



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

Wednesday, January 13, 2021

SUBJECT

EPWater 3rd Quarter Financial and Performance Measures Report for period ending November 30, 2020

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 the El Paso Water's 3rd Quarter Financial and Performance Measures Report for period ending November 30, 2020.

SUPPORTING DOCUMENTATION PROVIDED

- 3rd Quarter Financial Report FY 20-21



**Water and Sewer Revenue and Expense Summary
Third Quarter
March 1, 2020 through November 30, 2020**

Water Billed

Budgeted billed water for FY 2020-21 is 34.50 billion gallons. Actual YTD through November 30, 2020 was 29.03 billion gallons, which represents a 4.2% increase over the same period last fiscal year.

Water Revenues

Water revenues of \$146.8 million increased by \$15.8 million or a 12.1% increase when compared to last year. The increase is due to the five percent rate increase effective March 1, 2020 and the increase in water consumption due to less rainfall and higher temperatures. Total retail and wholesale customers increased by 5,139 as compared to last fiscal year.

Wastewater Revenues

Wastewater revenues of \$71.3 million increased by \$4.2 million or a 6.3% increase when compared to last year. This increase was mostly due to the five percent rate increase effective March 1, 2020. Total retail and wholesale customers increased by 5,375 as compared to last fiscal year.

Total Operating Revenues

Total operating revenues of \$227.5 million increased by 10.1% as compared to last fiscal year. This increase was mostly due to the approved rate increases effective March 1, 2020, increased water consumption, and normal customer growth. The Utility has seen a decrease in reinstallation fees of around \$1.5 million as cut offs have been suspended in the wake of the COVID-19 pandemic.

Total Water & Wastewater Operating Expenses

Total operating expenses of \$80.4 million increased by \$5.7 million when compared to last year. Water and wastewater operation and maintenance expenses of \$75.2 million increased by \$3.5 million when compared to the same period last year mainly due to an increase in maintenance expense of \$1.4 million, an increase in water purchased for resale of \$1.28 million which caused an increase in utilities and chemicals of approximately \$1.78 million to treat the surface water.

Debt Service

Debt service payments, including Bond Reserve funding, Commercial Paper interest and financing fees, of \$52.6 million have decreased by \$2.7 million as compared to last year mainly due to the refunding and structuring of debt and the reduction in bond reserve fund requirements.

In September 2020, EPWater issued two bonds.

- \$33.9 million Bonds Series 2020 to take long \$40.0 million of Commercial Paper Notes,
- \$63.0 million Bonds Series 2020A to refund \$26.3 Million of 2012 Bonds, and \$32.3 Million of 2012A Bonds, netting a Present Value Savings of \$5.9 million.

EPWater continues to work with its Financial Advisors to look for refunding opportunities and debt service savings for the Utility and its rate payers.

Non-Operating Revenues

Contributions from customers of \$2.1 million increased by 10.9% 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 \$1.9 million of impact fees collected, a 14.1% increase as compared to last year. Annexation fees of \$708,000 were 36.9% less than collected in the previous fiscal year. Interest Income of \$1.6 million decreased by \$1.8 million as compared to last year as the federal funds rate dropped to 0.25% from 1.75% a year ago with no predicted future increases this year.

Capital Expenditures

Capital expenditures of \$82.9 million are \$13.1 million less than last year and 34.9% of budgeted and includes \$3.7 million for water rights land acquisition, and \$5.8 million for the new CIS Utility Billing System. 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 2.90 times debt service requirements exceeds the bond covenant requirement of 1.50 times and is very healthy. 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 of 2.33 times adopted in this year's budget. This financial indicator highlights the strong financial condition and ensures that the Utility receives very competitive interest rates when issuing debt to finance capital expenditures or refund prior debt.

Water & Wastewater Summary

Operating revenues for the period were \$20.9 million more than the prior fiscal year mainly due to the approved water and wastewater rate increases effective March 1, 2020 and increased water consumption. Operating expenses increased by \$5.7 million mainly due to an increase in surface water related expenses. Management and staff are monitoring customer trends, receivables, and operating cash balances in light of the COVID-19 pandemic. Delinquent customer account receivable balances continue to increase since the end of February. Thru November we have experienced an 11.7% increase in past due balances. This continues to affect our operating cash flow, but at this time we do not anticipate that it will materially affect the Utility's ability to operate, and we expect to meet all operating, capital and debt service obligations this year. We'll continue to track receivable balances and increase our efforts to collect or make payment arrangements with our delinquent customers and at some point in the near future we'll restart service disconnections.

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

March 1, 2020 thru November 30, 2020

(In 1000's)
UNAUDITED

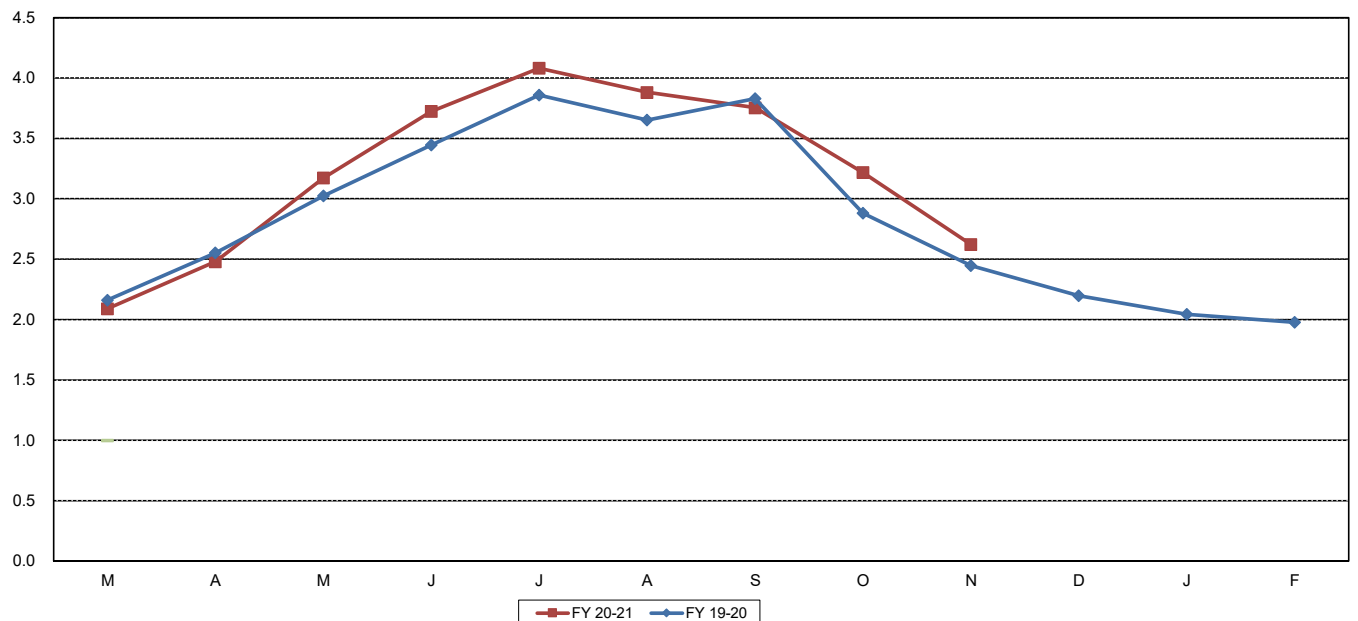
	Budget FY 20-21	Actual FY 20-21	Actual FY 19-20	Variance (+/-)	%
Water Billed (In Billion Gallons)	34.50	29.03	27.87	1.17	4.2%
Revenue					
Water	130,844	115,927	103,015	12,912	12.5%
Water Supply Replacement Charge	32,504	24,839	23,312	1,527	6.5%
Reclaimed Water	4,926	5,007	3,721	1,286	34.6%
Fire Protection	1,298	991	932	59	6.3%
Total Water & Reclaimed Water	169,572	146,764	130,980	15,783	12.1%
Wastewater Service	94,801	70,599	66,582	4,017	6.0%
Pretreatment Surcharge	548	713	502	212	42.2%
Total Wastewater	95,349	71,312	67,083	4,229	6.3%
Total Water and Wastewater Revenue	264,921	218,076	198,064	20,012	10.1%
City of El Paso Franchise Fee	6,550	4,912	2,636	2,276	86.4%
Farm Lease Revenue	1,674	1,368	1,270	98	7.7%
Lease Revenue, Service Charges and Misc. Fees	5,600	3,176	4,623	(1,446)	-31.3%
	13,824	9,457	8,529	928	10.9%
Total Operating Revenues	278,745	227,533	206,593	20,940	10.1%
Operations and Maintenance					
Operations and Maintenance	111,755	75,245	71,732	3,513	4.9%
Farm Lease Expenditures	700	264	368	(103)	-28.1%
City of El Paso Franchise Fee	6,550	4,912	2,636	2,276	86.4%
Total Operating Expenses	119,005	80,421	74,736	5,686	7.6%
Miscellaneous Non-Operating Revenues					
Sale of Assets	450	57	275	(219)	-79.4%
Interest Income	2,600	1,577	3,418	(1,841)	-53.9%
Revenues Available for Debt Service	162,790	148,745	135,550	13,195	9.7%
Debt Service - Water and Wastewater	69,899	51,292	53,201	(1,909)	-3.6%
Debt Service Reserve Fund	1,474	1,096	1,728	(632)	-36.6%
Commercial Paper - Interest and Financing Fees	866	187	347	(160)	-46.1%
Payment to City Per Bond Covenants	17,277	13,813	12,790	1,024	8.0%
Revenues Avail For Capital Rehab/Impr.	73,275	82,356	67,484	14,872	22.0%
Restricted Non-Operating Revenues					
Contribution of New Customers	2,500	2,144	1,933	211	10.9%
Sale of Land	15,000	582	19,126	(18,544)	-97.0%
Impact Fees	2,200	1,917	1,680	237	14.1%
Annexation Fees	1,600	708	1,122	(414)	-36.9%
Total Non-Operating Revenues	21,300	5,351	23,861	(18,510)	-77.6%
Total Revenues Avail for Capital Rehab/Impr.	94,574	87,708	91,345	(3,638)	-4.0%
Capital Expenditures					
Capital Projects - Water	132,854	41,678	71,411	(29,734)	-41.6%
Capital Projects - Wastewater	99,379	39,095	20,789	18,306	88.1%
Capital Projects - Reuse	433	83	143	(60)	-42.2%
Capital Equipment	4,958	2,030	3,603	(1,573)	-43.7%
Total Capital Expenditures	237,624	82,886	95,947	(13,061)	-13.6%
Contingencies	2,794	-	-	-	-
Capital Funding Sources					
Improvement, Construction and CP Funds	223,624	81,679	95,947	(14,267)	-14.9%
Grants	14,000	1,207	-	1,207	n/a
Total Capital Funding Sources	237,624	82,886	95,947	(13,061)	-13.6%
Debt Service Coverage	2.33	2.90	2.55		

EL PASO WATER UTILITIES / PUBLIC SERVICE BOARD
WATER & WASTEWATER
As of November 30, 2020 & 2019

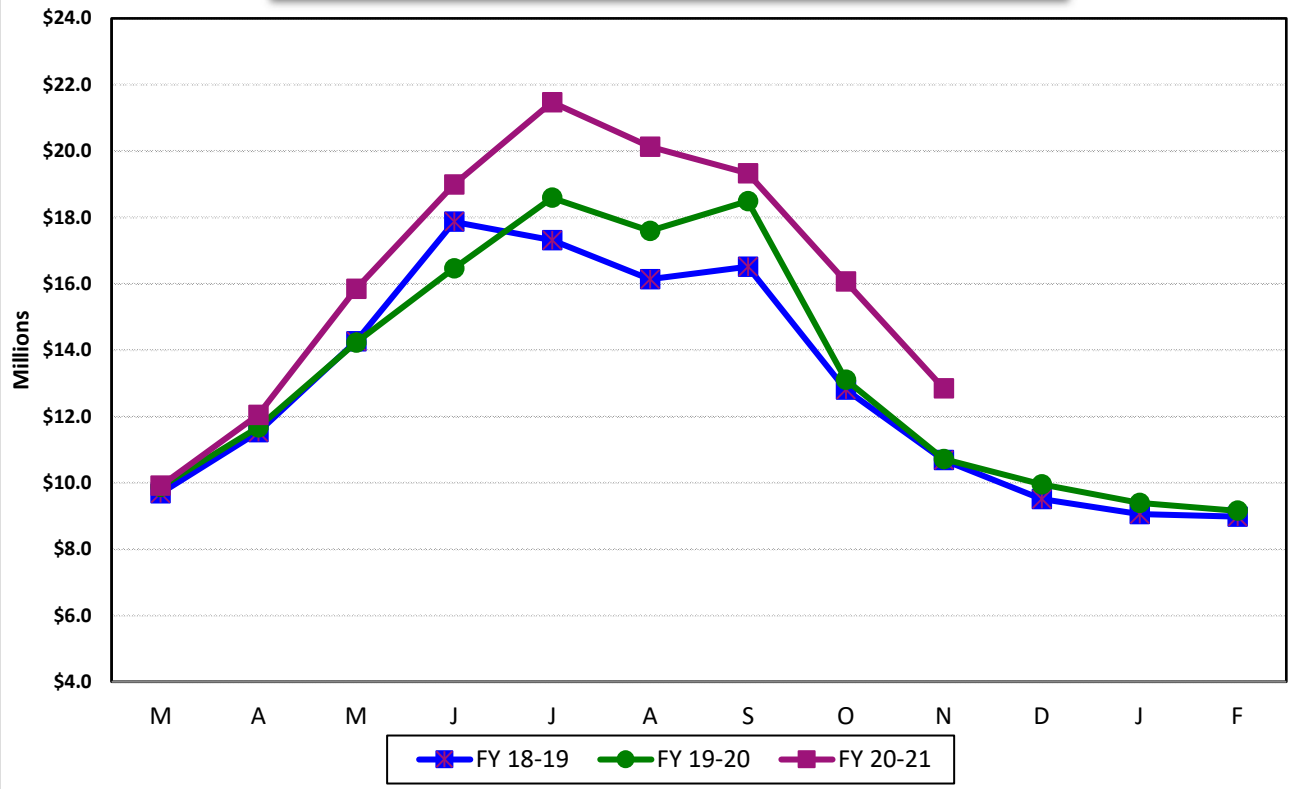
ADDITIONAL STATISTICAL DATA				
	2020-21	2019-20		%
	YTD	YTD	Difference	Inc(Dec)
Water Billed (1,000 Gallons)	29,033,821	27,865,091	1,168,730	4.2%
Average Residential Water Bill	\$46.72	\$40.72	\$6.00	14.7%
Average Residential Wastewater Bill	23.92	23.10	0.82	3.5%
Average Residential Total Bill	\$70.64	\$63.82	\$6.82	10.7%
Average Temperature (°F) November	59.9	54.0	5.9	10.9%
Average High Temperature (°F) November	73.9	65.8	8.1	12.3%
Rainfall - Inches	4.77	7.14	(2.37)	-33.2%
EPWU - Water Customers	215,836	212,469	3,367	1.6%
LVWD - Water Cust (Wholesale)	19,138	18,426	712	3.9%
Paseo Del Este - Water Cust (Wholesale)	7,360	6,360	1,000	15.7%
County of El Paso - Water Customers *	1,649	1,867	(218)	-11.7%
Haciendas del Norte - Water Customers	345	345	-	0.0%
Mayfair/Nuway - Water Customers	300	300	-	0.0%
Colonia Revolución - Water Cust (Wholesale)	72	69	3	4.3%
Square Dance - Water Cust (Wholesale)*	275	-	275	n/a
Total Water Customers	244,975	239,836	5,139	2.1%
EPWU - Wastewater Customers	205,987	202,370	3,617	1.8%
Paseo Del Este - Wastewater Cust (Wholesale)	7,360	6,360	1,000	15.7%
LVWD - Wastewater Customers	16,033	15,317	716	4.7%
Square Dance - Wastewater Customers	263	221	42	19.0%
Total Wastewater Customers	229,643	224,268	5,375	2.4%
Personnel (Active)	880	862	18	2.1%

*Effective January 1, 2020 Square Dance shown separate from County of El Paso Customers

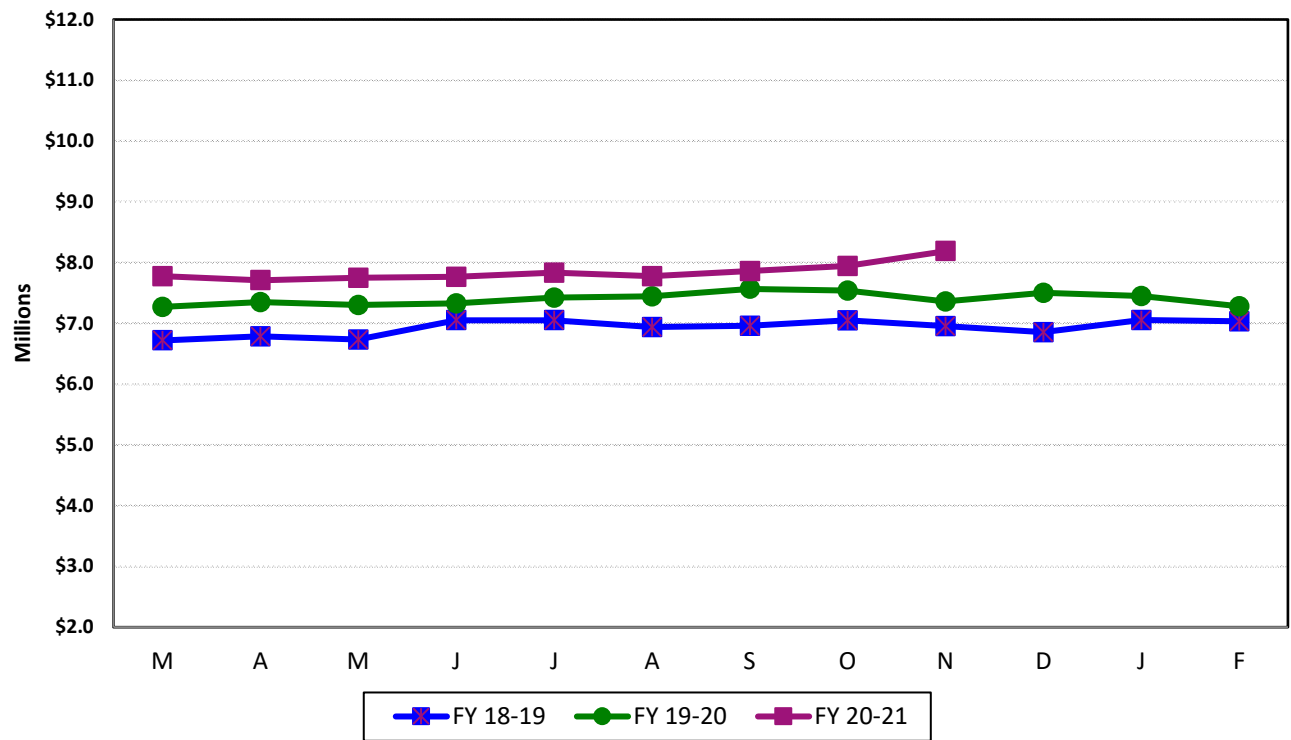
Comparison of Water Billed Fiscal Years 2021 & 2020 Billion Gallons Per Month



WATER & RECLAIMED WATER REVENUE



WASTEWATER REVENUE





Stormwater Revenue and Expense Summary
Third Quarter
March 1, 2020 through November 30, 2020

Stormwater Revenues

Stormwater revenues of \$18.0 million increased by \$261,000 or 1.5% compared to last fiscal year due to normal customer growth.

Stormwater Operating Expenses

Operating expenses of \$4.6 million decreased by \$249,000 compared to last fiscal year due to a decrease in maintenance expense of stormwater infrastructure.

Debt Service

Debt service payments, including Bond Reserve funding costs and the Note Purchase Agreement interest and finance fees, of \$7.6 million decreased by \$13,000 as compared to last year. The Utility has not issued any bonds this year and continues to more efficiently manage its debt through the use of the Note Purchase Agreement to finance capital projects as needed.

Stormwater Capital Expenditures

Capital expenditures through the third quarter of \$7.7 million are \$6.8 million less compared to last fiscal year and include \$1.3 million for Clardy Fox and \$1.4 million for Sam Snead drainage system improvements.

Debt Service Coverage

Debt service coverage of 1.96 times exceeds the bond covenant requirement of 1.25 times and is above the budgeted debt service coverage of 1.82 times for FY 2020-21.

Summary

In summary, the total operating revenues for the Stormwater Utility were \$22,000 more than same quarter last fiscal year and operating expenditures were \$249,000 less as compared to the same period last fiscal 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, 2020 thru November 30, 2020

(In 1000's)
UNAUDITED

	Budget FY 20-21	Actual FY 20-21	Actual FY 19-20	Variance (+/-)	%
Operating Revenues					
Stormwater	23,919	18,024	17,763	261	1.5%
Total Stormwater Revenues	23,919	18,024	17,763	261	1.5%
Misc. Operating Revenues					
Misc. Operating Revenues	603	341	519	(178)	-34.3%
Interest Revenue	80	8	69	(60)	-87.7%
Total Misc. Operating Revenues	683	350	588	(239)	-40.6%
Total Operating Revenues	24,602	18,374	18,352	22	0.1%
Total Operating Expenses	7,437	4,641	4,890	(249)	-5.1%
Net Operating Revenues Available	17,165	13,733	13,461	271	2.0%
Interest Revenue on Restricted Funds	300	142	584	(442)	-75.6%
Revenues Available for Debt Service	17,465	13,875	14,046	(171)	-1.2%
Debt Service - Stormwater Bonds	9,603	7,073	7,031	42	0.6%
Debt Service Reserve Fund	451	360	360	-	0.0%
Note Purchase Agreement- Interest and finance fees	194	168	224	(55)	-24.8%
Revenues Available for Capital Rehab/Impr.	7,216	6,273	6,431	(158)	-2.4%
Capital Expenditures					
Capital Projects - Stormwater	25,690	7,586	14,507	(6,921)	-47.7%
Capital Equipment - Stormwater	321	155	30	125	418.4%
Total Capital Expenditures	26,011	7,741	14,537	(6,796)	-46.7%
Contingencies	186	-	-	-	
Capital Funding Sources					
Improvement, Construction Funds, DFRL	26,011	7,741	14,537	(6,796)	-46.7%
Total Capital Funding Sources	26,011	7,741	14,537	(6,796)	
Debt Service Coverage	1.82	1.96	2.00		