



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

Wednesday, October 10, 2018

SUBJECT

EPWater Second Quarter Financial and Performance Measures Report for period ending August 31, 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

Consider and accept El Paso Water's Second Quarter Financial and Performance Measures Report for period ending August 31, 2018.

SUPPORTING DOCUMENTATION PROVIDED

- Second Quarter Financial Report



**Water and Sewer Revenue and Expense Summary
Second Quarter
March 1 through August 31, 2018**

Water Billed

Budgeted billed water for FY 2018-19 was 34.5 billion gallons. Actual YTD through August 31, 2018 was 19.3 billion gallons, a 1.1% increase as compared to last fiscal year due to the reduced precipitation versus last year of over 3 inches, and the above average temperatures.

Water Revenues

Water revenues of \$87.0 million increased by \$7.0 million or an 8.7% increase when compared to last year. The increase is mainly due to the approved eight percent rate increase effective March 1, 2018. Total retail and wholesale customers increased by 4,145 as compared to last fiscal year.

Wastewater Revenues

Wastewater revenues of \$41.5 million increased by \$3.9 million or a 10.4% increase when compared to last year. This increase was mostly due to the approved eight percent rate increase effective March 1, 2018. Total retail and wholesale customers increased by 4,013 as compared to last fiscal year.

Total Water & Wastewater Operating Revenues

Total operating revenues of \$139.4 million increased by 8.8% as compared to last fiscal year. This increase was mostly due to the approved eight percent water and wastewater rate increases effective March 1, 2018.

Total Water & Wastewater Operating Expenses

Total operating expenses of \$54.7 million increased by \$5.5 million when compared to last year. The increase is mainly due to the increase of \$1.6 million in farm operation expenditures compared to last fiscal year. Water and Wastewater operation and maintenance expenses of \$46.1 million increased by \$3.9 when compared to the same period last year.

Debt Service

Debt service payments, including Bond Reserve funding, Commercial Paper interest and Land Note Payable interest costs, of \$36.3 million have increased by \$4.0 million as

compared to last year mainly due to the additional debt service cost that resulted from the two bond issues in FY 2017-18:

- 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 \$50.0 million of Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Series 2017A bonds

Contributions from Customers

Contributions from customers of \$1.3 million decreased 3.2% 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 was a total of \$1.1 million of impact fees collected, a 22.4% increase as compared to last year. Annexation fees of \$769,000 are 21.3% more than collected in the previous fiscal year.

Capital Expenditures

Capital expenditures of \$96.1 million are \$38.5 million more than last year and 34.5% of budgeted and includes the purchase of another farm in Dell City totaling over \$42.0 million dollars . 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 2.53 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 2.01 times adopted in this year's budget.

Water & Wastewater Summary

Operating revenues for the fiscal year were \$11.3 million more than the prior fiscal year mainly due to the approved eight percent water and wastewater rate increases effective March 1, 2018. Operating expenses increased by \$5.5 million mainly due to \$1.6 million increase in farming operation expenses and an increase of \$3.9 million in Water and Wastewater operating and maintenance expense. The Utility expects to 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, 2018 thru August 31, 2018

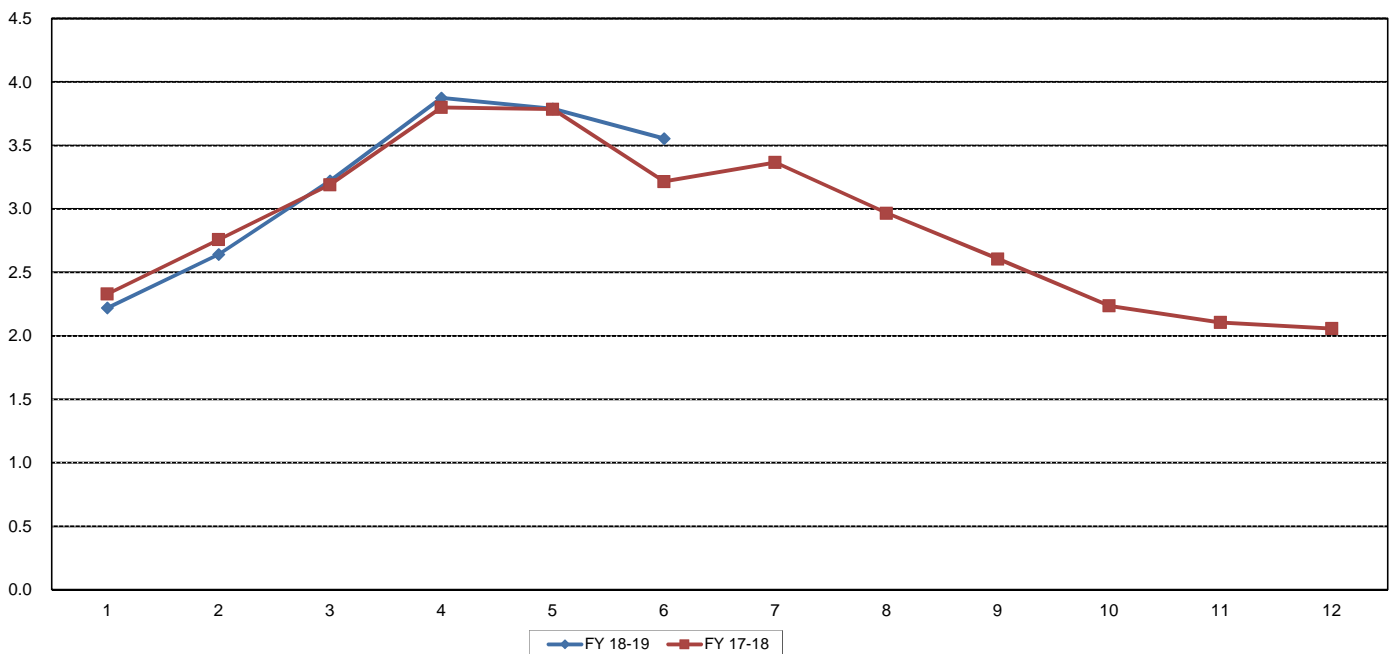
(In 1000's)
UNAUDITED

	Budget FY 18-19	Actual FY 18-19	Actual FY 17-18	Variance (+/-)	%
Water Billed (In Billion Gallons)	34.50	19.30	19.08	0.22	1.1%
Revenue					
Water	120,870	69,013	63,642	5,372	8.4%
Water Supply Replacement Charge	29,843	14,911	13,729	1,182	8.6%
Reclaimed water	3,641	2,470	2,101	369	17.6%
Fire Protection	1,069	563	494	68	13.8%
Total Water & Reclaimed Water	155,423	86,957	79,966	6,991	8.7%
Wastewater Service	81,190	41,101	37,305	3,796	10.2%
Pretreatment Surcharge	489	350	231	119	51.6%
Total Wastewater	81,679	41,450	37,535	3,915	10.4%
		128,407	117,501	10,906	9.3%
City of El Paso Franchise Fee	3,550	1,734	1,768	(34)	-1.9%
Farm Operations Revenue	12,100	6,210	6,005	206	3.4%
Lease Revenue, Service Charges and Misc. Fees	6,323	3,098	2,842	255	9.0%
	21,973	11,042	10,614	427	4.0%
Total Operating Revenues	259,075	139,449	128,115	11,334	8.8%
Operations and Maintenance					
Operations and Maintenance	105,391	46,148	42,236	3,913	9.3%
Farm Operations Expenditures	9,700	6,787	5,141	1,646	32.0%
Payment to City Franchise Fee	3,550	1,734	1,768	(34)	-1.9%
Total Operating Expenses	118,641	54,669	49,144	5,525	11.2%
Miscellaneous Non-Operating Revenues					
Sale of Assets	200	54	90	(36)	-40.4%
Build America Bonds (BAB) 35% Tax Credit	-	-	93	(93)	-100.0%
Interest Income	2,125	2,369	911	1,458	160.1%
Revenues Available for Debt Service	142,760	87,203	80,065	7,231	8.9%
Debt Service - Water and Wastewater	70,854	34,507	30,696	3,812	12.4%
Debt Service Reserve Fund	2,620	1,578	1,380	198	14.3%
Commercial Paper - Interest and Financing Fees	893	211	222	(10)	-4.7%
Land Notes Payable - Interest	-	12	19	(7)	-34.5%
Payment to City Per Bond Covenants	15,571	8,229	7,559	670	8.9%
Revenues Avail For Capital Rehab/Impr.	52,823	42,665	40,189	2,475	6.2%
Restricted Non-Operating Revenues					
Contribution of New Customers	2,200	1,259	1,300	(42)	-3.2%
Sale of Land	10,000	555	-	555	N/A
Impact Fees	1,600	1,056	863	193	22.4%
Annexation Fees	1,000	769	634	135	21.3%
Total Non-Operating Revenues	14,800	3,639	2,797	842	30.1%
Total Revenues Avail for Capital Rehab/Impr.	67,623	46,304	42,987	3,317	7.7%
Capital Expenditures					
Capital Projects - Water	216,560	81,037	46,775	34,262	73.3%
Capital Projects - Wastewater	59,189	14,648	6,921	7,728	111.7%
Capital Projects - Reuse	400	112	58	54	93.8%
Capital Equipment	2,926	351	3,939	(3,589)	-91.1%
Total Capital Expenditures	279,075	96,148	57,692	38,456	66.7%
Contingencies	2,635	-	-	-	-
Capital Funding Sources					
Improvement, Construction and CP Funds	274,466	93,907	56,721	37,186	65.6%
Grants	4,609	2,241	971	1,270	130.8%
Total Capital Funding Sources	279,075	96,148	57,692	38,456	66.7%
Debt Service Coverage	2.01	2.53	2.61		

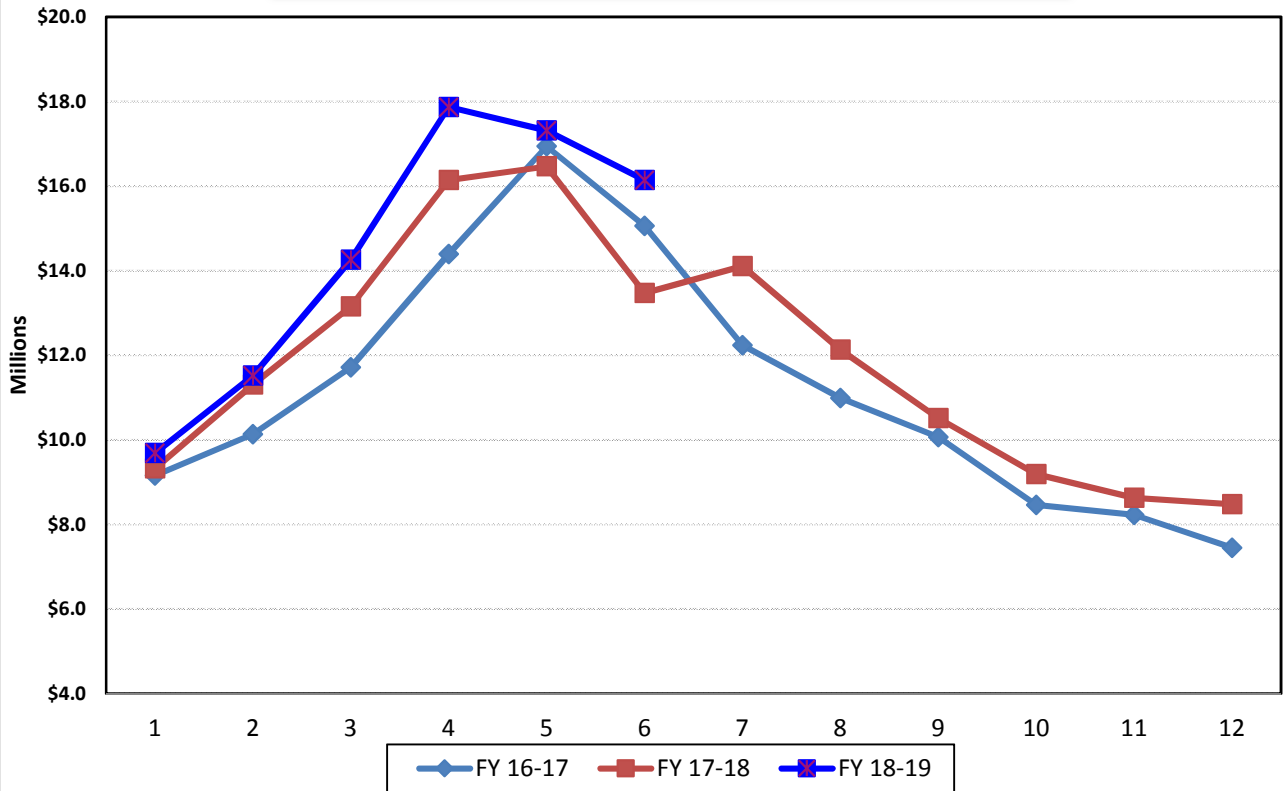
EL PASO WATER UTILITIES / PUBLIC SERVICE BOARD
WATER & WASTEWATER
As of August 31, 2018 & 2017

ADDITIONAL STATISTICAL DATA				
	2018-19	2017-18		%
	YTD	YTD	Difference	Inc(Dec)
Water Billed (1,000 Gallons)	19,298,097	19,081,215	216,882	1.1%
Average Residential Water Bill	\$41.25	\$38.92	\$2.33	6.0%
Average Residential Wastewater Bill	22.12	20.47	1.65	8.1%
Average Residential Total Bill	\$63.37	\$59.39	\$3.98	6.7%
Average Temperature (°F) August	85.1	81.4	3.70	4.5%
Average High Temperature (°F) August	96.7	92.8	3.90	4.2%
Rainfall - Inches	3.51	6.71	(3.20)	-47.7%
EPWU - Water Customers	209,223	206,118	3,105	1.5%
LVWD - Water Cust (Wholesale)	17,979	17,655	324	1.8%
Paseo Del Este - Water Cust (Wholesale)	5,216	4,524	692	15.3%
County of El Paso - Water Customers	1,832	1,808	24	1.3%
Haciendas del Norte - Water Customers	345	345	-	0.0%
Mayfair/Nuway - Water Customers	304	307	(3)	-1.0%
Colonia Revolución - Water Cust (Wholesale)	72	69	3	4.3%
Total Water Customers	234,971	230,826	4,145	1.8%
EPWU - Wastewater Customers	198,811	195,739	3,072	1.6%
Paseo Del Este - Wastewater Cust (Wholesale)	5,216	4,524	692	15.3%
LVWD - Wastewater Customers	14,886	14,637	249	1.7%
Total Wastewater Customers	218,913	214,900	4,013	1.9%
Personnel (Active)	863	851	12	1.4%

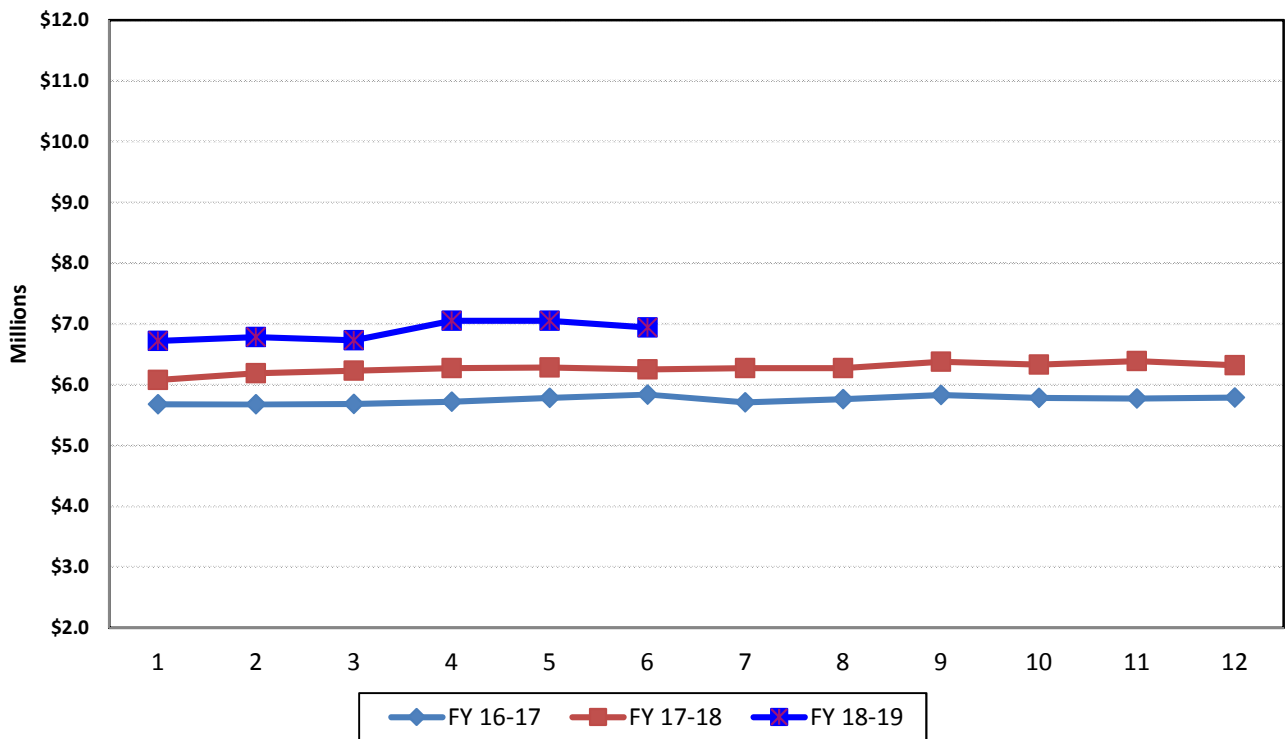
Comparison of Water Billed Fiscal Years 2019 & 2018 Billion Gallons Per Month



WATER & RECLAIMED WATER REVENUE



WASTEWATER REVENUE





**Stormwater Revenue and Expense Summary
Second Quarter
March 1 through August 31, 2018**

Stormwater Revenues

Stormwater revenues of \$11.6 million increased by \$325,000 or 2.9% compared to last fiscal year mainly due to the approved two percent fee increase effective March 1, 2018. Total Stormwater customers increased by 2,661 as compared to last fiscal year.

Stormwater Operating Expenses

Operating expenses of \$3.0 million decreased by \$109,000 or 3.5% compared to last fiscal year due to a decrease in maintenance expense.

Debt Service

Debt service payments, including Bond Reserve funding costs and the Note Purchase Agreement interest and finance fees, of \$4.9 million increased by \$85,000 as compared to last year. The increase is due to the issuance of the 2017 drainage bonds last fiscal year in the amount of \$48.9 million issued to fund \$18.8 million in capital projects and refund \$39.4 million of prior debt.

Stormwater Capital Expenditures

Projected capital expenditures through the second quarter of \$10.6 million are \$1.5 million less compared to last fiscal year.

Debt Service Coverage

Debt service coverage of 1.99 times exceeds the bond covenant requirement of 1.25 times and is above the budgeted debt service coverage of 1.81 times for FY 2018-19.

Summary

In summary, the total operating revenues for the Stormwater Utility were \$356,000 more than for the same period last year mainly due to the two percent fee increase effective March 1, 2018. Operating expenditures were \$109,000 less than last year. The Utility expects 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, 2018 thru August 31, 2018

(In 1000's)
UNAUDITED

	Budget FY 18-19	Actual FY 18-19	Actual FY 17-18	Variance (+/-)	%
Operating Revenues					
Stormwater	22,971	11,551	11,226	325	2.9%
Total Stormwater Revenues	22,971	11,551	11,226	325	2.9%
Misc. Operating Revenues					
Misc. Operating Revenues	688	302	291	11	3.8%
Interest Revenue	25	32	12	20	163.6%
Total Misc. Operating Revenues	713	334	303	31	10.2%
Total Operating Revenues	23,684	11,885	11,529	356	3.1%
Total Operating Expenses	6,659	3,036	3,145	(109)	-3.5%
Net Operating Revenues Available	17,025	8,849	8,384	465	5.5%
Interest Revenue on Restricted Funds	400	402	201	201	100.3%
Build America Bonds (BAB) 35% Tax Credit	-	-	345	(345)	-100.0%
Revenues Available for Debt Service	17,425	9,251	8,930	321	3.6%
Debt Service - Stormwater Bonds	9,651	4,657	4,515	142	3.1%
Debt Service Reserve Fund	539	240	324	(84)	-25.9%
Note Purchase Agreement- Interest and finance fees	-	27	-	27	N/A
Revenues Available for Capital Rehab/Impr.	7,234	4,327	4,091	235	5.8%
Capital Expenditures					
Capital Projects - Stormwater	33,553	10,460	12,023	(1,563)	-13.0%
Capital Equipment - Stormwater	530	105	36	69	190.5%
Total Capital Expenditures	34,083	10,565	12,059	(1,494)	-12.4%
Contingencies	166	-	-	-	N/A
Capital Funding Sources					
Improvement, Construction Funds	27,015	6,238	7,968	(1,730)	-21.7%
Total Capital Funding Sources	27,015	6,238	7,968	(1,730)	
Debt Service Coverage	1.81	1.99	1.98		