FINANCIAL PLAN

BUDGET TRENDS IN FY 2016 - 2017

El Paso Water continues to evolve in addressing and meeting the needs of our customers in the 21st century. It is well prepared to meet the challenges to serve a large metropolitan region in the Southwest. The Utility is one of the most cost-efficient organizations—public or private—in the entire Southwest. The Utility is focused on meeting the supply and demand needs of its current and future customers, while minimizing costs and maximizing service.

During FY 2016-2017 the Utility saw continued improvements in operational efficiencies. Through the guidance of Public Service Board, the Utility continued its regional leadership, investment in its employees, and passed these savings on to the customers.

Overall operating costs for FY 2016-2017 are projected to increase compared to the prior year, mainly due to the additional cost to purchase and treat 48,473 acre feet (AF) of surface water that the Utility received in 2016 through its contracts with the El Paso County Water Improvement District #1. In 2016 the Utility received an additional 12,000 AF of surface water compared to 2015 when the Utility only received 36,000 AF. This increase resulted in additional surface water cost and chemical expenses in the two surface water treatment plants. In accordance with the Board's Strategic Plan, the Utility focused on becoming a more efficient and better trained workforce through the use of technology, automation and cross training.

The Utility has made a conscious and ongoing effort to reduce unaccounted for water. A comprehensive program focusing on leak detection, reservoir rehabilitation, and increased meter replacement have all contributed to more accurate billing and less unaccounted for water. Unaccounted for water has decreased from 14% in 1996 to 8.96% in 2016. Results of this program are reflected in various benchmarks in this budget document.

While the bulk of capital improvement efforts are geared toward serving the growth of the city, including water resource development, the Utility still pays diligent attention to replacement and rehabilitation of the system as a whole. Phased improvements to reservoirs, pump stations, lift stations, treatment plants, and distribution and collection lines are a critical part of the capital improvement program. This allows the Utility to boast over a 99.99% reliability rating and demonstrates why the TCEQ again rated the Utility a "Superior Water System."

Of the estimated $107.2 million to be invested in plant and system improvements and additions in FY 2016-2017, the Utility estimates spending:

- $15.6 million to construct three new elevated storage tanks and one ground reservoir, and structural improvements to one ground reservoir
- $5.2 million to continue with the multi-year, multi-phase relocation of support facilities including the completion of new facilities for the autoshop, warehouse, meter shop and property control
- $7.3 million for new distribution water lines and pumping equipment, and $20.5 million in rehabilitation of existing water infrastructure
- $5.3 million for water plants upgrades and emergencies

On the wastewater side, the Utility estimates spending:

- $5.1 million in new collection systems and pumping facilities
- $22.0 million in rehabilitation of existing wastewater infrastructure
- $2.4 million in reclaimed water facilities improvements

Finally, the Utility's geographic information system continues to expand and allow staff to take advantage of cutting edge tools in addressing Utility issues and priorities.

The Utility took advantage of low interest rates and, on August 17, 2016, the Utility issued $68.7 million of bonds Series 2016 to fund capital improvement projects, take long Commercial Paper and advance refund prior issued debt which resulted in a Net Present Value Savings of $1.8 million. In addition, on November 15, 2016 the Utility closed on $100.0 million of Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Series 2016A bonds with a True Interest Cost (TIC) of 1.71%. In FY 2015-2016 the Utility issued the first $50.0 million of SWIFT bonds and has budgeted for an additional $50.0 million in FY 2017-2018, for a total SWIFT funding of $200.0 million. The SWIFT funds are being used to acquire water rights and land in the Dell City Hudspeth County area for future water importation. Importation of water into El Paso is projected to start around 2050.

FY 2017 – 2018: MEETING FUTURE DEMANDS

The FY 2017-2018 operating and capital budget was presented to the Public Service Board for review, input and guidance in two public budget workshops. The budget was adjusted based on direction from the Board; and is consistent with the Board's Strategic Plan. Budget workshop meetings were open to the public and were held as follows:

Date	Agenda
November 7, 2016	Stormwater Utility Operating and Capital Budget
November 14, 2016	Water, Wastewater, and Reclaimed Water Operating and Capital Budget

Date	Agenda
January 11, 2017	Public Hearing and Adoption of Budget, Rates and Rules and Regulations for Water, Wastewater, Reclaimed Water, and Stormwater

ASSUMPTIONS

The FY 2017-2018 budget is based on certain assumptions and specific operating and capital budget costs. Financial projections for future years require additional assumptions related to revenue growth, expenditures and necessary rate adjustments. Basic assumptions to this year's five-year financial plan include the following:

Basic Assumptions	
Customer growth rate	1.5%
Water billed	34.3 billion gallons
Water billed growth rate	1.5%
Wastewater treated	22.4 billion gallons
Wastewater treated growth rate	1.5%
Miscellaneous revenues growth rate	2.0%
Fire Protection growth rate	1.0%
Operations and Maintenance growth rate	1.0% of operating budget
Contingencies	2.5% of operating budget
Interest earnings rate	0.5% of average fund balance
Payment to City (water only)	10.0% of water revenues
Future debt financial costs	4.50% (includes subsidized State Revolving Fund Loans)

BASIS OF BUDGETING

The budget and comprehensive annual financial report are prepared using the accrual basis of accounting. Revenue is recognized as it is earned, and expenses are recognized as goods or services are delivered. The PSB has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board pronouncements and

Accounting Principles Board opinions, issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict GASB pronouncements. The operating budget is prepared at the **object** level. The object of expenditure is the good or service for which the expenditure was made. For further detail, sub-object listings are provided and reported by the Utility as "account numbers." For a complete listing of the Utility's operating budget, refer to the section of this budget book entitled "Operating Budget Detail."

The Utility's funds are not appropriated; rather the budget is an approved plan that can facilitate budgetary control and operational evaluations. The Utility defines fund equity as net position, which equals assets minus liabilities. Fund position is divided into four categories; net invested in capital assets, restricted for construction and improvements, restricted for debt service, and unrestricted.

FY 2017-2018 DETAIL BUDGET

The Fiscal Year 2017 – 2018 budget reflects the PSB's Strategic Plan goals and objectives and is a balanced budget, with the revenue and other financing sources equal to the expenditures and other financing uses. The FY 2017-2018 combined operating and capital budget addresses a continued effort to hold the line on expenditures. The Utility adopted a seven percent water and wastewater rate increase. Some of the highlights of the FY 2017-2018 budget are as follows:

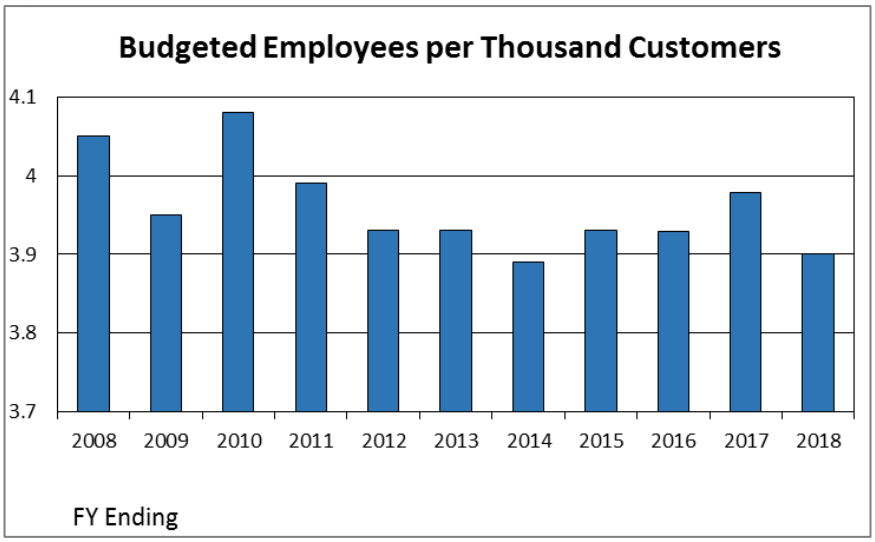
The operating budget increased by $3.5 million. The following changes to the operating budget show that expenses increased mainly as a result of:

- $790,000 increase for water supply by EWM
- $450,000 increase in maintenance of services
- $220,400 increase in chemical expense

In addition, there was an increase of $2.9 million for salary adjustments and 11 new positions. The following table identifies adjustments to the staffing table:

Change in Staffing	
Section	**Number of Positions**
Administration	+4
Engineering	+3
Financial and Support Services	+1
Operations Support	+1
Operations (Water)	+1

Change in Staffing	
Operations (Wastewater)	+1
Net Change, All Divisions FY 2017-2018	**+11 positions**

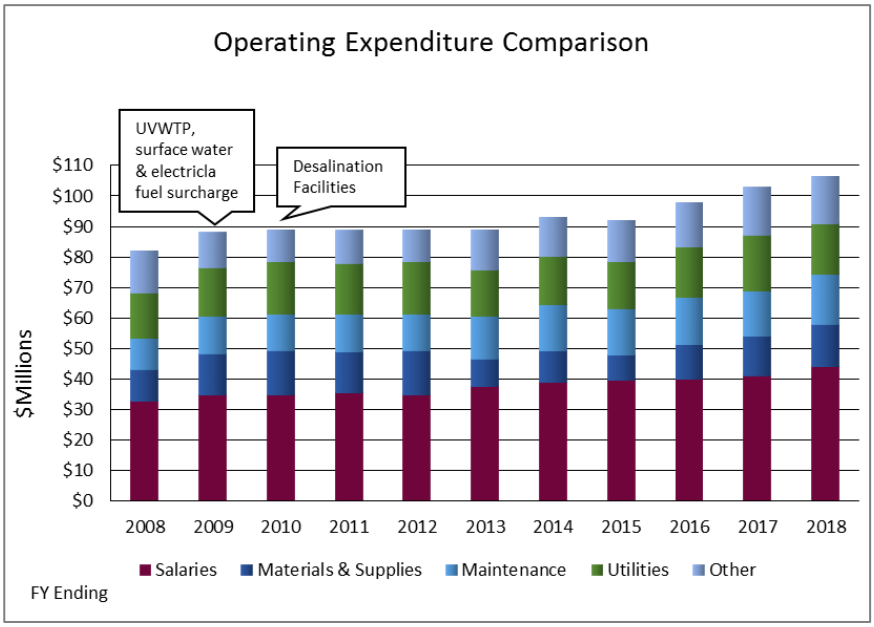


The Utility's ratio of employees to 1,000 customers has been reduced by 22% from 5.0 in 1996 to 3.9 employees per 1,000 customers budgeted for in FY 2017-2018.

Some capital projects were delayed in FY 2016-2017, therefore in FY 2017-2018 $86.8 million of capital projects are already funded through prior years' appropriations. Out of the $269.7 million capital budget, $182.9 million is from new appropriations. The capital budget continues to address acquisition of additional water sources, continued population growth and water demand, rehabilitation of water and wastewater infrastructure, and new water, wastewater and reclaimed water facilities to meet future demand:

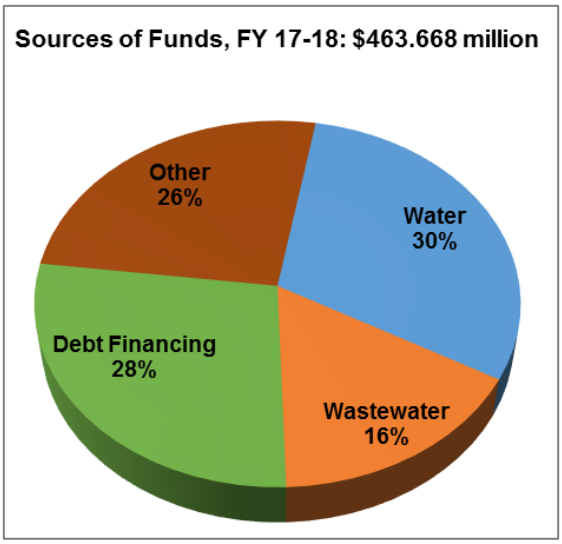
- To meet the demands of growth both inside and outside the city, several projects are included in the FY 2017-2018 capital budget. One of these is the continued acquisition of land for water importation project with projected expenses of $107.0 million and new SWIFT funding of $50.0 million.
- Complete the construction of four reservoirs in the northeast, central and eastside of El Paso. These tanks will be built over two years at an estimated cost of $26.0 million of which $6.5 million will be spent during FY 2017-2018.
- A drought-proof supply. An advanced purified water plant will be designed to produce drinking water. The Utility budgeted in FY 2017-2018 $3.0 million for the preliminary thirty percent design with the goal of treating 10 MGD in the near future for an estimated construction cost of $129 million.
- The Utility included $7.1 million to provide emergency back-up power to major water facilities. This will be the sixth year of this multi-year $35 million project.
- The capital budget also includes $35.5 million for wastewater rehabilitation projects which includes $14.2 million for improvements of wastewater treatment plants.

- In addition, the budget includes $3.2 million for the design of the relocation of water operations, dispatch, central control and customer service. This project was accelerated with the request from the City to relocate the Rescue Mission to our fleet maintenance location.
- The Utility maintains the level of system rehabilitation and replacement, and compliance with existing and new federal and state regulatory mandates.



Other projects that make up the capital budget include planning, design, and construction phase work in all parts of town. Line replacement and rehabilitation will continue at a high level, with the most critical lines identified and repaired on a prioritized basis. The Utility continues to work with the County of El Paso to bring first-time public water service to areas outside the city limits by obtaining grants to provide this much needed service. The Utility continues to work in close conjunction with the City of El Paso and the Texas Department of Transportation in major street renovation and highway projects. As El Paso continues to assert its role as the most important city on the U.S.-Mexico border, more joint efforts with the Texas Department of Transportation, Texas Water Development Board, City of El Paso, and other governmental agencies will increase. Many of these projects are associated with state highways and associated rights-of-way, as El Paso remains a major thoroughfare into the 21st century.

Revenues and Other Financing Sources



Water – Water revenues are funds generated for providing potable water service to customers and fire protection. Water revenue for FY 2017-2018 is estimated at $113.9 million and reflects an increase of $6.6 million in billed water compared to the budgeted water revenue for FY 2016-2017 due to an approved seven percent revenue adjustment and normal growth in customers.

Wastewater – Wastewater revenues are proceeds from providing wastewater treatment services to customers. Wastewater revenue for FY 2017-2018 is estimated to be $75.6 million. This estimate is higher from the

previous year's budget reflecting an approved seven percent revenue adjustment and normal customer growth.

Water Supply Replacement Charge – Water Supply Replacement Charge (WSRC) is restricted revenue used for the costs of attaining future water supplies and the infrastructure associated with it. The revenue source is estimated to be $27.0 million for FY 2017-2018. Effective March 1, 2017, all meter accounts with monthly water consumption of less than 4 ccfs will not be charged the WSRC. This rate elimination was approved by the PSB to help low volume users.

Debt Service Proceeds – These are restricted funds available from previously issued and/or new bond issues for a specific use. For FY 2017-2018 the Utility budgeted $127.5 million for new bond and commercial paper issues for capital improvements. This is a decrease of $53.5 million over the previous year and includes a SWIFT bond issue of $50.0 million to purchase land and water rights in Hudspeth County.

Franchise Fee – Effective September 1, 2014 the City of El Paso started charging the Utility a franchise fee of $3.6 million annually. Effective September 1, 2016, City Council approved another annual fee of $3.6 million. City Council approved the fee as a means to compensate the City of El Paso for the Utilities' use of city streets and the rights of way for projects and wear and tear on City streets. The monthly fee is billed to all inside City customers.

Reclaimed – Reclaimed water revenues are funds generated for supplying advanced secondary and tertiary reuse water services. This revenue source is estimated to generate $3.5 million in FY 2017-2018. The FY 2016-2017 reclaimed water rate includes an approved 11 percent revenue adjustment. The rate adjustment includes an approved reduction in the subsidy of the reclaimed water rate that will be gradually eliminated over the next nine years.

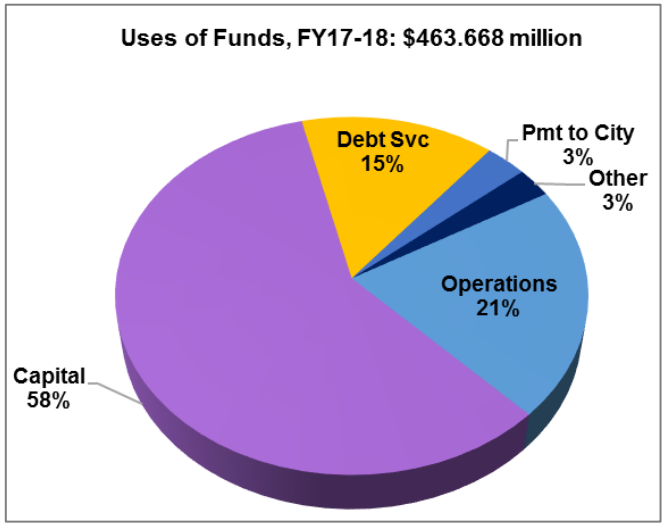
Interest Income – This category includes interest earned from investments, other cash management functions and notes receivable. This revenue source is estimated at $1.1 million for FY 2017-2018. Interest earnings are expected to increase in 2017 due to the Federal Reserve announcement of a 25 basis point increase in December 2016. There is an expectation of additional rate hikes in 2017.

Grants – This category includes any funds from federal and state governmental agencies. Almost always these proceeds are for capital improvement projects. Grant proceeds from existing and/or new grants for FY 2017-2018 are estimated to be $4.6 million.

Other – This category includes proceeds from the sale of assets such as land; revenues from fees charged for development of land recently annexed by the City of El Paso; impact fees from new development, other contributions in aid of construction; and lease revenue. It also includes the drawdown of fund balances to fund capital projects. The FY 2016-2017 estimated revenue from this source is $106.9

million, which includes $36.9 million from fund balance, $1.3 million in revenue from annexation fees, $1.6 million in revenue from impact fees and $2.2 million from contributions from new customers. The BAB 35% tax credit of $195,000 is also included in this year's budget and reflects the decrease as a result of cuts made in the Budget Act of 2013.

Expenditures and Other Financing Uses



Operating – This category includes expenditures for the operations and maintenance costs of the Utility. It includes salaries, materials and supplies, utilities, and all other expenses. Operating and maintenance expenses for FY 2017-2018 are estimated to be $97.4 million. This is a 3.7% increase compared to FY 2016-2017. The increase is mainly due salary increases.

Capital – Capital expenses include all expenditures for the planning, design, construction, rehabilitation or purchase of assets. Total capital expenses for FY 2017-2018 are estimated to be $271.6 million. Land acquisition and water capital projects represent 39.4% of total capital expenditures in FY 2017-2018, with wastewater projects representing 20.4%, reclaimed water projects representing 0.13%, and capital equipment representing 0.70%.

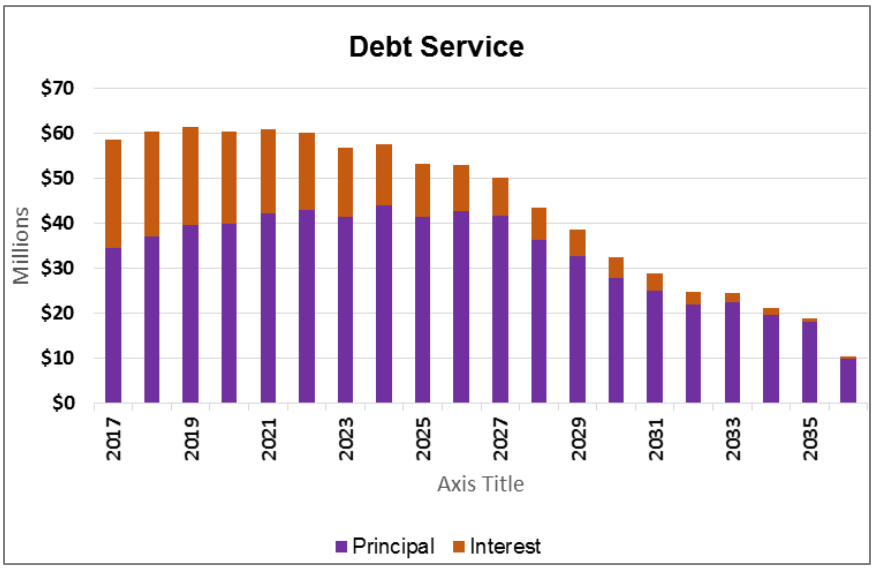
Debt Service – This category includes expenditures for the payment of principal and interest on bonds and other debt instruments including commercial paper. Debt service for FY 2017-2018 is estimated to be $67.7 million. This is a $7.4 million increase over the prior year due to the additional debt services cost associated with $101.8 million of new bonds to be issued to finance capital projects and land acquisition. In addition, the Utility plans to take long an estimated $35.0 million of Commercial Paper Notes next fiscal year.

Payment to City – 10% of water revenues paid to the City of El Paso's general fund per bond ordinance. For FY 2017-2018, this payment to the City is estimated to be $14.5 million. This figure is $1.2 million more than the previous year due to due to an approved seven percent water revenue adjustment.

Franchise Fee – – Effective September 1, 2014 the City of El Paso started charging the Utility a franchise fee. Effective September 1, 2016, City Council approved another annual franchise fee of $3.6 million. City Council approved the fee as a means to compensate the City of El Paso for the Utilities' use of city streets and the rights of way for projects and wear and tear on City streets. The monthly fee is billed to all inside City customers.

Contingency – This category allows for unusual, unbudgeted expenses, equivalent to 2.5% of the operating budget. The contingency this year is $2.4 million.

DEBT SERVICE



The following chart shows, as of February 28, 2017, all outstanding principal and interest owed by El Paso Water. An adequate level of debt and strong financial positions reflects superior fiscal management that have allowed EPWater to continue to earn among the highest ratings that can be awarded by rating agencies like Standard & Poor's (AA+) and Fitch (AA+). In July 2016, Standard & Poor's and Fitch Ratings confirm the Utilities bonds of AA+ with a Stable Outlook. In 1997, to leverage the market and be more flexible in financing capital construction projects, the Utility initiated the use of interim commercial paper financing. The credit agreement, in the amount of $40 million, is equally and ratably secured by and are payable from the sale of bonds or additional borrowing under the commercial paper program. In July 2015, the Public Service Board approved a resolution selecting Bank of America N.A. as the Liquidity Provider for the Commercial Paper Program. The commercial paper matures from one to 270 days, with the current interest rate of 0.72%. On August 17, 2016, the Utility issued $68.7 million of bonds Series 2016 to fund capital improvement projects, take long Commercial Paper and advance refund prior issued debt which resulted in a Net Present Value Savings of $1.8 million. In addition, on November 15, 2016 the Utility closed on $100.0 million of Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Series 2016A bonds with a True Interest Cost (TIC) of 1.71%.

This new debt service has been included in the FY 2017-2018 budget. The net result of low interest rates on debt financing means lower overall cost to EPWater customers. The combined result of these efforts allows the Utility to continue to be able to provide competitive service in the region.

Debt Service Detail			
Calendar Year	**Principal**	**Interest**	**Total**
2017	34,425,000	24,311,958	58,736,958

Debt Service Detail			
Calendar Year	**Principal**	**Interest**	**Total**
2018	37,230,000	23,279,301	60,509,301
2019	39,665,000	21,853,348	61,518,348
2020	39,980,000	20,345,621	60,325,621
2021	42,125,000	18,781,663	60,906,663
2022	43,090,000	17,101,303	60,191,303
2023	41,365,000	15,354,321	56,719,321
2024	44,045,000	13,582,625	57,627,625
2025	41,440,000	11,823,255	53,263,255
2026	42,730,000	10,152,146	52,882,146
2027	41,715,000	8,504,905	50,219,905
2028	36,415,000	6,995,172	43,410,172
2029	32,850,000	5,718,511	38,568,511
2030	27,945,000	4,623,563	32,568,563
2031	25,120,000	3,681,143	28,801,143
2032	21,925,000	2,881,900	24,806,900
2033	22,515,000	2,133,766	24,648,766
2034	19,735,000	1,397,869	21,132,869
2035	18,135,000	758,691	18,893,691
2036	10,055,000	311,075	10,366,075
2037	3,210,000	80,250	3,290,250

CUSTOMER IMPACTS

Because of the many factors that go into providing quality water and wastewater services, El Paso Water must continue its leadership in regional and local planning to ensure that its customers continue to receive the highest quality water and wastewater services at affordable rates. The Utility uses an "excess use" increasing block rate structure to establish its user charges. The rate structure is designed with a water conservation message such that the less water the customer uses, the less per unit the customer will be billed. Each customer determines the block into which he or she will fall based on their **average winter consumption (AWC).** AWC is the per-month average based on total consumption during the three winter months of December, January, and February. One can think of AWC as your own personal yardstick, against which your water and wastewater use is measured. New customers who have not established an AWC are assigned the AWC based on the meter size for their classification. So a new residential homeowner, for example, would be assigned the residential single, 3/4" class average.

Up to four hundred cubic feet (CCF), or about 2,992 gallons, of water is included in the minimum monthly charge for all non-commercial accounts. The minimum monthly charge for a 3/4" x 5/8" meter is $6.63 and the rate increases depending on the size of the meter.

<u>Water Rate Structure</u>
Minimum: up to 4 CCFs
Block 1: over 4 CCFs to 150% of AWC
Block 2: over 150% to 250% of AWC
Block 3: over 250% of AWC

This structure is consistent with the PSB's goal of sending a pricing signal to high water users or users with high or "discretionary" water use. A 7 percent revenue increase rate adjustment was approved in the FY 2017-2018 budget. The rates effective March 1, 2017 are outlined below:

<u>Rates effective March 1, 2017</u>
Block 1 . . . . . $1.99 per CCF
Block 2 . . . . . $4.73 per CCF
Block 3 . . . . . $6.76 per CCF

The formula for determining into which block a customer will fall is based on what multiple of the customer's AWC is used during that billing period.

In February 1996, the PSB adopted a water supply replacement charge (WSRC). This is dedicated revenue to be used for the acquisition of new water resources to meet current and future water demand. The WSRC is a flat monthly fee charged to each water customer, increasing with equivalent meter size. The typical meter size for a single family detached residence is 3/4" x 5/8" and the WSRC is $9.83.

Effective March 1, 2017, all meter accounts with monthly water consumption of less than 4 ccfs are not charged the WSRC. This rate elimination was approved by the PSB to help low volume users.

The payment to the City of El Paso for 10 percent of total water sales was implemented with the City of El Paso Ordinance 752 that created the Public Service Board and established a monthly 10 percent of total water sales payment to the City of El Paso to be paid by the El Paso Water.

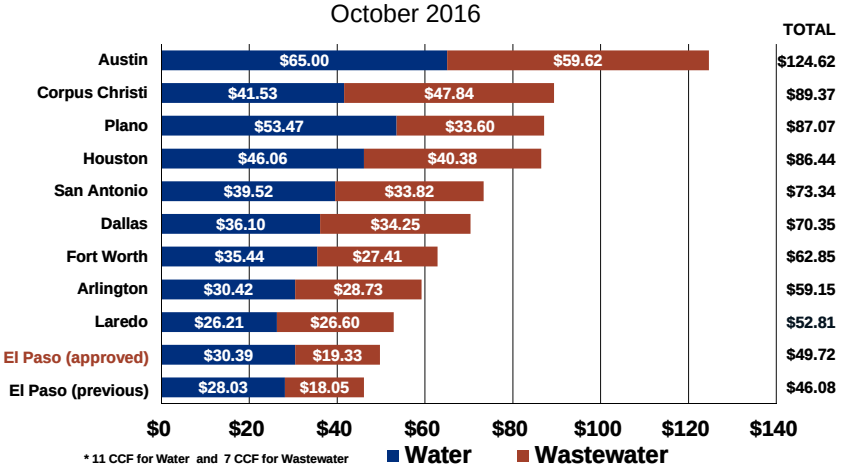
Effective September 1, 2014 the City of El Paso started charging the Utility a franchise fee. Effective September 1, 2016, City Council renewed approval of an annual franchise fee of $3.6 million. City Council approved the fee as a means to compensate the City of El Paso for the Utilities' use of city streets and the rights of way for projects and wear and tear on City streets. The monthly fee is billed to all inside City meter account customers.

The wastewater bill is determined by taking 90% of the customer's AWC, then billing a minimum charge of $14.02 for the first 4 CCFs, and $1.77 per CCF thereafter. The wastewater portion of the bill will then be fixed until the customer's AWC is calculated again next winter. So the customer determines her/his own AWC, meaning they determine their own rates for service. EPWater continues to offer the most competitive and efficient services possible, and provides one of the most affordable commodities in the Border region, as supported in an October 2016 survey of border cities (survey assumes consumption of 11 CCFs of water and 7 CCFs of wastewater). A detail history of water and wastewater rates is included in the Statistical section of this budget document.

It should be noted that El Paso Water continues to serve its customers in this arid region while maintaining affordable prices. Specifically, the area has the lowest average annual rainfall among any of the arid cities in the survey. The result is that EPWater is able to offer its customers high quality, low cost services and still meet the needs of future generations as well. Proactive planning, regional leadership, visionary management, fiduciary responsibility, and constant communication with the customer will ensure that this will always be the case.

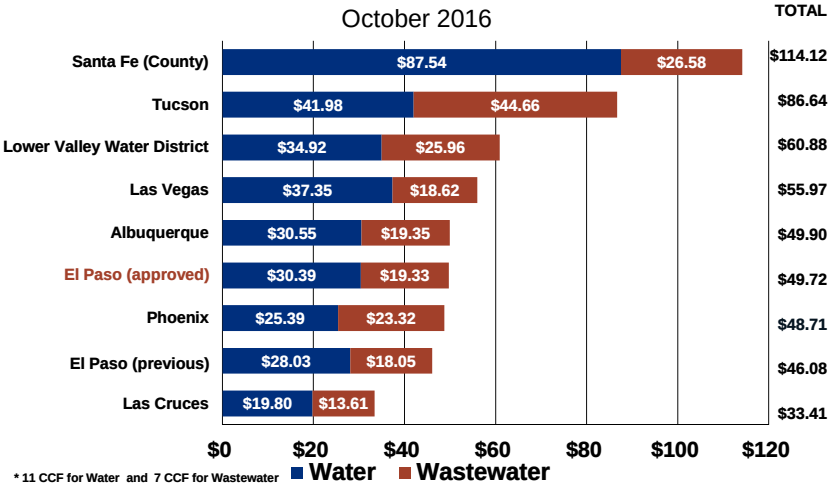
Average Residential Water/Wastewater Bill
Ten Largest Cities in Texas Survey

October 2016



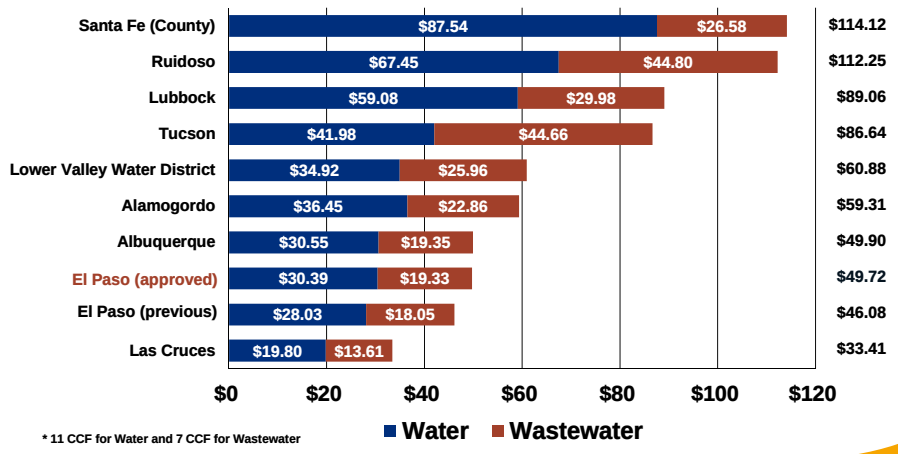
Average Residential Water/Wastewater Bill
Arid Cities Survey

October 2016



Average Residential Water/Wastewater Bill Regional Survey

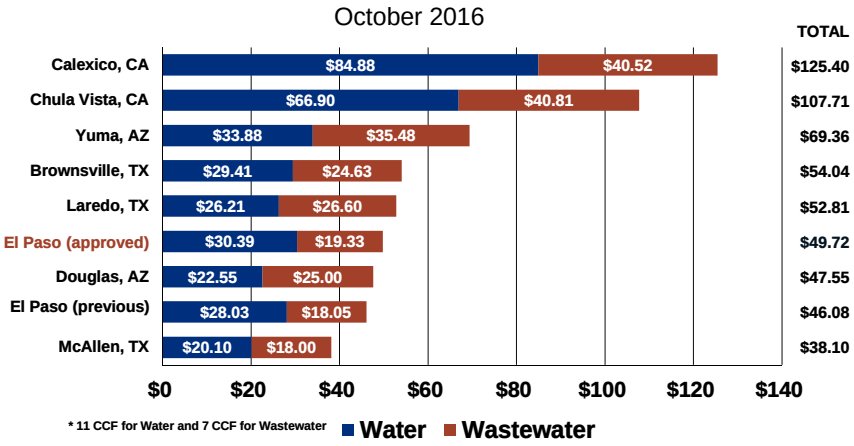
October 2016



* 11 CCF for Water and 7 CCF for Wastewater

Average Residential Water/Wastewater Bill Border Cities Survey

October 2016



* 11 CCF for Water and 7 CCF for Wastewater

El Paso Water - Public Service Board

SUMMARY OF RECEIPTS & DISBURSEMENTS (IN 1000'S)

FY 2017-18 BUDGET

FY 2016-17 Approved -vs- Projected Budget

	Approved Budget FY 2016-17	Projected FY 2016-17	Variance	% Change
Water Billed (In Billion Gallons)	**34.50**	**34.10**	**(0.40)**	**-1.16%**
REVENUE				
Water	106,474	105,038	(1,436)	-1.35%
Water Supply Replacement Charge	23,456	24,934	1,478	6.30%
Reclaimed Water	3,600	3,124	(476)	-13.22%
Fire Protection	809	894	85	10.51%
Service Charges, Misc. Fees	3,409	3,042	(367)	-10.75%
Total Water	**137,748**	**137,032**	**(716)**	**-0.52%**
Wastewater Service	69,075	68,862	(213)	-0.31%
Pretreatment Surcharge	482	555	73	15.15%
Total Wastewater	**69,557**	**69,417**	**(140)**	**-0.20%**
Misc. Operating Revenues	3,000	2,835	(165)	-5.51%
Franchise Fee	3,550	3,550	-	0.00%
Interest Revenue on Operating Funds	90	250	160	177.78%
Total Operating Revenues	**213,946**	**213,084**	**(861)**	**-0.40%**
LESS OPERATING EXPENDITURES				
Operation & Maintenance	93,876	89,263	(4,613)	-4.91%
Franchise Fee to City	3,550	3,550	-	0.00%
Total Expenditures	**97,426**	**92,813**	**(4,613)**	**-4.73%**
Revenues Available	**116,519**	**120,271**	**3,752**	3.22%
Sale of Misc. Assets	70	50	(20)	-28.57%
Interest Revenue on Restricted Funds	228	800	572	250.88%
Build America Bonds (BAB) 35% Tax Credit	195	196	1	0.74%
Revenues Available for Debt Service	**117,012**	**121,317**	**4,306**	**3.68%**
Debt Service - Water and Wastewater	58,308	57,191	(1,117)	-1.91%
Debt Service Reserve Fund	1,626	1,851	225	13.84%
Short Term Commercial Paper - Interest	310	350	40	12.90%
Payment to City	13,324	12,700	(624)	-4.68%
Revenues Avail For Capital Rehab/Impr.	**43,444**	**49,224**	**5,780**	**13.30%**
PLUS MISC. NON-OPERATING REVENUES				
Sales of Land Assets	5,000	5,000	-	0.00%
Impact Fees	1,500	1,600	100	6.64%
Annexation Fees	1,600	1,400	(200)	-12.52%
Contribution of New Customers	2,200	2,200	-	0.00%
Total Non-Operating Revenues	**10,300**	**10,200**	**(100)**	**-0.97%**
Total Revenues Avail for Capital Rehab/Impr.	**53,745**	**59,425**	**5,680**	**10.57%**
CAPITAL EXPENDITURES				
Capital Projects-Water	239,563	188,243	(51,320)	-21.42%
Capital Projects-Wastewater	45,718	36,475	(9,243)	-20.22%
Capital Projects-Reuse	2,452	2,398	(54)	-2.20%
Capital Equipment	2,161	2,161	-	0.00%
Total Capital Expenditures	**289,894**	**229,277**	**(60,617)**	**-20.91%**
Contingencies	2,347	-	(2,347)	-100.00%
Deficiency to be funded by debt or construction funds	**(238,496)**	**(169,852)**	**68,644**	-28.78%
New Bond Issues & Short Term Commercial Paper Program	181,000	166,000	(15,000)	-8.29%
Grants	1,846	2,800	954	51.68%
Restricted Bond Construction Funds	27,546	70,000	42,454	154.12%
Transfer from (to) Water Supply Reserve	3,000	(5,000)	(8,000)	-266.67%
Fund Balance (Increase/Decrease)	**(25,104)**	**63,948**	**89,052**	
Debt Service Coverage	2.01	2.12		

EL PASO WATER - PUBLIC SERVICE BOARD
A COMPONENT UNIT OF THE CITY OF EL PASO
WATER AND WASTEWATER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET TO ACTUAL*

*THIS IS AN UNOFFICIAL, UNAUDITED STATEMENT USING DATA FROM EPWU-PSB'S COMPREHENSIVE ANNUAL FINANCIAL REPORT AND PREPARED STRICTLY FOR USE IN THIS BUDGET BOOK

	Year End February 28, 2016		Year End February 28, 2017		FY 2017-2018
	Budget	Actual	Budget	Projected	Budget
BILLED WATER (billions of gallons, retail + wholesale)	**35.50**	**34.02**	**34.50**	**34.10**	**34.30**
OPERATING REVENUES					
Water service	$ 98,224,000	$ 94,720,116	$ 106,474,000	$ 105,038,000	$ 112,932,000
Water supply replacement charge	21,803,000	21,546,247	23,456,000	24,934,000	27,026,000
Reclaimed water service	3,051,000	2,870,685	3,600,000	3,124,000	3,475,000
Fire protection	652,000	631,660	809,000	894,000	957,000
Service charges, misc. fees	3,342,000	3,246,645	3,409,000	3,042,000	3,323,000
Wastewater service	61,922,000	61,539,334	69,075,000	68,862,000	75,020,000
Pretreatment surcharges	539,000	528,559	482,000	555,000	594,000
Misc. operating revenues	3,000,000	3,757,823	3,000,000	2,835,000	3,000,000
Farm Operations Revenues	-	-	-	-	7,500,000
Franchise Fee	3,550,000	3,367,372	3,550,000	3,550,000	3,550,000
Interest revenue on operating funds	90,000	88,924	90,000	250,000	250,000
TOTAL OPERATING REVENUES	**196,174,000**	**192,297,365**	**213,946,000**	**213,084,000**	**237,628,000**
OPERATING EXPENSES					
Operations and maintenance - water and reclaimed water	45,464,800	39,746,695	49,216,000	46,798,000	50,380,900
Operations and maintenance - wastewater	23,392,700	21,541,071	23,756,500	22,589,000	24,446,100
General and administrative	19,576,500	20,229,843	20,903,500	19,876,000	22,553,000
Farm Operations Expenditures	-	-	-	-	6,500,000
Franchise Fee	3,550,000	3,367,372	3,550,000	3,550,000	3,550,000
Depreciation	50,000,000	56,199,421	50,000,000	60,000,000	60,000,000
Other operating expenses	1,850,000	2,588,350	1,850,000	1,850,000	1,850,000
Other Post-Employment Benefits expense	1,000,000	977,933	1,000,000	1,000,000	1,000,000
Pension expense	-	4,170,505	-	4,200,000	-
Payment to City of El Paso per bond covenants	12,153,000	11,417,778	13,324,000	12,700,000	14,496,000
TOTAL OPERATING EXPENSES	**156,987,000**	**160,238,968**	**163,600,000**	**172,563,000**	**184,776,000**
OPERATING INCOME	**39,187,000**	**32,058,397**	**50,346,000**	**40,521,000**	**52,852,000**
NON-OPERATING REVENUES (EXPENSES)					
Interest income	228,000	455,271	228,000	800,000	800,000
IRS tax credit for Build America Bonds	219,000	205,567	195,000	196,000	195,000
Gain on sale of assets	3,070,000	1,997,126	5,070,000	5,050,000	10,050,000
Interest on bonds and commercial paper	(21,000,000)	(18,608,445)	(23,000,000)	(23,000,000)	(24,000,000)
Impact Fees	850,000	1,320,154	1,500,000	1,600,000	1,600,000
Annexation fees	2,000,000	1,475,432	1,600,000	1,400,000	1,300,000
Tap fees and other customer construction related contributions	2,500,000	2,890,843	2,200,000	2,200,000	2,200,000
TOTAL NON-OPERATING EXPENSES	**(12,133,000)**	**(10,264,052)**	**(12,207,000)**	**(11,754,000)**	**(7,855,000)**
INCOME BEFORE CONTRIBUTIONS	**27,054,000**	**21,794,345**	**38,139,000**	**28,767,000**	**44,997,000**
CAPITAL CONTRIBUTIONS	8,000,000	25,990,586	8,000,000	8,000,000	8,000,000
INCREASE IN NET POSITION	35,054,000	47,784,931	46,139,000	36,767,000	52,997,000
TOTAL NET POSITION - BEGINNING	779,705,016	779,705,016	827,489,947	827,489,947	873,628,947
TOTAL NET POSITION- ENDING	**$ 814,759,016**	**$ 827,489,947**	**$ 873,628,947**	**$ 864,256,947**	**$ 926,625,947**
DEBT SERVICE COVERAGE	**2.00**	**2.22**	**2.01**	**2.12**	**2.03**

* This statement has been revised to reflect the new GASB 34 reporting requirements.

EL PASO WATER - PUBLIC SERVICE BOARD Water and Wastewater Fiscal Year 2017-18 Annual Budget (in $1,000's)	Approved FY 2017-18
Total Operating and Capital Budget	**$463,668**
OPERATING REVENUES	
Water Service	112,932
Water Supply & Replacement	27,026
Reclaimed Water Sales	3,475
Fire Protection	957
Service Charges, Misc. Fees	3,323
TOTAL WATER REVENUES	**147,713**
RATE INCREASE - Water	**7.0%**
RATE INCREASE - Reuse	**11.0%**
Wastewater Service	75,020
Pretreatment Surcharges	594
TOTAL WASTEWATER REVENUES	**75,614**
RATE INCREASE - Wastewater	**7.0%**
Other Revenue	3,000
Farm Operations Revenues	7,500
Franchise Fee	3,550
Interest Revenue on Operating Funds	250
TOTAL OPERATING REVENUES	**237,628**
LESS OPERATING EXPENSES	
Operations & Maintenance	97,380
Farm Operations Expenditures	6,500
Franchise Fee	3,550
TOTAL OPERATING EXPENSES	**107,430**
NET OPERATING REVENUES AVAILABLE	**130,197**
Sale of Assets	50
Interest Revenue on Restricted Funds	800
Build America Bonds (BAB) 35% Tax Credit	195
REVENUE AVAILABLE FOR DEBT SERVICE	**131,243**
Existing Debt Service - P & I - Bonds	61,391
Commercial Paper Annual Financing	303
New Debt Service - P & I - Bonds	3,226
Annual Contributions to Reserve Fund	2,751
Payment to City - Per Bond Covenant	14,496
REVENUE AVAILABLE FOR CAPITAL IMPROVEMENTS	**49,076**
PLUS RESTRICTED NON-OPERATING REVENUES	
Land Sales	10,000
Impact Fees	1,600
Annexation Fees	1,300
Contribution of New Customers	2,200
TOTAL NON-OPERATING REVENUES	**15,100**
TOTAL REVENUE AVAILABLE FOR CAPITAL IMPROVEMENTS	**64,176**
CAPITAL EXPENDITURES	
Capital Projects - Water	214,070
Capital Projects - Wastewater	55,311
Capital Projects - Reuse	356
Capital Equipment	1,902
TOTAL CAPITAL EXPENDITURES	**271,639**
Contingencies	2,432
(DEFICIENCY) TO BE FUNDED BY DEBT, GRANTS OR CONSTRUCTION FUNDS	**(209,895)**
Less New Bond Issues & Commercial Paper	127,539
Less Grants	4,610
Less Restricted Construction Funds	50,839
Less Transfer to Water Supply Reserve	(10,000)
Increase /(Decrease) In Fund Balance	**($36,907)**
Debt Service Coverage - Target 1.5x	**2.03**
Percent Increase In Utility Bill	**7.0%**

EL PASO WATER/PUBLIC SERVICE BOARD
WATER AND WASTEWATER OPERATING BUDGET BY OBJECT

EXPENDITURE	2015-16 Approved Budget	2015-16 Actual	2015-16 %	2016-17 Approved Budget	2016-17 6 months YTD	2016-17 %	2017-18 Approved Budget	2017-18 Increase (Decrease)	2017-18 %
GENERAL OPERATING									
PERSONAL SERVICES	40,125,900	38,734,991	96.5%	41,129,300	17,273,995	42.0%	44,155,600	3,026,300	7.36%
MATERIALS & SUPPLIES	11,314,900	10,250,184	90.6%	12,788,300	5,208,810	40.7%	13,833,600	1,045,300	8.17%
MAINTENANCE	15,367,800	15,071,655	98.1%	15,082,000	7,767,128	51.5%	16,292,910	1,210,910	8.03%
UTILITIES	16,334,200	14,733,916	90.2%	18,231,200	7,370,493	40.4%	16,497,000	(1,734,200)	-9.51%
OTHER*	14,492,200	13,910,505	96.0%	15,545,200	6,231,941	40.1%	15,603,890	58,690	0.38%
GROSS O & M BUDGET	97,635,000	92,701,251	94.9%	102,776,000	43,852,366	42.7%	106,383,000	3,607,000	3.51%
Less: Capital Salaries	(3,781,000)	(4,262,142)	112.7%	(4,008,000)	(1,988,932)	49.6%	(4,126,000)	(118,000)	2.94%
Capital Credits	(4,119,000)	(4,465,386)	108.4%	(3,977,000)	(2,442,205)	61.4%	(3,974,000)	3,000	-0.08%
Stormwater Indirect Cost Allocation	(1,300,000)	(1,300,000)	100.0%	(915,000)	(457,500)	50.0%	(903,000)	12,000	-1.31%
NET OPERATING BUDGET	**88,435,000**	**82,673,724**	**93.5%**	**93,876,000**	**38,963,729**	**41.5%**	**97,380,000**	**3,504,000**	**3.73%**
CLEARING ACCOUNTS									
PERSONAL SERVICES	3,835,500	3,716,314	96.9%	4,175,200	1,561,168	37.4%	4,380,000	204,800	4.91%
MATERIALS AND SUPPLIES	1,650,900	1,019,000	61.7%	1,652,200	463,607	28.1%	1,149,500	(502,700)	-30.43%
MAINTENANCE	296,200	247,224	83.5%	296,500	176,383	59.5%	403,980	107,480	36.25%
UTILITIES	296,000	370,680	125.2%	359,000	182,992	51.0%	387,500	28,500	7.94%
OTHER*	1,106,400	994,959	89.9%	1,109,100	390,050	35.2%	1,132,020	22,920	2.07%
TOTAL CLEARING ACCOUNTS	**7,185,000**	**6,348,177**	**88.4%**	**7,592,000**	**2,774,201**	**36.5%**	**7,453,000**	**(139,000)**	**-1.83%**

*Other expenditures are those which don't fit the other 4 categories. These include, among others, professional services, employee training, prepaid insurance, sludge hauling, water conservation expenses, fees to financial institutions, and postage.

EL PASO WATER/PUBLIC SERVICE BOARD
SUMMARY OF OPERATING BUDGET APPROPRIATIONS
BY PROGRAM BY ORGANIZATIONAL UNIT
FISCAL YEAR 2017-2018

		FY 2015-16			FY 2016-17			FY 2017-18		
Section	Division	Approved Budget	Actual	%	Approved Budget	6 months YTD	%	Approved Budget	Increase (Decrease)	%
	ADMINISTRATION									
100	Public Service Board	362,000	371,731	102.7%	373,000	35,972	9.6%	384,000	11,000	2.95%
105	Executive Services	1,145,000	1,324,736	115.7%	1,311,000	592,109	45.2%	1,365,000	54,000	4.12%
110	Legal Services	1,071,000	1,257,230	117.4%	1,168,000	447,629	38.3%	1,099,000	(69,000)	-5.91%
115	Communications & Government Affairs	1,579,000	1,569,916	99.4%	1,747,000	713,508	40.8%	1,824,000	77,000	4.41%
120	Human Resources	920,000	782,711	85.1%	973,000	432,801	44.5%	1,109,000	136,000	13.98%
130	Water Resources Management	355,000	369,099	104.0%	457,000	200,295	43.8%	486,000	29,000	6.35%
140	Land Management	971,000	777,631	80.1%	915,000	366,891	40.1%	1,052,000	137,000	14.97%
150	TecH20 Learning Center	1,187,000	660,151	55.6%	839,000	358,040	42.7%	999,000	160,000	19.07%
	TOTAL DIVISION	**7,590,000**	**7,113,206**	**93.7%**	**7,783,000**	**3,147,247**	**40.4%**	**8,318,000**	**535,000**	**6.87%**
	TECHNICAL SERVICES									
310	Technical Services	644,000	697,406	108.3%	503,000	220,206	43.8%	919,000	416,000	82.70%
315	Water/Wastewater Design	1,005,000	750,777	74.7%	1,017,000	360,786	35.5%	1,034,000	17,000	1.67%
320	Planning and Development	1,892,000	1,630,969	86.2%	2,071,000	676,600	32.7%	2,163,000	92,000	4.44%
325	Engineering Project Management	1,059,000	871,273	82.3%	803,000	325,199	40.5%	837,000	34,000	4.23%
335	Construction Project Management	0	0	0.0%	471,000	174,816	0.0%	441,000	(30,000)	-6.37%
	TOTAL DIVISION	**4,600,000**	**3,950,426**	**85.9%**	**4,865,000**	**1,757,608**	**36.1%**	**5,394,000**	**529,000**	**10.87%**
	OPERATIONS (WATER DIVISION)									
410	Water Division Office	1,217,000	1,184,078	97.3%	1,279,000	320,773	25.1%	1,297,000	18,000	1.41%
420	Water Production	14,534,000	12,345,335	84.9%	13,828,000	5,732,798	41.5%	13,547,000	(281,000)	-2.03%
430	Canal Street Water Treatment Plant	4,094,000	3,516,700	85.9%	5,279,000	2,246,778	42.6%	5,303,000	24,000	0.45%
440	Water Distribution	10,725,000	11,828,931	110.3%	11,315,000	5,345,602	47.2%	11,985,000	670,000	5.92%
450	Jonathan Rogers Water Treatment Plant	6,228,000	6,154,310	98.8%	8,051,000	3,689,365	45.8%	7,860,000	(191,000)	-2.37%
470	Upper Valley Water Treatment Plant	1,814,000	1,417,629	78.1%	1,759,000	640,841	36.4%	1,802,000	43,000	2.44%
480	Kay Bailey Hutchison Desalination Plant	2,813,000	2,022,061	71.9%	2,968,000	947,581	31.9%	3,733,000	765,000	25.77%
	TOTAL DIVISION	**41,425,000**	**38,469,043**	**92.9%**	**44,479,000**	**18,923,738**	**42.5%**	**45,527,000**	**1,048,000**	**2.36%**
	OPERATIONS (OPERATIONS SUPPORT)									
510	Operations Management	593,000	612,508	103.3%	833,000	360,862	43.3%	765,000	(68,000)	-8.16%
520	Environ. Compliance & Industrial Pretreatment	726,000	761,094	104.8%	765,000	342,724	44.8%	778,000	13,000	1.70%
525	Laboratory Services	2,920,000	2,973,215	101.8%	3,061,000	1,358,394	44.4%	3,298,000	237,000	7.74%
540	Reclaimed Water System	515,000	404,155	78.5%	454,000	257,449	56.7%	513,000	59,000	13.00%
560	Biosolids Management	1,938,000	1,834,638	94.7%	2,219,000	990,998	44.7%	2,319,000	100,000	4.51%
	TOTAL DIVISION	**6,692,000**	**6,585,610**	**98.4%**	**7,332,000**	**3,310,428**	**45.2%**	**7,673,000**	**341,000**	**4.65%**
	OPERATIONS (WASTEWATER DIVISION)									
610	Wastewater Division Office	627,000	608,202	97.0%	821,000	281,307	34.3%	715,000	(106,000)	-12.91%
620	Wastewater Lift Stations	2,653,000	2,399,338	90.4%	2,733,000	1,192,158	43.6%	2,693,000	(40,000)	-1.46%
630	Collection System Maintenance	2,001,000	1,977,105	98.8%	2,002,000	843,766	42.1%	2,052,000	50,000	2.50%
640	John T. Hickerson Water Reclamation Facility	2,701,000	2,475,262	91.6%	2,764,000	1,193,837	43.2%	2,786,000	22,000	0.80%
650	Haskell Street Wastewater Treatment Plant	3,844,000	4,041,948	105.1%	3,978,000	1,591,921	40.0%	3,988,000	10,000	0.25%
670	Roberto Bustamante WW Treatment Plant	4,484,000	4,067,961	90.7%	4,435,000	1,885,717	42.5%	4,434,000	(1,000)	-0.02%
680	Fred Hervey Water Reclamation Plant	3,449,000	3,227,939	93.6%	3,423,000	1,489,409	43.5%	3,471,000	48,000	1.40%
690	Wastewater System Repair & Construction	1,772,000	1,933,065	109.1%	1,779,000	991,111	55.7%	2,318,000	539,000	30.30%
	TOTAL DIVISION	**21,531,000**	**20,730,820**	**96.3%**	**21,935,000**	**9,469,225**	**43.2%**	**22,457,000**	**522,000**	**2.38%**
	FINANCIAL & SUPPORT SERVICES									
710	Finance	641,000	573,012	89.4%	558,000	271,912	48.7%	736,000	178,000	31.90%
715	Property & Treasury Management	913,000	812,951	89.0%	942,000	377,331	40.1%	888,000	(54,000)	-5.73%
720	Customer Service	6,484,000	5,989,640	92.4%	6,507,000	2,690,971	41.4%	6,651,000	144,000	2.21%
740	Accounting	724,000	784,768	108.4%	769,000	355,450	46.2%	783,000	14,000	1.82%
750	Purchasing & Contract Management	642,000	580,078	90.4%	658,000	307,414	46.7%	690,000	32,000	4.86%
	TOTAL DIVISION	**9,404,000**	**8,740,449**	**92.9%**	**9,434,000**	**4,003,078**	**42.4%**	**9,748,000**	**314,000**	**3.33%**
	INFORMATION TECHNOLOGY									
810	Information Technology	4,097,000	4,682,511	114.3%	4,609,000	1,956,426	42.4%	4,948,000	339,000	7.36%
825	Instrumentation and Control	2,296,000	2,429,186	105.8%	2,339,000	1,284,617	54.9%	2,318,000	(21,000)	-0.90%
	TOTAL DIVISION	**6,393,000**	**7,111,697**	**111.2%**	**6,948,000**	**3,241,043**	**46.6%**	**7,266,000**	**318,000**	**4.58%**
	GROSS O & M BUDGET	97,635,000	92,701,251	94.9%	102,776,000	43,852,366	42.7%	106,383,000	3,607,000	3.51%
	Less: Capital Salaries	(3,781,000)	(4,262,142)	112.7%	(4,008,000)	(1,988,932)	49.6%	(4,126,000)	(118,000)	2.94%
	Less: Capital Credits	(4,119,000)	(4,465,386)	108.4%	(3,977,000)	(2,442,205)	61.4%	(3,974,000)	3,000	-0.08%
	Less: Stormwater Indirect Cost Allocation	(1,300,000)	(1,300,000)	100.0%	(915,000)	(457,500)	50.0%	(903,000)	12,000	-1.31%
	NET OPERATING BUDGET EPWU	**88,435,000**	**82,673,724**	**93.5%**	**93,876,000**	**38,963,729**	**41.5%**	**97,380,000**	**3,504,000**	**3.73%**
	CLEARING ACCOUNTS									
912	Meter Repair & Testing	447,000	483,948	108.3%	583,000	226,654	38.9%	637,000	54,000	9.26%
914	Warehouse	398,000	370,269	93.0%	414,000	153,644	37.1%	508,000	94,000	22.71%
915	Fleet Maintenance	2,756,000	2,038,502	74.0%	2,734,000	949,306	34.7%	2,413,000	(321,000)	-11.74%
916	Heavy Equipment Operations	2,515,000	2,128,311	84.6%	2,525,000	864,840	34.3%	2,428,000	(97,000)	-3.84%
917	Facilities Maintenance	1,069,000	1,327,147	124.1%	1,336,000	579,756	43.4%	1,467,000	131,000	9.81%
	TOTAL CLEARING ACCOUNTS	**7,185,000**	**6,348,177**	**88.4%**	**7,592,000**	**2,774,201**	**36.5%**	**7,453,000**	**(139,000)**	**-1.83%**
	STORMWATER UTILITY									
210	Stormwater Management	4,702,100	4,066,189	86.5%	4,777,000	1,807,297	37.8%	4,257,000	(520,000)	-10.89%
220	Stormwater Design & Development Services	758,500	754,164	0.0%	861,000	338,171	39.3%	374,000	(487,000)	-56.56%
225	Stormwater Project Administration	0	0	0.0%	0	0	0.0%	389,000	389,000	0.00%
230	Stormwater Code Compliance	420,400	425,128	0.0%	428,000	181,911	0.0%	441,000	13,000	0.00%
	TOTAL STORMWATER UTILITY	**5,881,000**	**5,245,481**	**89.2%**	**6,066,000**	**2,327,379**	**38.4%**	**5,461,000**	**(605,000)**	**-9.97%**
	Plus: Indirect Cost Allocation	1,300,000	1,300,000	100.0%	915,000	457,500	50.0%	903,000	(12,000)	-1.31%
	NET OPERATING BUDGET STORM	**7,181,000**	**6,545,481**	**91.1%**	**6,981,000**	**2,784,879**	**39.9%**	**6,364,000**	**(617,000)**	**-8.84%**
	EPWU AND STORMWATER	**95,616,000**	**89,219,205**	**93.3%**	**100,857,000**	**41,748,608**	**41.4%**	**103,744,000**	**2,887,000**	**2.86%**

EL PASO WATER
SUMMARY, FY 2017-2018
STAFFING BY DIVISION AND SECTION

	Division/Section	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Administration	Executive Services	15	15	6	5	5	6
	Legal Services	4	4	4	4	5	5
	Communications & Government Affairs	2	2	8	8	10	10
	Human Resources	8	11	11	11	11	13
	Water Resources Management	4	4	4	4	5	5
	Land Management	7	8	8	9	9	9
	$TecH_20$ Learning Center	10	10	10	10	10	10
	Total Division	**50**	**54**	**51**	**51**	**55**	**58**
Technical Services	Technical Services	4	5	6	5	3	5
	Water/Wastewater Design	14	15	15	15	15	15
	Planning and Development	32	32	33	31	32	34
	Engineering Project Management	8	8	8	13	9	9
	Stormwater Engineering	6	0	0	0	0	0
	Construction Project Management	0	0	0	0	5	5
	Total Division	**64**	**60**	**62**	**64**	**64**	**68**
Financial & Support Services	Finance	3	3	4	4	3	4
	Property & Treasury Management	14	14	15	15	15	14
	Customer Service	101	102	102	103	105	106
	Accounting	13	13	13	13	13	13
	Purchasing & Contract Administration	10	10	10	10	10	10
	Meter Repair Shop	11	11	11	11	13	13
	Warehouse	9	9	8	8	9	9
	Total Division	**161**	**162**	**163**	**164**	**168**	**169**
Information Technology	Information Technology	26	27	30	31	33	33
	Instrumentation and Control	25	26	29	29	29	29
	Total Division	**51**	**53**	**59**	**60**	**62**	**62**
Operations (Water System)	Water Division Office	3	3	3	3	3	3
	Well Production	44	43	43	44	44	44
	Canal Street Water Treatment Plant	20	20	20	20	20	20
	Water Distribution	96	98	98	102	104	105
	Jonathan Rogers Water Treatment Plant	18	18	18	18	18	18
	Upper Valley Water Treatment Plant	15	15	15	15	15	15
	Kay Bailey Hutchison Desalination Plant	14	14	14	14	14	14
	Total Division	**210**	**211**	**211**	**216**	**218**	**219**
Operations (Wastewater System)	Wastewater Division Office	5	5	5	5	5	6
	Wastewater Lift Stations	18	18	18	18	18	18
	Wastewater Collection System Maintenance	33	33	33	33	33	33
	John T. Hickerson Water Reclamation Facility	15	15	15	15	16	17
	Haskell Street Wastewater Treatment Plant	30	30	30	30	30	30
	Roberto Bustamante Wastewater Treatment Plant	29	29	29	30	30	30
	Fred Hervey Water Reclamation Plant	28	28	28	28	28	28
	Wastewater System Repair & Construction	20	20	20	20	20	20
	Total Division	**178**	**178**	**178**	**179**	**180**	**182**
Operations (Operations Support)	Operations Management	3	3	4	4	5	5
	Environmental Compliance/Industrial Pretreatment	10	10	10	10	10	10
	Laboratory Services	30	30	30	30	30	31
	Reclaimed Water System	1.5	1.5	1.5	1.5	0.75	0.75
	Biosolids Management	0.5	0.5	0.5	0.5	0.25	0.25
	Total Division	**45**	**45**	**46**	**46**	**46**	**47**
Operations (Equipment & Facilities Maintenance)	Fleet Maintenance	21.3	22.3	22.3	23.3	23.3	23.3
	Heavy Equipment Operations	42.3	42.3	42.3	42.3	42.3	42.3
	Facilities Maintenance	18.3	18.3	18.3	18.3	19.3	19.3
	Total Division	**82**	**83**	**83**	**84**	**85**	**85**
	TOTAL BUDGETED POSITIONS	**841**	**846**	**853**	**864**	**878**	**890**
	TOTAL ACTUAL POSITIONS	**782**	**785**	**775**	**765**	**770**	

El Paso Water
Five Year Financial Plan

Water, Reuse & Wastewater Funds	Adopted Budget FY 2016-17	Revised Budget FY 2016-17	Approved Budget FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21	Projected FY 2021-22
Total Operating and Capital Budget	**$463,234**	**$394,183**	**$463,668**	**$392,909**	**$380,876**	**$379,909**	**$380,580**
Operating Revenues							
Water Service	106,474	105,038	112,932	122,246	129,882	137,999	146,627
Water Supply Replacement	23,456	24,934	27,026	29,568	31,749	34,092	36,607
Fire Protection	809	894	957	1,033	1,095	1,161	1,230
Reclaimed Water Sales	3,600	3,124	3,475	3,843	4,174	4,525	4,891
Total Water/Reuse Revenues	**134,338**	**133,990**	**144,390**	**156,690**	**166,900**	**177,776**	**189,356**
Rate Increase - Water	**11.0%**	**11.0%**	**7.0%**	**8.0%**	**6.0%**	**6.0%**	**6.0%**
Rate Increase - Reuse	**15.0%**	15.0%	**11.0%**	**11.0%**	**9.0%**	**8.0%**	**8.0%**
Wastewater Service	69,075	68,862	75,020	81,013	85,893	91,047	96,509
Pretreatment Surcharges	482	555	594	641	680	721	764
Total Wastewater Revenues	**69,557**	**69,417**	**75,614**	**81,654**	**86,573**	**91,767**	**97,273**
Rate Increase - Wastewater	**11.0%**	**11.0%**	**7.0%**	**8.0%**	**6.0%**	**6.0%**	**6.0%**
Misc. Operating Revenues							
Farm Operations Revenues	0	0	7,500	7,725	7,957	8,195	8,441
Service Charges, Misc. Fees	6,409	5,877	6,323	6,386	6,450	6,515	6,580
Interest Earnings	90	250	250	250	250	250	250
Total Operating Revenues	**210,395**	**209,534**	**234,077**	**252,706**	**268,130**	**284,503**	**301,901**
Less Operating Expenses							
O&M Expenses	93,876	89,263	97,380	97,779	98,757	99,744	100,742
Total Operating Expenses	**93,876**	**89,263**	**97,380**	**97,779**	**98,757**	**99,744**	**100,742**
Farm O&M Expenses	0	0	6,500	6,695	6,896	7,103	7,316
Operating Revenues Available	**116,519**	**120,271**	**130,197**	**148,232**	**162,477**	**177,656**	**193,843**
Sale of Assets	70	50	50	50	50	50	50
Interest Revenue on Restricted Funds	228	800	800	800	800	800	800
Build America Bonds (BAB) 35% Tax Credit	195	196	195	185	185	175	164
Revenues Available for Debt Service	**117,012**	**121,317**	**131,243**	**149,267**	**163,513**	**178,681**	**194,857**
Existing Debt Service - P & I - Bonds	55,696	57,191	61,391	62,451	61,266	61,871	61,222
Commercial Paper Annual Interest & Issuance Costs	310	350	303	415	459	539	555
New Debt Service - P & I - Bonds	2,612	0	3,226	10,089	17,454	24,503	30,984
Annual Contributions to Reserve Fund	1,626	1,851	2,751	2,995	3,171	3,073	2,869
City Franchise Fee - Water Only	3,550	3,550	3,550	3,550	3,550	3,550	3,550
Payment to City - Water Only	13,324	12,700	14,496	15,281	16,413	17,309	18,323
Rev. Avail. For Capital Improvements	**39,895**	**45,675**	**45,526**	**54,486**	**61,200**	**67,836**	**77,353**
Plus Misc. Non-Operating Revenues							
Impact Fees	1,500	1,600	1,600	1,200	1,200	1,200	1,200
Contribution of New Customers	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Land Sales	5,000	5,000	10,000	2,000	5,000	2,000	0
Annexation Fees	1,600	1,400	1,300	1,300	1,200	1,200	1,100
City Franchise Fee Revenue - Water Only	3,550	3,550	3,550	3,550	3,550	3,550	3,550
Total Non-Operating Revenues	**13,850**	**13,750**	**18,650**	**10,250**	**13,150**	**10,150**	**8,050**
Total Rev. Avail. For Capital Rehab/Impr.	**53,745**	**59,425**	**64,176**	**64,736**	**74,350**	**77,986**	**85,403**
Capital Expenses							
Capital Projects	287,733	227,115	269,737	189,210	168,362	157,560	150,250
Capital Equipment	2,161	2,161	1,902	2,000	2,080	2,163	2,250
Total Capital Expenses	**289,894**	**229,277**	**271,639**	**191,210**	**170,442**	**159,723**	**152,500**
Contingencies	2,347	0	2,432	2,444	2,469	2,494	2,519
(Deficiency) To Be Funded By Debt, Grants Or Construction Funds	**(238,496)**	**(169,852)**	**(209,895)**	**(128,918)**	**(98,561)**	**(84,231)**	**(69,616)**
New Bond Issues & Commercial Paper	181,000	166,000	127,539	114,345	94,150	82,225	76,050
Grants	1,846	2,800	4,610	0	0	0	0
Construction Fund	27,546	70,000	50,839	13,485	10,109	6,667	109
Transfer to / from Reuse Fund to Water Fund	0	0	0	0	0	0	0
Transfer from / (to) Restricted Funds	0	0	0	(109)	(109)	(109)	(109)
Transfers from / (to) Water Supply Reserve	3,000	(5,000)	(10,000)	(2,000)	(5,000)	(2,000)	0
Increase / Decrease In Fund Balance	**(25,104)**	**63,948**	**(36,907)**	**(3,197)**	**589**	**2,552**	**6,434**
DSC Senior Lien Debt - 1.5x	**2.01**	**2.12**	**2.03**	**2.06**	**2.08**	**2.07**	**2.11**

*This financial plan is not approved by the Public Service Board, but is used as a guide for financial purposes

FIVE YEAR FINANCIAL PLAN

A five-year financial plan is also prepared that incorporates best estimates of operating and capital expenditures over the near term and projected revenue sources and future revenue requirements. This plan is a guide for management and the Public Service Board to assess and review as it addresses current budget proposals and in considering Utility water, wastewater and reclaimed water initiatives and the short and long term impact such initiatives will have on the financial condition of the Utility.

Incremental Operating and Capital Improvement Expenses

This five year plan includes additional Operations and Maintenance (O&M) expenses for new infrastructure being placed into service. There was an increase made to the O&M budget mainly due to the anticipated increase in salaries and wages of $3.0 million. The water purchased for resale remained the same as last fiscal year, but the new water supply by EWM to the Desalination Plant increased the budget by $790,000. Maintenance of services and maintenance of mains also increased the budget by $935,000. In order to keep up with ever-changing technology and maintain a better trained workforce, both the software/hardware expense and expense of supervisor and employees increased a total of $594,500.

Alternative Revenue Sources

The five-year plan includes several assumptions regarding additional revenue sources. The plan includes issuing $50 million in bonds through the Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT) for land and water rights acquisition to be used for future water importation. An additional $51.8 million in bonds will be issued in the open market to fund water and wastewater projects. These projects include $16.5 million for the Jonathan Rogers Water Treatment Plant upgrades, $17.8 million various water distribution lines projects, and $7.3 million for the Haskell Street Wastewater Treatment Plant process improvements. In addition, all proceeds from land sales will be deposited in a restricted reserve fund for future water supply projects including the Jonathan Rogers water plant expansion, direct portable projects and the importation of water from areas outside El Paso County. The anticipated sale of land currently owned by the Utility will be a source of revenue in years to come. For FY 2017-2018 $10 million in land sales revenues is budgeted, with $9 million projected over the

following four years. The City of El Paso adopted water and wastewater impact fees in May 2009, therefore a new source of funding for impact fees was reflected in the FY 2010-2011 plan. We anticipate collecting $1.6 million in impact fees in FY 2017-2018 and an additional $4.8 million in the following four years. The Build America Bond (BAB) 35% tax credit was also a new revenue source in FY 2010-2011. For fiscal year 2017-2018, $195,000 in BAB tax credit is budgeted and reflects the decrease as a result of cuts made in the Budget Act of 2013.

el paso WATER