
Impact Fees	1,500	1,347	1,320	27	2.0%
Annexation Fees	1,600	1,683	1,475	208	14.1%
Total Non-Operating Revenues	10,300	14,386	7,372	7,014	95.1%
Total Revenues Avail for Capital Rehab/Impr.	53,745	68,184	46,118	22,066	47.8%
Capital Expenditures					
Capital Projects - Water	239,563	166,210	51,524	114,686	222.6%
Capital Projects - Wastewater	45,718	23,224	27,804	(4,580)	-16.5%
Capital Projects - Reuse	2,452	1,643	2,807	(1,164)	-41.5%
Capital Equipment	2,161	296	2,253	(1,957)	-86.8%
Total Capital Expenditures	289,894	191,373	84,389	106,984	126.8%
Contingencies	2,347	-	-	-	-
Capital Funding Sources					
Improvement, Construction and CP Funds	236,650	120,911	37,891	83,021	219.1%
Grants	1,846	2,278	380	1,897	498.8%
Total Capital Funding Sources	238,496	123,189	38,271	84,918	221.9%
Debt Service Coverage	2.01	2.20	1.97		

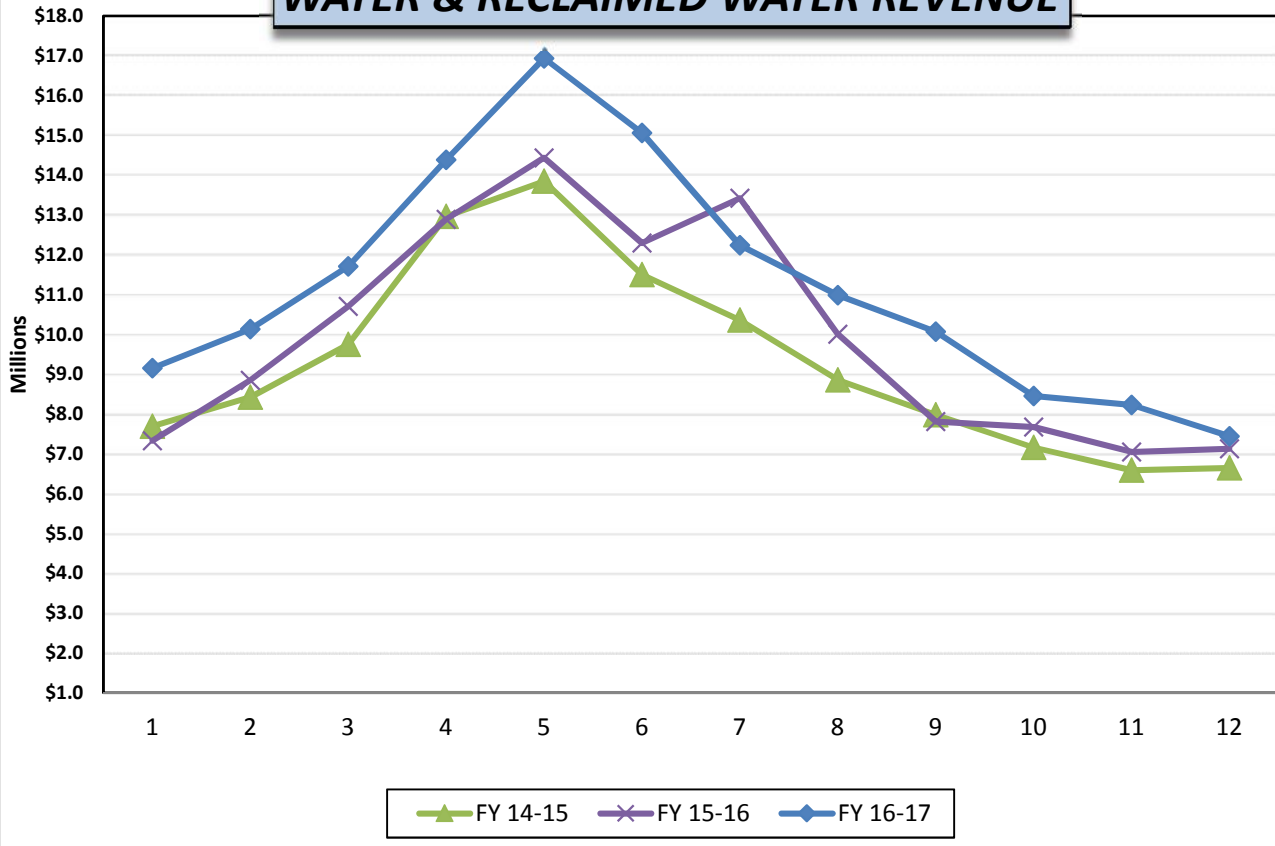
EL PASO WATER UTILITIES / PUBLIC SERVICE BOARD
WATER & WASTEWATER
As of February 28, 2017 & February 29, 2016

ADDITIONAL STATISTICAL DATA				
	2016-17 YTD	2015-16 YTD	Difference	% Inc(Dec)
Water Billed (1,000 Gallons)	34,277,754	34,018,985	258,769	0.8%
Average Residential Water Bill	\$33.45	\$30.02	\$3.43	11.4%
Average Residential Wastewater Bill	\$19.23	\$17.26	\$1.97	11.4%
Average Residential Total Bill	\$52.68	\$47.28	\$5.40	11.4%
Average Temperature (°F) February	56.0	53.0	3.00	5.7%
Average High Temperature (°F) February	69.0	69.0	0.00	0.0%
Rainfall - Inches	10.02	11.73	(1.71)	-14.6%
EPWU - Water Customers	204,176	201,929	2,247	1.1%
LVWD - Water Cust (Wholesale)	17,210	16,703	507	3.0%
Paseo Del Este - Water Cust (Wholesale)	4,221	3,271	950	29.0%
County of El Paso - Water Customers	1,812	1,793	19	1.1%
Haciendas del Norte - Water Customers	345	345	-	0.0%
Ponderosa - Water Customers	-	284	(284)	-100.0%
Mayfair/Nuway - Water Customers	308	307	1	0.3%
Colonia Revolución - Water Cust (Wholesale)	67	67	0	0.0%
Total Water Customers	228,139	224,699	3,440	1.5%
EPWU - Wastewater Customers	194,376	192,194	2,182	1.1%
Paseo Del Este - Wastewater Cust (Wholesale)	4,221	3,271	950	29.0%
LVWD - Wastewater Customers	14,222	13,810	412	3.0%
Total Wastewater Customers	212,819	209,275	3,544	1.7%
Personnel (Active)	843	833	10	1.2%

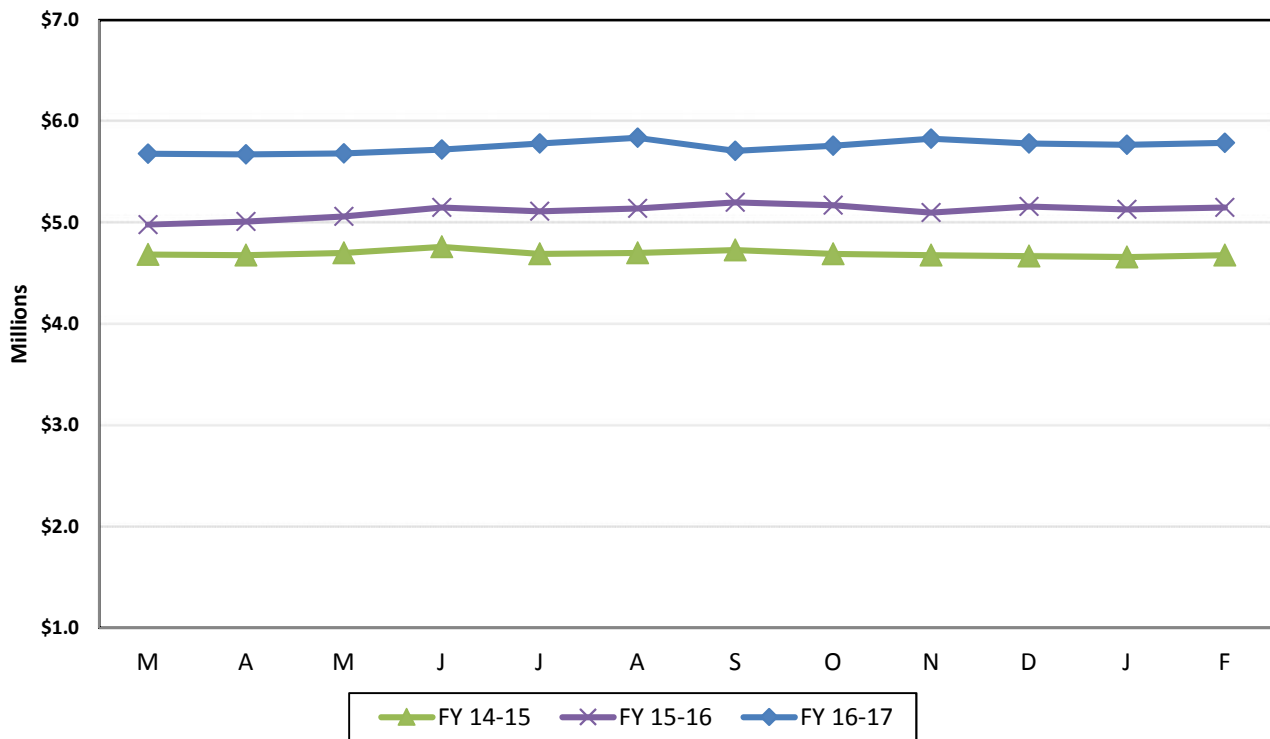
Comparison of Water Billed Fiscal Years 2017 & 2016
Billion Gallons Per Month



WATER & RECLAIMED WATER REVENUE



WASTEWATER REVENUE





**Stormwater Revenue and Expense Summary
Preliminary Fourth Quarter
March 1 through February 28, 2017**

Stormwater Revenues

Stormwater revenues for the fiscal year were \$18.96 million. This is an increase of \$2.18 million or 13.0% compared to the last fiscal year mainly due to the approved eleven percent fee increase effective March 1, 2016. Total stormwater customers increased by 1,673 as compared to last fiscal year.

Stormwater Operating Expenses

Operating expenses for the fiscal year were \$6.27 million. This is an increase of \$173,000 or 2.8% compared to last fiscal year. We project utilizing 89.7% of the approved Operating Budget from last fiscal year, a 10.3% favorable variance, mainly due to savings in the following accounts:

-) Personnel Services: savings of \$103,000. 69 budgeted position and 64 actual filled positions as of February 28, 2017.
-) Permit Fees and Transportation: savings of \$348,000. Contract with the El Paso County Water Improvement District #1 was not finalized until fiscal Year 2017-18; fuel prices remained low during the fiscal year.

Debt Service

Debt service payments, including Bond Reserve funding costs, of \$8.77 million have increased by \$901,000 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 increased debt service costs by \$781,000 this fiscal year.

Stormwater Capital Expenditures

Projected capital expenditures of \$17.03 million for the fiscal year were \$19.29 million less compared to last fiscal year.

Debt Service Coverage

Debt service coverage of 1.75 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 for fiscal year 2016-17 for the Stormwater Utility were \$2.18 million more than the prior fiscal year mainly due to the approved eleven percent fee increase effective March 1, 2016. Operating expenditures are \$173,000 more than last year mainly due to an increase in maintenance. The Utility met 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 February 28, 2017

(In 1000's)
UNAUDITED

	Budget FY 16-17	Actual FY 16-17	Actual FY 15-16	Variance (+/-)	%
Operating Revenues					
Stormwater	18,785	18,963	16,789	2,175	13.0%
Total Stormwater Revenues	18,785	18,963	16,789	2,175	13.0%
Misc. Operating Revenues					
Misc. Operating Revenues	688	633	611	22	3.6%
Interest Revenue	4	17	3	14	423.3%
Total Misc. Operating Revenues	692	650	615	35	5.8%
Total Operating Revenues	19,477	19,613	17,403	2,210	12.7%
Total Operating Expenses	6,981	6,265	6,092	173	2.8%
Net Operating Revenues Available	12,496	13,348	11,311	2,037	18.0%
Interest Revenue on Restricted Funds	75	247	122	125	102.2%
Build America Bonds (BAB) 35% Tax Credit	727	731	767	(36)	-4.7%
Revenues Available for Debt Service	13,298	14,326	12,200	2,126	17.4%
Debt Service - Stormwater Bonds	8,265	8,183	7,390	793	10.7%
Debt Service Reserve Fund	680	588	480	108	22.5%
Revenues Available for Capital Rehab/Impr.	4,353	5,555	4,329	1,225	28.3%
Restricted Non-Operating Revenues					
Sale of Land	-	-	15	(15)	-
Total Non-Operating Revenues	-	-	15	(15)	-
Total Revenues Available for Capital Rehab/Impr.	4,353	5,555	4,345	1,210	27.8%
Capital Expenditures					
Capital Projects - Stormwater	41,682	16,803	36,051	(19,248)	-53.4%
Capital Equipment - Stormwater	51	222	264	(42)	-16.0%
Total Capital Expenditures	41,733	17,025	36,315	(19,290)	-53.1%
Contingencies	175	-	-	-	N/A
Capital Funding Sources					
Improvement, Construction Funds	37,554	11,470	31,986	(20,515)	-64.1%
Total Capital Funding Sources	37,554	11,470	31,986	(20,515)	
Debt Service Coverage	1.61	1.75	1.65		