



**PUBLIC SERVICE BOARD MEETING
AGENDA ITEM
REGULAR MEETING**

Wednesday, April 11, 2018

SUBJECT

EPWater 4th Quarter Preliminary Financial and Performance Measures Report for period ending February 28, 2018

BACKGROUND

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

STRATEGIC OBJECTIVES SUPPORTED

Strengthen Financial Viability

EVALUATION PROCESS

N/A

FINANCIAL IMPLICATIONS

N/A

PROPOSED ACTION REQUESTED

Review and accept the El Paso Water's 4th Quarter Preliminary Financial and Performance Measures Report for period ending February 28, 2018.

SUPPORTING DOCUMENTATION PROVIDED

- 4th Quarter Preliminary Financial Report



Water and Sewer Revenue and Expense Summary
Preliminary
Fourth Quarter
March 1 through February 28, 2018

Water Billed

Budgeted billed water for FY 2017-18 was 34.3 billion gallons. Actual YTD through February 28, 2018 was 34.42 billion gallons, a slight increase as compared to last fiscal year.

Water Revenues

Water revenues of \$143.1 million increased by \$8.1 million or a 6.0% increase when compared to last year. The increase is mainly due to the approved seven percent rate increase effective March 1, 2017. Total retail and wholesale customers increased by 3,857 as compared to last fiscal year.

Wastewater Revenues

Wastewater revenues of \$75.9 million increased by \$6.3 million or a 9.1% 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 3,170 as compared to last fiscal year.

Total Water & Wastewater Operating Revenues

Total operating revenues of \$235.9 million represents increased by 10.2% 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 \$7.3 million in farming revenues.

Total Water & Wastewater Operating Expenses

Total operating expenses of \$101.5 million increased by \$11.9 million when compared to last year. The increase is mainly due to \$5.9 million in farm operation expenditures. Water and Wastewater operation and maintenance expenses of \$92.1 million increased by \$6.0 million when compared to the same period last year due to an increase in salaries of \$1.8 million, chemical costs of \$1.0 million, maintenance of \$934,000 and utilities of \$1.2 million.

Debt Service

Debt service payments, including Bond Reserve funding, Commercial Paper interest and Land Note Payable interest costs, of \$67.766.3 million have increased by \$7.0 million as

compared to last year mainly due to the additional debt service cost that resulted from the two bond issues in FY 2016-17:

- Issued \$68.7 million of bonds Series 2016 to fund capital improvement projects, take long Commercial Paper and advance refund prior issued debt.
- Issued \$100.0 million of Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Series 2016A bonds.

In addition, EPWater had two new bond issues in the month of November 2017:

- Issued \$83.9 million of bonds Series 2017 to fund capital improvement projects, take long Commercial Paper and refund prior issued debt netting \$1.15 million in present value savings.
- Issued \$50.00 million of Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Series 2017A bonds.

Contributions from Customers

Contributions from customers of \$2.4 million increased 10.6% 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 \$1.6 million of impact fees collected, a 17.3% increase as compared to last year. Annexation fees of \$1.1 million are 36.2% less than collected in the previous fiscal year.

Capital Expenditures

Capital expenditures of \$112.1 million are \$78.6 million less than last year and 41% of budgeted, and include \$33.7 million of land acquisition in Hudspeth County, and over \$6.0 million to replace aging vehicles and heavy equipment. 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 2.17 times debt service requirements exceeds the bond covenant requirement of 1.50 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 \$21.9 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 \$7.3 million of farming revenue. Operating expenses increased by \$11.9 million mainly due to \$5.9 million in farming operation expenses and an increase of \$6.0 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 February 28, 2018

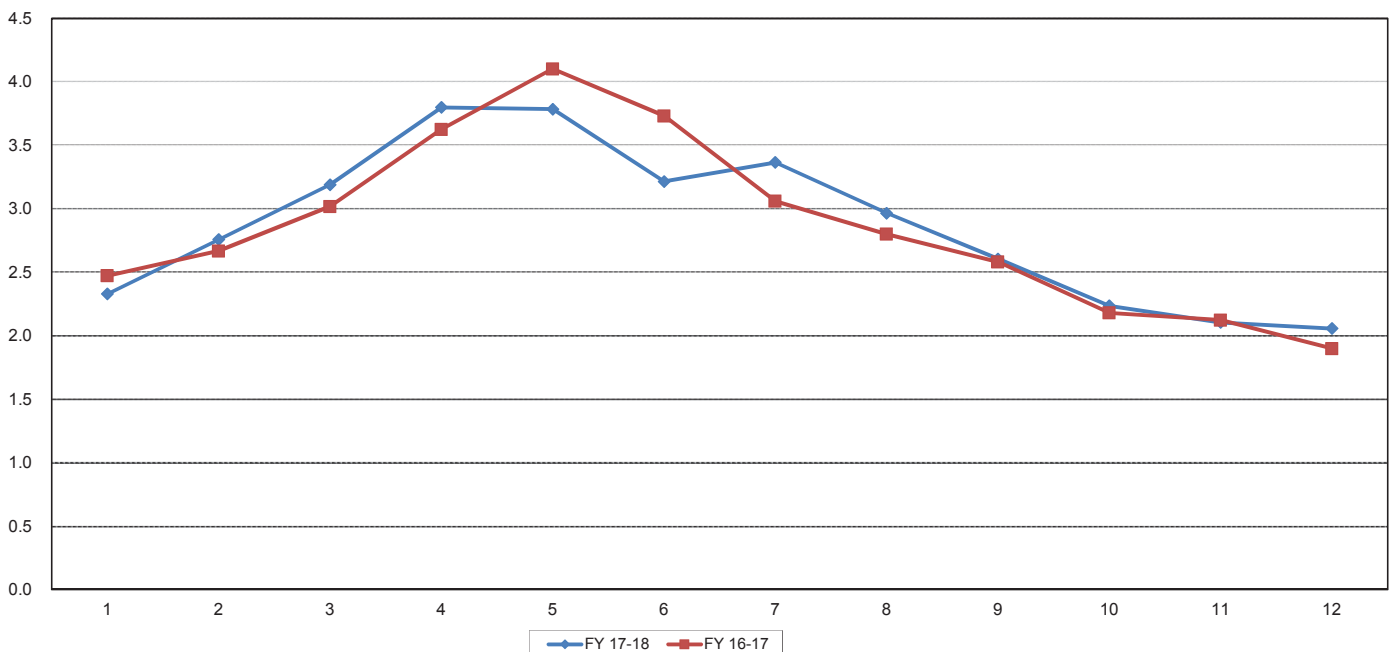
(In 1000's)
UNAUDITED

	Budget FY 17-18	Actual FY 17-18	Actual FY 16-17	Variance (+/-)	%
Water Billed (In Billion Gallons)	34.30	34.42	34.28	0.14	0.4%
Revenue					
Water	112,932	111,744	105,804	5,940	5.6%
Water Supply Replacement Charge	27,026	26,878	25,076	1,802	7.2%
Reclaimed water	3,475	3,503	3,227	275	8.5%
Fire Protection	957	1,009	895	114	12.7%
Total Water & Reclaimed Water	144,390	143,133	135,002	8,131	6.0%
Wastewater Service	75,020	75,374	69,006	6,368	9.2%
Pretreatment Surcharge	594	499	551	(52)	-9.4%
Total Wastewater	75,614	75,873	69,558	6,316	9.1%
	220,004	219,007	204,559	14,447	7.1%
City of El Paso Franchise Fee	3,550	3,584	3,578	7	0.2%
Farm Operations Revenue	7,500	7,301	-	7,301	100.0%
Lease Revenue, Service Charges and Misc. Fees	6,323	6,054	5,890	164	2.8%
	17,373	16,939	9,467	7,471	78.9%
Total Operating Revenues	237,377	235,945	214,027	21,919	10.2%
Operations and Maintenance	97,380	92,052	86,030	6,022	7.0%
Farm Operations Expenditures	6,500	5,890	-	5,890	100.0%
Payment to City Franchise Fee	3,550	3,584	3,578	7	0.2%
Total Operating Expenses	107,430	101,526	89,608	11,918	13.3%
Miscellaneous Non-Operating Revenues					
Sale of Assets	50	165	39	126	321.1%
Build America Bonds (BAB) 35% Tax Credit	195	121	196	(75)	-38.3%
Interest Income	1,050	2,398	1,111	1,287	115.9%
Revenues Available for Debt Service	131,243	137,103	125,765	11,338	9.0%
Debt Service - Water and Wastewater	64,617	63,040	57,191	5,849	10.2%
Debt Service Reserve Fund	2,751	2,826	1,746	1,080	61.9%
Commercial Paper - Interest and Financing Fees	303	386	300	86	28.7%
Land Notes Payable - Interest	-	31	55	(23)	-42.5%
Payment to City Per Bond Covenants	14,496	13,552	12,753	798	6.3%
Revenues Avail For Capital Rehab/Impr.	49,076	57,268	53,720	3,548	6.6%
Restricted Non-Operating Revenues					
Contribution of New Customers	2,200	2,353	2,127	225	10.6%
Sale of Land	10,000	7	5,561	(5,554)	-99.9%
Impact Fees	1,600	1,580	1,347	233	17.3%
Annexation Fees	1,300	1,074	1,683	(610)	-36.2%
Total Non-Operating Revenues	15,100	5,013	10,719	(5,706)	-53.2%
Total Revenues Avail for Capital Rehab/Impr.	64,176	62,281	64,439	(2,158)	-3.3%
Capital Expenditures					
Capital Projects - Water	214,070	86,990	165,710	(78,720)	-47.5%
Capital Projects - Wastewater	55,311	18,887	23,024	(4,137)	-18.0%
Capital Projects - Reuse	356	125	1,643	(1,518)	-92.4%
Capital Equipment	1,902	6,103	296	5,806	1958.8%
Total Capital Expenditures	271,639	112,106	190,673	(78,568)	-41.2%
Contingencies	2,432	-	-	-	-
Capital Funding Sources					
Improvement, Construction and CP Funds	267,029	48,319	123,957	(77,796)	-61.0%
Grants	4,610	1,506	2,278	(772)	-33.9%
Total Capital Funding Sources	271,639	49,825	126,235	(78,568)	-60.5%
Debt Service Coverage	2.03	2.17	2.20		

EL PASO WATER UTILITIES / PUBLIC SERVICE BOARD
WATER & WASTEWATER
As of February 28, 2018 & February 28, 2017

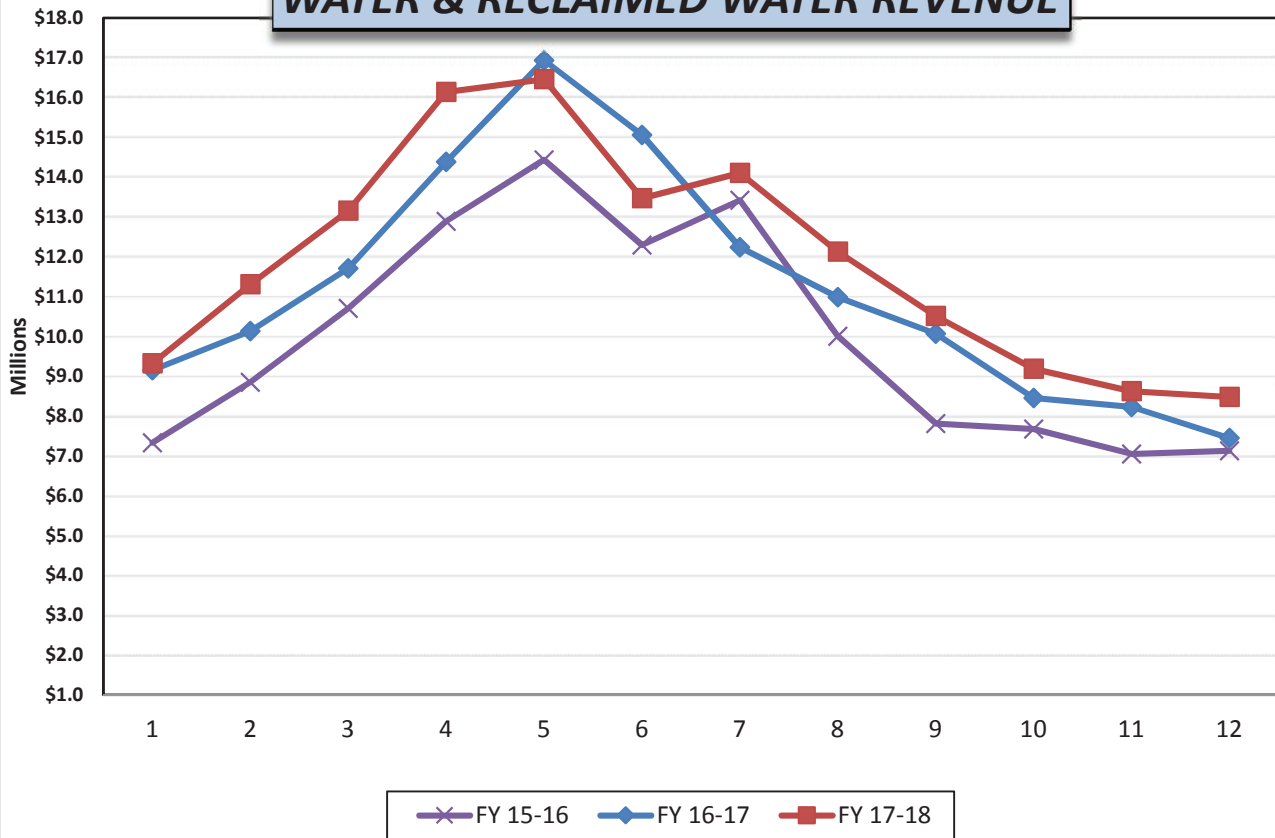
ADDITIONAL STATISTICAL DATA				
	2017-18 YTD	2016-17 YTD	Difference	% Inc(Dec)
Water Billed (1,000 Gallons)	34,418,359	34,277,754	140,605	0.4%
Average Residential Water Bill	\$34.78	\$33.45	\$1.34	4.0%
Average Residential Wastewater Bill	20.43	19.23	1.21	6.3%
Average Residential Total Bill	\$55.22	\$52.67	\$2.55	4.8%
Average Temperature (°F) February	55.4	56.0	(0.60)	-1.1%
Average High Temperature (°F) February	68.1	69.0	(0.90)	-1.3%
Rainfall - Inches	9.65	10.02	(0.37)	-3.7%
EPWU - Water Customers	206,919	204,176	2,743	1.3%
LVWD - Water Cust (Wholesale)	17,680	17,210	470	2.7%
Paseo Del Este - Water Cust (Wholesale)	4,861	4,221	640	15.2%
County of El Paso - Water Customers	1,818	1,812	6	0.3%
Haciendas del Norte - Water Customers	345	345	-	0.0%
Mayfair/Nuway - Water Customers	303	308	(5)	-1.6%
Colonia Revolución - Water Cust (Wholesale)	70	67	3	4.5%
Total Water Customers	231,996	228,139	3,857	1.7%
EPWU - Wastewater Customers	196,560	194,376	2,184	1.1%
Paseo Del Este - Wastewater Cust (Wholesale)	4,861	4,221	640	15.2%
LVWD - Wastewater Customers	14,568	14,222	346	2.4%
Total Wastewater Customers	215,989	212,819	3,170	1.5%
Personnel (Active)	870	826	44	5.3%

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

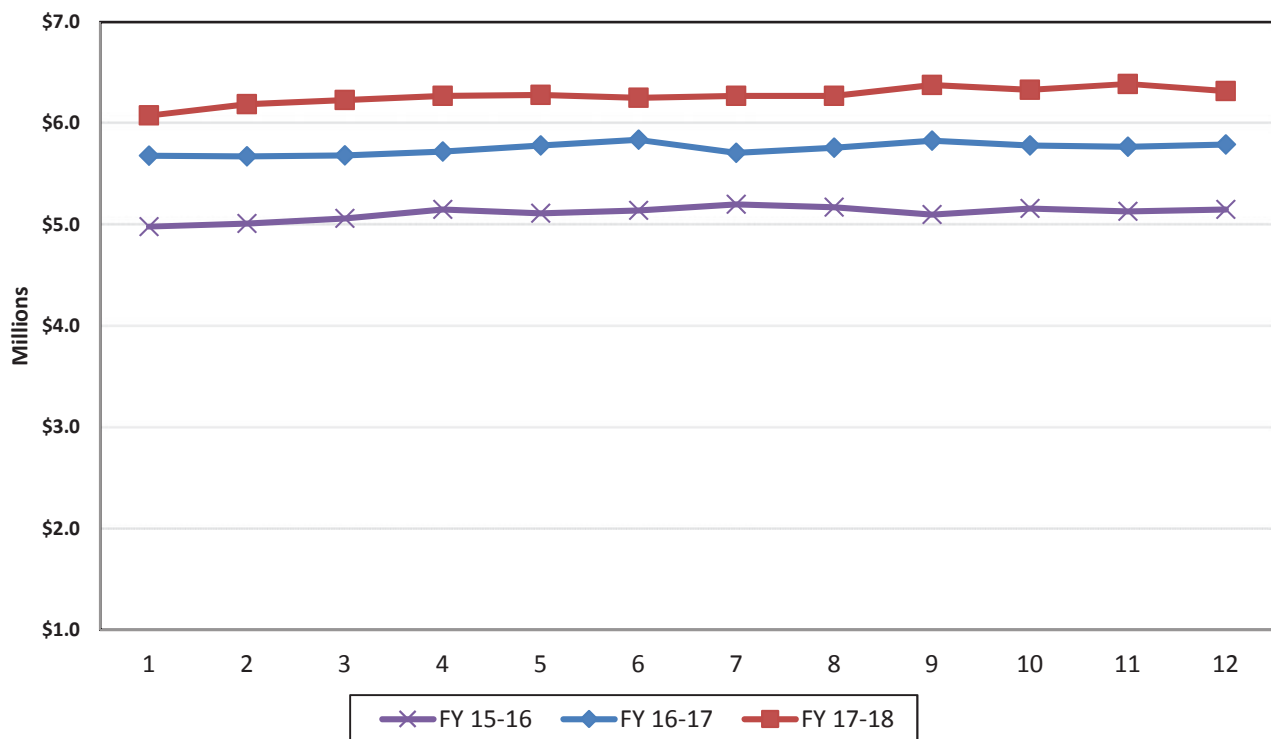


February 2018

WATER & RECLAIMED WATER REVENUE



WASTEWATER REVENUE





Stormwater Revenue and Expense Summary
Preliminary
Fourth Quarter
March 1 through February 28, 2018

Stormwater Revenues

Stormwater revenues of \$22.4 million increased by \$3.5 million or 18.2% compared to last fiscal year mainly due to the approved seventeen percent fee increase effective March 1, 2017. Total Stormwater customers increased by 1,837 as compared to last fiscal year.

Stormwater Operating Expenses

Operating expenses of \$6.4 million decreased by \$158,000 or 2.4% compared to last fiscal year due to a decrease in maintenance expense.

Debt Service

Debt service payments, including Bond Reserve funding costs, of \$8.8 million increased by \$384,000 as compared to last year. The increase is due to the issuance of the 2016 drainage bonds last fiscal year in the amount of \$19.79 million issued to fund capital projects. During the fiscal year the Utility issued \$48.9 million in new bonds to finance drainage projects and refund prior issued debt resulting in net present value savings of \$2.7 million dollars.

Stormwater Capital Expenditures

Projected capital expenditures through the fourth quarter of \$28.1 million are \$10.2 million more compared to last fiscal year and includes \$1.7 million for Open Space acquisitions.

Debt Service Coverage

Debt service coverage of 2.07 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 for the Stormwater Utility were \$3.5 million more than for the same period last year mainly due to the approved seventeen percent fee increase effective March 1, 2017. Operating expenditures were \$158,000 less than last year. 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, 2017 thru February 28, 2018

(In 1000's)
UNAUDITED

	Budget FY 17-18	Actual FY 17-18	Actual FY 16-17	Variance (+/-)	%
Operating Revenues					
Stormwater	22,353	22,419	18,963	3,456	18.2%
Total Stormwater Revenues	22,353	22,419	18,963	3,456	18.2%
Misc. Operating Revenues					
Misc. Operating Revenues	688	636	633	3	0.5%
Interest Revenue	4	41	17	24	143.3%
Total Misc. Operating Revenues	692	677	650	27	4.2%
Total Operating Revenues	23,045	23,096	19,613	3,483	17.8%
Total Operating Expenses	6,364	6,364	6,521	(158)	-2.4%
Net Operating Revenues Available	16,681	16,733	13,092	3,641	27.8%
Interest Revenue on Restricted Funds	140	452	247	205	83.1%
Build America Bonds (BAB) 35% Tax Credit	763	516	731	(214)	-29.3%
Revenues Available for Debt Service	17,584	17,701	14,069	3,632	25.8%
Debt Service - Stormwater Bonds	9,743	8,549	8,183	366	4.5%
Debt Service Reserve Fund	705	606	588	18	3.1%
Revenues Available for Capital Rehab/Impr.	7,136	8,547	5,298	3,248	61.3%
Capital Expenditures					
Capital Projects - Stormwater	37,909	27,903	17,699	10,204	57.7%
Capital Equipment - Stormwater	87	203	137	66	48.4%
Total Capital Expenditures	37,996	28,106	17,836	10,270	57.6%
Contingencies	161	-	-	-	N/A
Capital Funding Sources					
Improvement, Construction Funds	31,020	19,559	12,538	7,022	56.0%
Total Capital Funding Sources	31,020	19,559	12,538	7,022	
Debt Service Coverage	1.80	2.07	1.72		