

EL PASO
WATER
UTILITIES
PUBLIC
SERVICE
BOARD

2014
ANNUAL
REPORT

STRATEGICALLY PLANNING OUR FUTURE



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from the President/CEO and the Public Service Board

We were pleased to be among the nine utilities to receive the inaugural Sustainable Water Utility Management Award from the Association of Metropolitan Water Agencies. It validates our efforts to balance environmental stewardship, social responsibility and sound financial management policy and acknowledges the challenge of conserving water and energy while promoting community development and economic growth.

El Paso had a mild summer and above average rainfall in its fourth year of reduced river water allocations. With our new wells and water transmission lines, we can move groundwater around the city. These projects benefit areas that

depend on the river for water in late spring and summer. Thanks to proactive planning and drought-relief projects, we met customer demand.

In the area of new water resources, we are proceeding with plans for the advanced water purification facility and taking initial steps toward our Hudspeth County importation project. These initiatives will allow us to pump the aquifers at sustainable levels in both drought and nondrought years.

By the end of the year, nine stormwater master plan projects had been completed, and 15 were in design or under construction. The completed projects, combined with our comprehensive main-

Mission

To provide our customers a sustainable water supply and the highest quality water services at a reasonable cost with excellent customer service.

Vision

To sustain the future of the community through proper planning and implementation of diverse and alternative strategies.



tenance program and localized flooding projects, increased flood protection by 60 percent citywide.

We are prioritizing projects in the central area of the city to improve drainage and reduce flooding along Interstate 10. New ponding areas are being built and existing ponds are being expanded. The high-profile Magnolia and Gateway projects will work with the upstream ponds to carry stormwater safely from the mountains to the Rio Grande.

Summer storms increased awareness of areas where additional work is needed. The next group of prioritized stormwater projects will cost \$144 million. Those projects will reduce flooding citywide.

The Public Service Board approved an 8 percent rate increase to meet operating and capital infrastructure needs in FY 2016-17. Although recent surveys rank our water and wastewater rates among the lowest in Texas, we will look for efficiencies, refinance debt and cut costs wherever possible. We will also seek grants and low-interest loans to finance capital improvements, which would mitigate future rate increases.

For the 19th year, our Comprehensive Annual Financial Report was awarded the Government Finance Officers Association's Certificate of Achievement in Financial Reporting. We've received the association's Distinguished Budget Presentation Award for the past 16 years.



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Member



Sustainability & Innovation

EPWU will use the latest technological advances and alternative resources to provide a sustainable water supply for the community.

(above)
Advanced Water
Purification Pilot Facility

(below)
Purification equipment



A Safe, Sustainable Resource

Purified water will become a new source of drinking water for El Paso. The state-of-the-art technology at the Advanced Water Purification Facility will transform cleaned wastewater into a safe, reliable, drought-proof water supply.

Many cities recycle cleaned wastewater for irrigation and industrial processes. A few cities blend purified water with water from other sources and send it to plants to be treated again. El Paso Water Utilities would be the first in the country to place purified water directly into the distribution system and deliver it to businesses and homes.

EPWU staff and consultants who manage the project are working closely with the Texas Commission on Environmental Quality (TCEQ). A panel of independent experts is guiding the process. They make recommendations on regulations, plant design and communication.

A pilot facility is testing advanced water purification processes. TCEQ will review the test data before the full-scale plant construction begins. EPWU expects to begin delivering advanced purified water by 2020.

Moving Water

The 48-inch Paisano water transmission line replaced a deteriorating 36-inch water line that served the downtown, central and west sections of the city. Subsurface conditions presented challenges during construction. The contractor encountered rock, fine sand and other unanticipated materials while boring a tunnel 30 feet underground.

The new pipeline is stronger, more reliable and carries up to seven times more water. Downtown customers can receive water from the well field when drought reduces river water. River water can be sent to west El Paso when it is plentiful,

which conserves the water in underground aquifers.

The Paisano water transmission line is a part of a new 14-mile pipeline that stretches from the Canutillo well field to downtown El Paso. The project was completed in summer 2014.

Recognizing Sustainability

EPWU is one of nine utilities that received the 2014 Sustainable Water Utility Management Award. The

EPWU can dispose of up to 3 million gallons per day (mgd) of concentrate at a well site 22 miles from the Kay Bailey Hutchison Desalination Plant. In the future, the utility will divert 1.25 mgd of concentrate to EWM's facility, which will be adjacent to the plant. EWM will build, own and operate the new facility. Construction will take from 18 to 22 months.

The concentrate will go through a series of processes that remove high-purity salt, agricultural gypsum and other products. These cutting-edge processes and technologies were performed successfully during pilot testing in 2014. The water that remains will meet drinking water quality standards. EPWU can buy the water at a discounted price.

Returning water that would have gone to the disposal site increases the desalination plant's production capacity and reduces its maintenance and operating costs. The water recovery rate will increase from 80 to 93 percent.



(above) Boring tunnel for 48-inch Paisano Water Transmission Line

Association of Metropolitan Water Agencies presented the award to utilities that made significant progress toward sustainability through all channels of water system management. El Paso was judged on its environmental stewardship, social responsibility and financial management practices.

EPWU has received two other awards from the agency – the Gold Award for exceptional utility performance and the Platinum Award for utility excellence.

From Waste to Water

Texas-based Enviro Water Minerals (EWM) and EPWU are partners in a venture that benefits both entities. EWM will extract industrial-grade minerals from the concentrated waste material (concentrate) produced during the desalination process. The cleaned water that remains is sold back to the utility to augment the water supply.



(above) President/CEO John Balliew (right) accepts Sustainable Water Management Award on behalf of EPWU.





Finance

EPWU will depend on proper financial planning to minimize customer impacts.

(above)
A 72-inch pipe under I-10 will connect stormwater ponds north and south of the freeway.

Capital Planning

In prior years, EPWU spent on average 60 to 70 percent of the funds allocated for capital projects. A new methodology implemented by the Finance and Engineering staffs improved capital planning to increase the number of budgeted projects that are completed within the budgeted fiscal year.

Acquiring the easements needed for a project can be a lengthy process. Projects are no longer prioritized until the design is complete and the easements are acquired. In FY 2014-15, EPWU spent more than 80 percent of the water and wastewater capital budget. Expenditures for capital stormwater projects increased to 70 percent.

The process will be refined going forward to increase the percentage of completed projects approved and funded by the Public Service Board.

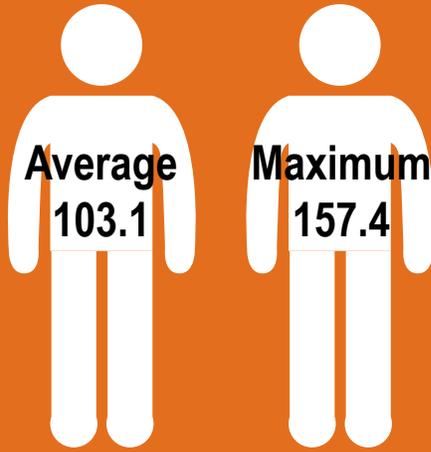
Prioritizing Growth Projects

EPWU has identified several projects to ensure adequate water resources for the future: water rights land acquisitions, advanced water purification, the Jonathan Rogers Water Treatment Plant expansion, and a new reservoir to store excess stormwater. A cost-benefit analysis will be used to assess feasibility and prioritize the projects.

New Rate Structure

The PSB approved changes to the rate structure for FY 2015-16. The Water Supply Replacement Charge is not charged to the lowest water users. Customers who use less than 300 cubic feet (2,244 gallons) of water will not pay the charge that funds future water supply projects. The rating agencies continue to express confidence in EPWU's fiscal management. The utility's AA+ bond ratings are among the highest that can be awarded by Standard & Poor's and Fitch Ratings.

**Daily Water Demand
(million gallons)**

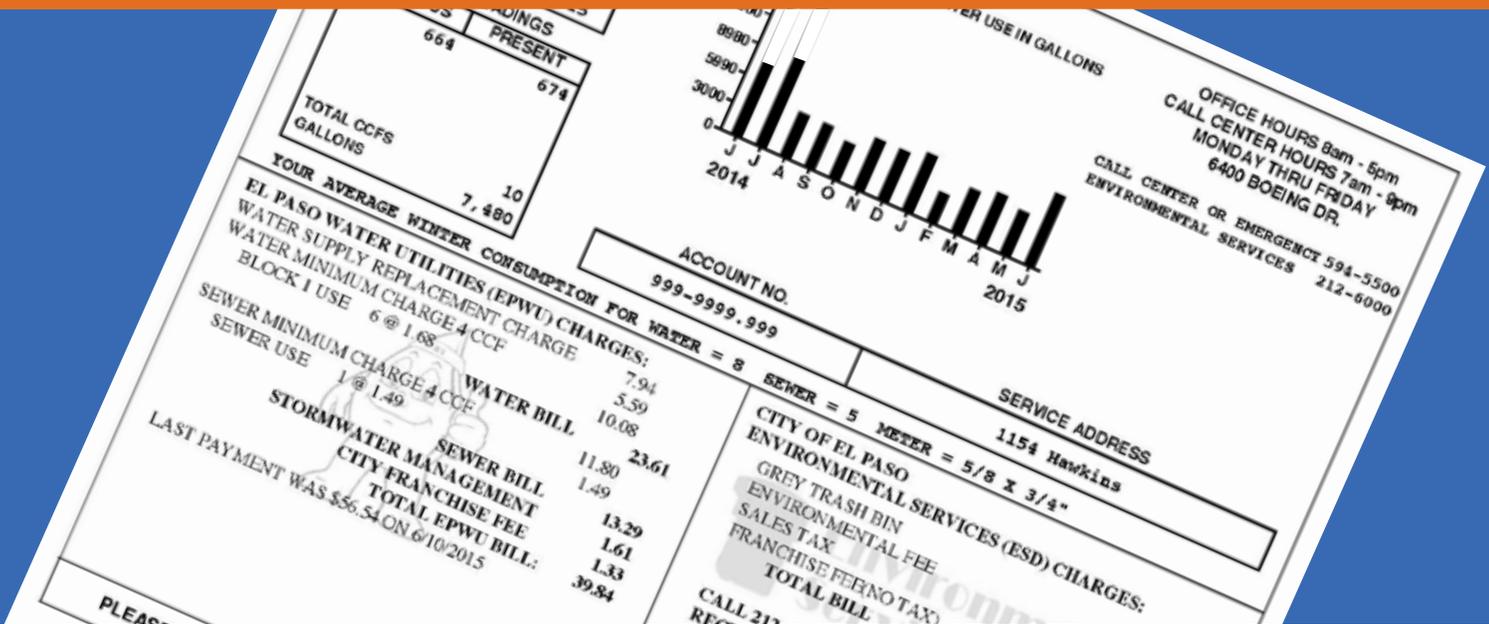


Calendar Year

**Retail & Wholesale
Water & Wastewater Customers**



Calendar Year



Miles of Mains



**Water
2,615**

**Wastewater
2,253**

Calendar Year

Water & Wastewater Bond Ratings

AA+

S&P

AA+

FITCH

Municipal Drainage Utility Bond Ratings

AA+

S&P

AA+

FITCH



Employee Development / Succession Planning

EPWU will identify candidates, provide training and mentoring, and create opportunities to ensure a well prepared workforce.

**(above)
Managers were
trained on the
Balanced Scorecard
strategic planning
system.**

Preparing Future Leaders

With veteran employees retiring at an accelerated rate, managers are prioritizing development and training. More than 30 percent of the workforce will be eligible for retirement within the next five years.

Managers are identifying employees who will become the utility's next generation of leaders. Succession-planning, cross-exposure programs and mentorship opportunities are being implemented to develop management and leadership skills.

The Technical Services Division has taken several steps to give engineers the skills needed to execute capital projects. The goal is to train 100 percent of engineers in project management over the next three years and have 50 percent certified in project management.

Personalized coaching and customized training are being offered, and opportunities for supervising and developmental training have been increased. The engineers have been trained to use construction management software, and they will also benefit from collaboration with their private sector peers. A new program will contract with engineers from the private sector to establish in-house tools and protocols to improve project management processes.

The Operations and Technical Services managers are gaining additional knowledge through cross exposure. This training and mentoring program provides the opportunity for staff to work in positions they have not worked in. Cross exposure is a key element in the division's succession planning strategy. This on-the-job training ensures a smooth transition into future leadership opportunities and a well-prepared workforce.

The Texas Commission on Environmental Quality requires certification for operating water and wastewater facilities. EPWU offers an incentive to eligible employees who obtain a higher level of certification than their current position requires. Employees in the Water Division, Wastewater Division, Industrial Pretreatment Section and Laboratory Services can receive a \$300 award for obtaining a higher level of certification. This encourages employees to obtain the qualifications needed for promotional positions that might arise.

Many employees are taking advantage of the Tuition Assistance/Reimbursement Policy. By sharing the cost of approved classes, programs, and certification examinations, the utility gives employees incentives to advance their skills and knowledge. These strategies will create a sustainable workforce.

The program reimburses up to 80 percent of tuition and registration fees for a maximum of six credits per semester.

New Approach to Planning

Managers are being trained on the Balanced Scorecard approach to strategic planning. It was introduced to the PSB and staff in 2013. Key stake-

holders, including political leaders, consultants and environmentalists, were invited to participate in the planning process.

After identifying strengths, weaknesses, opportunities and threats, staff revised the utility's mission statement and its vision for the future. This information became the foundation for strategic goals and objectives, and each initiative and performance measure supports the strategic plan.

The updated plan provides the framework for prioritizing projects, programs and resources. Each budgeted line item supports a strategic objective, the mission and the vision. Every day-to-day assignment is tied to the strategic plan. The Balanced Scorecard system is aligned with continuous process improvement. Staff monitors the plan on an ongoing basis and makes adjustments as needed.

Budgeted Number of Employees



Budgeted Employees per Thousand Customers





Customers & Stakeholders

EPWU will improve internal and external communications and the quality of life in the community.

(above)
Gateway West
stormwater pond
expansion

Following the Flow

El Pasoans of all ages boarded buses in November for EPWU’s first public stormwater facilities tour. They left at 8:30 a.m., returned four hours later and made several stops along the way.

(below)
Public tours
stormwater system

The stormwater system comprises more than 74 miles of channels, 43 miles of agricultural drains, 140 miles of conduits and 2,430 acres of dams and basins. There are 904 acres of ponds, 21 pump stations and more than 6,000 storm drain inlets.

Attendees saw how the system works and how its components are connected. They saw facilities that were under construction and learned the consequences of illegal dumping. They left with a better understanding of how the system reduces flooding and what stormwater fees pay for.

Charl Ann Pond

The Charl Ann stormwater pond is a popular

destination. Its walking path and scenery attract residents, while birds and animals enjoy the water. EPWU looked for an environmentally sensitive way to remove years of accumulated sediment from the 7-acre pond.

Professional divers vacuumed sediment – up to 18 inches deep – into seven 100-foot by 30-foot containers. The water drained out of the sediment was pumped back into the pond. This noninvasive procedure was completed in two months without disturbing the wildlife or destroying plants.

Bringing Water to the Bosque

Greener days are ahead for the Rio Bosque Wetlands Park. Hot, dry summers and continuing drought left little water for the growing season. The park has been dry for several months each year, which caused trees and plants to die.

The Public Service Board owns the Rio Bosque and the nearby Roberto Bustamante Wastewater



Treatment Plant. The plant provided cleaned wastewater for irrigation in late fall and early winter. The University of Texas at El Paso manages the wetlands. Volunteers and university staff trucked in water during the remaining months.

The new Bustamante to Rio Bosque pipeline now delivers 4.3 million gallons of water daily from May through September. The park will once more be filled with mesquite bosques, wet meadows and other native habitats. These improvements can lead to economic, educational and research benefits, while creating a more attractive destination for recreation and tourism.

Oxygen Reduces Odor

When EPWU received complaints about odors from the John T. Hickerson Water Reclamation Facility, staff looked for a solution. The plant, which serves northwest El Paso, is bordered by businesses, open spaces and a major highway. Residential housing is within close proximity, and commercial and residen-

tial development is planned for the land adjacent to the plant along I-10.

Wastewater entering the plant was the source of the odor. It contained high levels of hydrogen sulfide, a colorless gas with an unpleasant smell. The gas forms when there is no oxygen in the collection system. EPWU leased equipment to reduce the odor while a permanent solution was designed and installed.

A super oxygenation system was installed 3.5 miles away at the Frontera Lift Station. The lift station handles 90 percent of the wastewater that flows into the plant. The system dissolves pure oxygen in the wastewater. The dissolved oxygen reduces sulfides in the wastewater that enters the plant.

The new system reduces chemical costs and provides better odor treatment than the previous system. The operating and maintenance cost savings will equal the capital expenditure in less than four years.

(below left) Scuba divers vacuum the bottom of the Charl Ann Pond.

(below right) Super oxygenation system



(above) A new pipeline carries cleaned wastewater to the Rio Bosque Wetlands Park.



(above)
The Skyline Park Pond is one of nine EPWU/City of El Paso projects that merge flood-control facilities and park amenities.

Projects Reduce I-10 Flooding

EPWU has completed several projects that reduce flooding in Central El Paso. The area was developed without adequate drainage infrastructure. Central drainage improvements are the top priority in the stormwater master plan.

Interstate Highway 10 separates the mountains from the river and causes flooding along the freeway and frontage road during heavy rain events. It will take several years and an estimated \$60 million to address flooding along I-10.

The Magnolia stormwater projects will reduce flooding in Central El Paso by moving 113 million gallons of stormwater per day. A pipeline will carry water under I-10 and a railroad yard and into a basin adjacent to the pump station. Water flowing into the pump station will be transferred to a second pipeline and discharged into the Rio Grande.

EPWU is building and improving ponds north and south of the freeway. Stormwater accelerates as it drops in elevation. Ponds dissipate its energy so the water moves more slowly, which reduces erosion and damage downstream.

Ponds east of the Magnolia pump station will provide additional flood protection. The expanded Gateway West pond north of the freeway holds 17 million gallons of water. The new Gateway East pond holds 5 million gallons, but its capacity will increase in Phase 2. A pipeline connecting the ponds will carry water under the freeway. Together the pump station, pipelines, ponds and associated facilities will alleviate flooding in Central El Paso and along I-10.

Education and Outreach

The Tech₂O Center offers presentations, workshops and other activities on water resources and the environment. More than 36,000 adults and children attended educational events in 2014.

The WISE Actions! program, funded by a Texas Parks and Wildlife Department grant, combined classroom and outdoor activities to teach 200 students about urban wetland ecosystems. After receiving journals, cameras, sketch pads and test equipment, students observed the impact of drought at the Rio Bosque Wetlands and Keystone Heritage Park. They returned to the Tech₂O Center for hands-on demonstrations on



erosion, conservation and pollution. They compared the natural filtration of urban wetlands to processes used by water treatment plants.

The \$12,600 grant targets under-represented populations who rarely participate in field trips. Students compiled and analyzed their field trip data and reported their findings to the group. Park rangers and University of Texas at El Paso students assisted EPWU staff with the WISE! Actions activities.

Desert Gardens

EPWU leveraged a \$6,220 grant from the Environmental Protection Agency and the Border Environment Cooperation Commission into a thriving fruit orchard and demonstration gardens. More than 900 gardeners attending Tech₂O Center workshops learned to build keyhole gardens, compost and put rain to beneficial use.

Keyhole gardens are raised beds that use organic matter for composting. The beds are shaped like keyholes to provide easy access to the plants. A new 15,000-gallon tank collects rain for irrigation. The orchard and gardens are in natural drainage areas to demonstrate passive rainwater harvesting techniques. Fruit and vegetables from the garden are offered to students who help tend the garden and used as door prizes for workshop participants.

(above left) A keyhole garden is an inexpensive way to create urban green spaces.

(above) Wise! Actions students use tools to sample plant material at the Rio Bosque Wetlands.

(below) The Magnolia tunnel will carry stormwater under I-10 and the railroad yard.





Operations

EPWU will provide reliable and high quality service to its customers.

(above)
**Montana North
Pump Station**

Serving New Areas

The city's electric company and water utility are working together to extend service into growing areas. When El Paso Electric Co. began building its new power station in June 2014, construction of the pump station that would serve the new facility was already well underway.

can move more than 2,400 gallons of water per minute. It serves the power station and other EPWU customers in the East Montana area. The power station serves communities in west Texas and southern New Mexico.

Finding Leaks

Early leak detection is the key to reducing breaks in El Paso's 2,600 miles of water lines. EPWU conserves water and reduces operating expenses by repairing leaks before they cause pipelines to break. The utility uses leak detection loggers – sound-activated devices with radio transmission capabilities. These high-tech units, which are placed throughout the water distribution system, transmit a signal when they detect a leak.

In 2004, El Paso was one of the first cities to use acoustic loggers for leak detection. The system was upgraded with 12,000 new loggers in 2014. The enhanced leak detection system helps the utility better manage its resources by reducing

Power Costs



El Paso Electric has power plants in the northeast, central and west areas of the city. The Montana Power Station is one mile east of the city limits in one of the county's fastest growing areas. When completed, the facility will house four turbines that generate enough energy to power more than 160,000 homes.

EPWU designed and built the 10-million-gallon-per-day Montana North Pump Station and a 2.5-mile water transmission line. El Paso Electric funded both projects.

The pump station houses four large pumps that

main breaks and the resulting water losses.

Flushing Water Lines

EPWU opens fire hydrants to flush sediment from pipelines. Crews flushed more than 200 hydrants in 2014. But the sight of water gushing from a hydrant can be alarming, and it often generates customer complaints. The new Neutral Output Discharge Elimination System solves the problem by creating a loop between two fire hydrants, so very little water goes into the street.

First, crews connect hoses to the hydrants. The water is pumped at high velocity through the system, which is mounted on a flat-bed truck. Filters remove the sediment as the water flushes the pipeline. Chlorine can be added to disinfect the water before it returns to the distribution system through the fire hydrant.

This process eliminates the perception that water is being wasted. It saves about 1.6 million gallons of water per year. It also eliminates any traffic disruption or property and pavement damage that gushing water might cause.

(below) New equipment recirculates the water used to flush pipelines.

Testing Technology

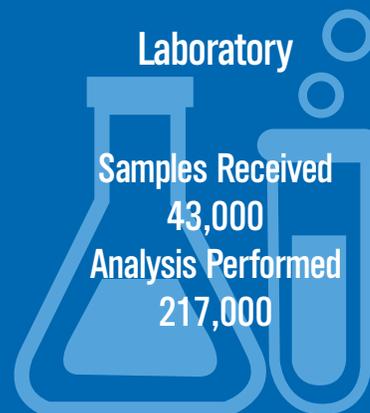
EPWU replaces pipelines based on the number of breaks, but other factors should be considered. Otherwise, pipes with significant service life remaining might be prematurely replaced. EPWU is testing technology that helps assess the condition of pipelines. Echologics' ePulse™ uses acoustic sensors to assess the average thickness of pipeline walls. EPulse does not interrupt water service, and no excavation is required.

To perform the test, EPWU selected 18 sections of asbestos concrete and cast iron pipelines. The selections were based on age, history of breaks, and possibility of failure. Technicians compared the ePulse measurements to the pipe's design thickness to assess degradation in the pipeline wall. The measurements indicated that seven sections of pipe were in poor condition, and degradation was detected in both types of pipe.

EPWU plans to continue the evaluation. Using ePulse to prioritize pipeline replacement can yield significant savings by extending the life of good pipes.



(above) Acoustic sensors can be used to assess a pipeline's condition without excavation.



Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Enterprise Funds - Statement of Net Position
February 28, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,586,724	\$ 2,203,062	\$ —	\$ 14,789,786
Investments	13,455,855	—	—	13,455,855
Accounts receivable - customers	16,599,054	789,597	—	17,388,651
Accounts receivable - other	622,729	7,243	—	629,972
Accrued interest receivable	413,077	119,393	—	532,470
Due from Water and Wastewater Utility	—	36,135	(36,135)	—
Inventory - materials and supplies	1,979,925	—	—	1,979,925
Other current assets	386,259	—	—	386,259
Prepaid expenses	2,016,389	—	—	2,016,389
Restricted current assets:				
Restricted for bond requirements:				
Cash and cash equivalents	34,504,077	4,915,490	—	39,419,567
Investments	15,220,319	1,475,532	—	16,695,851
Restricted for construction and improvements:				
Cash and cash equivalents	42,217,856	26,237,859	—	68,455,715
Investments	29,046,549	23,298,384	—	52,344,933
Accounts receivable government grants	509,463	—	—	509,463
Notes receivable	98,979	—	—	98,979
Total current assets	<u>169,657,255</u>	<u>59,082,695</u>	<u>(36,135)</u>	<u>228,703,815</u>
Noncurrent assets:				
Investments	5,021,763	—	—	5,021,763
Restricted noncurrent assets:				
Restricted for bond requirements:				
Investments	11,887,753	977,238	—	12,864,991
Restricted for construction and improvements:				
Investments	16,887,105	4,412,307	—	21,299,412
Capital assets:				
Water and Wastewater Utility capital assets	1,801,924,213	—	—	1,801,924,213
Municipal Drainage Utility capital assets	—	58,998,666	—	58,998,666
Land and right of way	71,029,203	6,601,105	—	77,630,308
Construction work in progress	119,354,839	9,976,295	—	129,331,134
Less accumulated depreciation	<u>(809,281,469)</u>	<u>(9,231,298)</u>	<u>—</u>	<u>(818,512,767)</u>
Total capital assets (net of accumulated depreciation)	<u>1,183,026,786</u>	<u>66,344,768</u>	<u>—</u>	<u>1,249,371,554</u>
Total noncurrent assets	<u>1,216,823,407</u>	<u>71,734,313</u>	<u>—</u>	<u>1,288,557,720</u>
Total assets	<u>\$ 1,386,480,662</u>	<u>\$ 130,817,008</u>	<u>\$ (36,135)</u>	<u>\$ 1,517,261,535</u>
Deferred outflows of resources				
Losses on bond refunding	<u>1,943,345</u>	<u>—</u>	<u>—</u>	<u>1,943,345</u>
Total assets and deferred outflows of resources	<u>\$ 1,388,424,007</u>	<u>\$ 130,817,008</u>	<u>\$ (36,135)</u>	<u>\$ 1,519,204,880</u>

Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Enterprise Funds - Statement of Net Position
February 28, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,423,416	\$ 483,937	\$ —	\$ 2,907,353
Contributions and Solid Waste Management collections due to City of El Paso	5,272,154	—	—	5,272,154
Customer deposits	7,678,096	—	—	7,678,096
Accrued vacation payable	1,749,273	58,633	—	1,807,906
Accrued payroll and benefits	1,534,580	120,731	—	1,655,311
Due to Municipal Drainage Utility	36,135	—	(36,135)	—
Unearned revenue on land leases	276,483	8,765	—	285,248
Other current liabilities	373,223	—	—	373,223
Self insurance worker's compensation and health claims	836,027	—	—	836,027
Other governments payable - current	128,931	—	—	128,931
Current liabilities payable from restricted assets:				
Revenue bonds payables and unamortized premiums net of discounts	27,423,256	2,570,259	—	29,993,515
Accrued interest on revenue bonds and commercial paper	9,213,487	1,553,713	—	10,767,200
Accounts payable	17,398,450	1,062,549	—	18,460,999
Land notes payable	752,693	—	—	752,693
Land notes interest payable	70,912	—	—	70,912
Customer advances for construction	7,019,249	—	—	7,019,249
Retainage payable on construction contracts	1,612,140	76,133	—	1,688,273
Total current liabilities	<u>83,798,505</u>	<u>5,934,720</u>	<u>(36,135)</u>	<u>89,697,090</u>
Noncurrent liabilities:				
Revenue bonds payables and unamortized premiums net of discounts	499,827,906	61,646,408	—	561,474,314
Land notes payable	3,406,394	—	—	3,406,394
Other governments payable	2,631,861	—	—	2,631,861
Commercial paper notes	5,000,000	—	—	5,000,000
Other Post-Employment Benefits	6,720,592	196,987	—	6,917,579
Accrued vacation payable	1,132,407	49,824	—	1,182,231
Self insurance worker's compensation claims	548,888	—	—	548,888
Total noncurrent liabilities	<u>519,268,048</u>	<u>61,893,219</u>	<u>—</u>	<u>581,161,267</u>
Total liabilities	<u>603,066,553</u>	<u>67,827,939</u>	<u>(36,135)</u>	<u>670,858,357</u>
Deferred inflows of resources				
Gains on bond refunding	<u>143,045</u>	<u>—</u>	<u>—</u>	<u>143,045</u>
NET POSITION				
Restricted:				
Restricted for debt service	52,398,662	5,814,548	—	58,213,210
Restricted for construction and improvements	<u>27,034,464</u>	<u>8,717,102</u>	<u>—</u>	<u>35,751,566</u>
Total restricted	79,433,126	14,531,650	—	93,964,776
Net investment in capital assets	681,280,780	46,220,867	—	727,501,647
Unrestricted	<u>24,500,503</u>	<u>2,236,552</u>	<u>—</u>	<u>26,737,055</u>
Total net position	<u>785,241,409</u>	<u>62,989,069</u>	<u>—</u>	<u>848,203,478</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,388,424,007</u>	<u>\$ 130,817,008</u>	<u>\$ (36,135)</u>	<u>\$ 1,519,204,880</u>

Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Enterprise Funds - Statement of Revenues, Expenses, and Changes in Net Position
February 28, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Operating revenues:				
Water	\$ 91,837,712	\$ —	\$ —	\$ 91,837,712
Water supply replacement charge	19,594,187	—	—	19,594,187
Reclaimed water	2,651,400	—	—	2,651,400
Wastewater	58,032,496	—	—	58,032,496
Drainage fees	—	15,162,459	(104,856)	15,057,603
Customer connection fees	4,637,221	—	—	4,637,221
Billing fees - City Solid Waste Management	608,171	260,645	—	868,816
Rent revenue	2,019,831	—	(24,000)	1,995,831
Other operating revenue	1,615,576	399,981	—	2,015,557
Total operating revenues	<u>180,996,594</u>	<u>15,823,085</u>	<u>(128,856)</u>	<u>196,690,823</u>
Operating expenses:				
Operations and maintenance - water & reclaimed water	38,764,590	—	(72,975)	38,691,615
Operations and maintenance - wastewater	22,496,822	—	(52,474)	22,444,348
General, administrative and engineering expenses	19,178,358	—	1,294,176	20,472,534
Operations and maintenance - drainage	—	5,613,000	(7,417)	5,620,417
Indirect cost allocation	—	1,305,000	(1,305,000)	—
Other operating expenses	2,602,114	—	—	2,602,114
Other Post-Employment Benefits expense	833,973	50,995	—	884,968
Depreciation	50,592,539	1,484,740	—	52,077,279
Payment to City of El Paso per bond covenants	10,553,216	—	—	10,553,216
Total operating expenses	<u>145,021,612</u>	<u>8,453,735</u>	<u>(128,856)</u>	<u>153,346,491</u>
Operating income	<u>35,974,982</u>	<u>7,369,350</u>	<u>—</u>	<u>43,344,332</u>
Nonoperating revenues (expenses):				
Interest earnings and net change in fair value of investments	265,915	89,659	—	355,574
IRS tax credit for Build America Bonds	221,332	828,171	—	1,049,503
Gain on land assets converted by sale	2,013,946	256,595	—	2,270,541
Gain on sale of miscellaneous assets	314,473	—	—	314,473
Interest of long term debt	(18,534,364)	(2,775,634)	—	(21,309,998)
Total nonoperating expenses	<u>(15,718,698)</u>	<u>(1,601,209)</u>	<u>—</u>	<u>(17,319,907)</u>
Income in net position, before contributions	<u>20,256,284</u>	<u>5,768,141</u>	<u>—</u>	<u>26,024,425</u>
Federal grant contributions	830,034	—	—	830,034
Capital non-federal grant contributions from (to)	12,998,824	(13,712)	—	12,985,112
Total contributions	<u>13,828,858</u>	<u>(13,712)</u>	<u>—</u>	<u>13,815,146</u>
Change in net position	34,085,142	5,754,429	—	39,839,571
Total net position - beginning	751,129,267	57,234,640	—	808,363,907
Total net position - ending	<u>\$ 785,214,409</u>	<u>\$ 62,989,069</u>	<u>\$ —</u>	<u>\$ 848,203,478</u>

Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Enterprise Funds - Statement of Cash Flows
February 28, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 181,465,426	\$ 15,802,839	\$ —	\$ 197,268,265
Cash received from Municipal Drainage Utility	1,042,321	—	(1,042,321)	—
Cash received from Water and Wastewater Utility	—	104,856	(104,856)	—
Solid Waste Management fees collected for the City of El Paso	52,511,352	—	—	52,511,352
Cash payments to suppliers for goods and services	(46,865,900)	(4,153,559)	—	(51,019,459)
Cash payments to employees for services	(36,773,939)	(1,138,533)	—	(37,912,472)
Solid Waste Management fees paid to the City of El Paso	(51,977,487)	—	—	(51,977,487)
Payments to City of El Paso per bond covenants	(10,484,432)	—	—	(10,484,432)
Cash payments to Municipal Drainage Utility	(104,856)	—	104,856	—
Cash payments to Water and Wastewater Utility	—	(1,042,321)	1,042,321	—
Net cash provided by operating activities	<u>88,812,485</u>	<u>9,573,282</u>	<u>—</u>	<u>98,385,767</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from:				
Revenue bonds	64,900,000	—	—	64,900,000
Premiums received on revenue bonds	7,540,774	—	—	7,540,774
Commercial paper	27,000,000	—	—	27,000,000
Cash receipts from grants	1,460,404	—	—	1,460,404
Acquisition and construction of capital grants	(1,182,310)	—	—	(1,182,310)
Acquisition and construction of capital assets net of disposals	(68,676,431)	(5,475,993)	—	(74,152,424)
Refunding revenue bonds	(40,335,000)	—	—	(40,335,000)
Refunding commercial paper	(30,000,000)	—	—	(30,000,000)
Principal payments on revenue bonds	(25,100,000)	(2,359,000)	—	(27,459,000)
Interest and fees on revenue bonds and commercial paper	(22,872,177)	(2,931,435)	—	(25,803,612)
IRS tax credit on Build America Bonds	221,332	828,171	—	1,049,503
Principal payments on land notes payable	(764,376)	—	—	(764,376)
Interest payments on notes and other long term debt	(232,508)	—	—	(232,508)
Proceeds from sale of assets net of related expenses	<u>2,262,984</u>	<u>256,595</u>	<u>—</u>	<u>2,519,579</u>
Net cash used by capital and related financing activities	<u>(85,777,308)</u>	<u>(9,681,662)</u>	<u>—</u>	<u>(95,458,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investment securities				
Proceeds from the sale and maturities of investment securities	83,681,308	32,019,402	—	115,700,710
Purchase of investment securities	(123,318,773)	(40,591,561)	—	(163,910,334)
Interest received on investment securities	<u>140,029</u>	<u>112,766</u>	<u>—</u>	<u>252,795</u>
Net cash used by investing activities	<u>(39,497,436)</u>	<u>(8,459,393)</u>	<u>—</u>	<u>(47,956,829)</u>
Net decrease in cash and cash equivalents	(36,462,259)	8,567,773	—	(45,030,032)
Cash and cash equivalents:				
Beginning of year	<u>125,770,916</u>	<u>41,924,184</u>	<u>—</u>	<u>167,695,100</u>
End of year	<u>\$ 89,308,657</u>	<u>\$ 33,356,411</u>	<u>\$ —</u>	<u>\$ 122,665,068</u>

Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Enterprise Funds - Statement of Cash Flows
February 28, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 35,974,982	\$ 7,369,350	\$ —	\$ 43,344,332
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	50,592,539	1,484,740	—	52,077,279
Bond issue expense	663,091	—	—	663,091
(Increase) decrease in assets:				
Accounts receivable	(403,817)	84,597	—	(319,220)
Due from Water and Wastewater Utility	—	303,261	(303,261)	—
Inventory	(207,683)	—	—	(207,683)
Prepaid expenses	(95,385)	—	—	(95,385)
Other current assets	(97,114)	—	—	(97,114)
Increase (decrease) in liabilities:				
Accounts payable	75,939	255,812	—	331,751
Other current liabilities	1,502,438	15	—	1,502,453
Due to Municipal Drainage Utility	(303,261)	—	303,261	—
Due to Water and Wastewater Utility	—	—	—	—
Accrued vacation payable	35,500	11,352	—	46,852
Accrued payroll and benefits	125,486	37,250	—	162,736
Other Post-Employment Benefits	833,973	50,995	—	884,968
Retainage payable on operating contracts	—	(24,090)	—	(24,090)
Self insurance claims	115,797	—	—	115,797
Net cash provided by operating activities	<u>\$ 88,812,485</u>	<u>\$ 9,573,282</u>	<u>\$ —</u>	<u>\$ 98,385,767</u>
Noncash investing, capital, and financing activities:				
Contribution in aid of construction from (to)	\$ 12,646,548	\$ (13,712)	\$ —	\$ 12,632,836
Decrease in accounts receivable capital grants	(278,094)	—	—	(278,094)
Change in fair value of investments	52,721	6,423	—	59,144
	<u>\$ 12,421,175</u>	<u>\$ (7,289)</u>	<u>\$ —</u>	<u>\$ 12,413,886</u>

Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Water and Wastewater Utility Fund
February 28, 2014 and February 28, 2013

	2014	2013 ¹ Restated	2012 ² Restated
FINANCIAL DATA*			
Total Revenue	\$183,812,260	\$179,184,287	\$178,090,062
Water System Income	94,489,112	94,590,378	94,686,408
Wastewater System Income	58,032,496	54,468,286	53,711,156
Miscellaneous Revenue (Interest, etc.)	31,069,320	29,876,195	29,443,070
Paid to City in Lieu of Taxes	10,553,216	10,382,694	10,509,152
Income (Loss) before Contributions	20,256,284	12,667,540	10,593,032
Capital Contributions	12,998,824	11,663,713	9,632,021
Water Revenue per Customer	434.56	441.12	449.04
Wastewater Revenue per Customer	286.96	273.03	273.96
Number of Employees - Annual Average	842	814	819
Expenditures for Plant Additions	69,858,741	49,001,682	43,121,842
Bonded Debt	492,250,000	492,785,000	483,380,000
Outstanding Commercial Paper	5,000,000	8,000,000	13,000,000
Debt Service Coverage	2.09	2.01	1.88

*Fiscal Year March 1 of year shown thru end of February of the following year.

FINANCIAL RATIOS*			
Current Ratio (Current Assets/Current Liabilities)	2.02	2.51	2.24
Acid Test Ratio (Cash & Cash Equivalents/Current Liabilities)	1.07	1.72	1.57
Operating Ratio (O&M-depreciation/Total Operating Revenue)	0.52	0.55	0.55
Net Take-Down Ratio (Total Operating Income+Depreciation)/Gross Revenue)	0.47	0.44	0.44
Total Liabilities to Total Assets	0.43	0.44	0.44
Debt to Equity Ratio (Bonds payable+Commercial paper notes)/Equity)	0.63	0.67	0.68
Debt Ratio (Bonds payable+Commercial paper notes/Total Assets)	0.36	0.37	0.38
Debt Service Safety Margin (Net Operating Income-Debt Service)/Gross Revenue)	0.24	0.21	0.19
Current Restricted Assets/Current Restricted Liabilities	1.92	2.55	2.15

*Fiscal Year March 1 of year shown thru end of February of the following year.

WATER PRODUCTION AND USAGE DATA (Calendar Year)			
Water Customers Retail at End of Year	196,600	194,274	191,625
Water Customers Retail & Wholesale at End of Year	217,406	214,254	210,987
Water Pumped - Million Gallons	37,345	38,820	38,833
Water Metered - Million Gallons - Retail	31,815	33,669	34,336
Water Metered - Million Gallons - (Retail/Wholesale)	35,083	36,322	37,022
Percent of Water Billed vs. Water Pumped (R/W)	94%	94%	95%
Annual Billed Water per Customer Retail - 1000 Gallons	162	173	179
Annual Billed Water per Customer (R/W) - 1000 Gallons	161	170	175
Average Daily Water Demand - Million Gallons	99.8	104.3	106.2
Maximum Daily Water Demand - Million Gallons	161.1	163.2	163.5
Minimum Daily Water Demand - Million Gallons	63.3	60.6	61.2
Daily Average Consumption in Peak Week - Million Gallons	149.8	152.5	155.6
Peak Day	June 26	June 26	June 29
Miles of Water Mains Installed	35.58	37.75	35.34
Miles of Water Mains Replaced or Abandoned	2.88	7.50	10.72
Miles of Water Mains in Place	2,593	2,561	2,530
Number of Fire Hydrants Installed	123	102	136
Number of Fire Hydrants in Place	10,314	10,191	10,089

WASTEWATER SYSTEM DATA (Calendar Year)			
Wastewater Customers Retail & Wholesale at End of Year	202,068	199,181	195,875
Average Daily Flow - Million Gallons	59.10	61.76	61.53
Maximum Daily Flow - Million Gallons	91.07	67.16	68.10
Minimum Daily Flow - Million Gallons	55.85	56.57	52.30
Average Daily Flow per Customer - Gallons	292	310	314
Miles of Wastewater Line Installed	25.00	25.00	34.96
Miles of Wastewater Line in Place	2,235	2,210	2,185

¹Fiscal year 2013 has been restated as a result of a change in estimates and the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

²Fiscal year 2012 has been restated as a result of the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

³Fiscal year 2005 restated to properly present amortization of bond premiums

⁴Fiscal year 2006 restated to properly present change in method of depreciation and capitalized interest

Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Water and Wastewater Utility Fund
February 28, 2014 and February 28, 2013

2011	2010	2009	2008	2007	2006 ³ Restated	2005 ⁴ Restated
\$168,954,309	\$165,064,597	\$166,857,980	\$153,870,696	\$145,522,699	\$162,759,681	\$136,040,710
89,315,635	84,211,344	82,144,429	76,512,872	70,329,517	75,286,185	68,092,152
51,563,606	51,567,727	50,233,301	46,246,662	45,348,889	43,003,469	44,207,686
28,075,068	29,285,526	34,480,250	31,111,162	29,844,293	44,470,027	23,740,872
9,930,669	9,613,832	9,301,374	8,601,624	7,980,845	9,330,128	7,782,955
5,227,358	450,503	7,328,369	1,469,119	4,958,666	36,711,635	16,983,714
17,169,370	7,943,164	15,465,512	9,450,817	29,829,315	14,761,857	11,196,302
429.76	416.58	414.06	391.59	366.59	371.66	311.03
266.71	274.31	273.02	255.80	254.99	261.15	244.61
816	810	784	693	708	663	666
\$42,998,857	\$30,188,754	\$56,845,392	\$110,012,539	\$120,193,891	\$115,683,182	\$91,905,919
497,720,000	504,971,000	519,273,000	465,542,000	436,375,000	402,017,000	359,719,000
19,000,000	9,000,000	9,000,000	14,000,000	21,000,000	40,000,000	15,000,000
1.86	1.58	1.95	1.61	1.67	2.34	2.23
2.56	2.58	2.51	1.66	2.02	3.05	1.76
1.80	1.75	1.64	1.13	1.55	1.47	1.31
0.55	0.59	0.58	0.60	0.61	0.53	0.53
0.45	0.40	0.41	0.39	0.38	0.40	0.46
0.45	0.46	0.46	0.46	0.45	0.46	0.44
0.73	0.75	0.78	0.74	0.71	0.73	0.68
0.40	0.41	0.42	0.40	0.39	0.40	0.38
0.19	0.13	0.18	0.10	0.11	0.24	0.25
2.56	2.61	2.77	1.74	2.10	3.46	2.83
188,927	185,062	182,315	178,031	174,922	171,607	167,753
207,563	202,150	198,390	195,389	191,849	187,794	183,210
37,348	37,067	35,476	35,636	35,457	35,173	34,663
31,570	31,871	30,481	31,123	30,600	30,510	30,066
34,407	34,147	32,069	32,284	32,595	32,565	32,042
92%	92%	90%	91%	92%	93%	92%
167	172	167	175	175	178	179
166	169	162	165	170	173	175
102.4	101.6	96.4	97.5	97.0	96.4	95.0
158.5	152.6	158.7	154.8	162.7	162.3	156.4
62.7	60.7	58.2	59.7	54.6	55.4	60.2
147.7	138.7	144.0	138.0	144.0	152.2	141.5
June 18	July 14	June 27	June 26	June 21	July 6	June 16
21.68	28.69	38.84	42.82	22.00	34.10	60.87
5.14	7.74	2.94	12.75	2.70	4.05	11.13
2,506	2,489	2,468	2,432	2,402	2,383	2,354
168	226	287	270	435	152	208
9,953	9,785	9,559	9,272	9,002	8,567	8,415
192,765	187,992	183,990	180,795	177,845	174,195	169,283
60.35	58.66	58.23	57.98	58.23	55.85	58.15
68.62	72.68	82.31	66.05	78.62	59.24	66.63
51.52	50.79	51.91	51.42	51.63	47.05	49.99
313	312	316	321	327	321	344
30.00	37.00	32.24	29.73	28.00	26.10	53.64
2,150	2,120	2,083	2,051	2,021	1,993	1,967

Public Service Board El Paso Water Utilities
A Component Unit of the City of El Paso
Stormwater Utility Fund

SELECTED FINANCIAL RATIOS	2014*	2013*	2012*	2011*	2010*	2009*
		Restated	Restated			
FINANCIAL DATA						
Total Drainage Revenue	16,997,510	17,546,271	16,494,793	16,505,456	15,615,742	17,417,842
Residential Drainage Revenue	6,235,938	6,147,697	6,057,512	5,975,720	5,857,191	6,575,449
Non Residential Drainage Revenue	8,926,521	8,918,715	8,881,591	8,876,317	8,815,413	10,797,716
Other Operating Revenue	660,626	620,728	466,187	438,037	456,537	-
Interest Revenue	89,659	104,278	122,488	217,392	65,227	44,677
IRS Tax Credit for Build America Bonds	828,171	934,250	967,015	997,990	421,374	-
Gain on Sale of Land and Assets	256,595	820,603	-	-	-	-
Income before Contributions	5,768,141	7,093,521	5,998,229	5,359,572	5,579,012	8,390,394
Capital Contributions	-	-	-	508,814	598,616	24,091,448
Operating Drainage Revenue per Customer	85.05	85.40	84.99	85.14	85.81	99.79
Bonded Debt	63,384,000	65,743,000	53,518,000	53,163,000	55,163,000	-
Debt Service Coverage	1.76	2.35	2.26	3.73	N/A	N/A

FINANCIAL RATIOS						
Current Ratio (Current Assets/Current Liabilities)	9.96	11.64	8.00	11.43	32.03	5.04
Acid Test Ratio (Cash & Cash Equivalents/Current Liabilities)	5.62	7.81	4.88	6.42	20.38	4.08
Operating Ratio (O&M-depreciation/Total Operating Revenue)	0.44	0.40	0.42	0.44	0.47	0.43
Net Take-Down Ratio (Total Operating Income+Depreciation) /Gross Revenue)	0.52	0.53	0.54	0.52	0.52	0.56
Total Liabilities to Total Assets	0.52	0.55	0.54	0.57	0.60	0.03
Debt to Equity Ratio (Bonds payable)/Equity)	1.01	1.15	1.07	1.24	1.43	-
Debt to Ratio (Bonds payable/Total Assets)	0.48	0.52	0.50	0.53	0.58	-
Debt Service Safety Margin (Net Operating Income-Debt Service)/(Total Operating Revenue+Interest Earnings)	0.16	0.28	0.26	0.36	0.49	0.56
Current Restricted Assets/Current Restricted Liabilities	10.63	11.31	7.74	11.90	39.24	N/A

SELECTED OPERATIONS AND STATISTICAL DATA

DRAINAGE OPERATIONS						
Number of Ponds	361	361	361	310	277	277
Acres of Ponds inventoried	904	904	1,020	904	983	983
Acres of Ponds cleaned	82	917	461	650	500	3,429
Number of Dams/Basins	37	37	37	32	38	38
Acres of Dams/Basins inventoried	2,430	2,430	2,417	2,430	2,390	2,390
Acres of Dams/Basins cleaned	57	463	263	1,200	1,000	1,915
Miles of Channels inventoried	74	74	72	74	68	68
Miles of Channels cleaned	10	27	44	30	15	30
Miles of Agricultural Drains inventoried	43	43	39	43	39	39
Miles of Agricultural Drains cleaned	6	39	17	15	20	25
Miles of Drainage Conduits inventoried	280	146	280	146	100	100
Miles of Drainage Conduits cleaned	2	12	2	15	2	2
Drainage Inlets inventoried	6,346	6,094	6,359	6,094	4,100	4,100
Drainage Inlets cleaned	46	373	116	500	100	-

*Fiscal Year March 1 of year shown thru end of February of the following year.

Note: The Stormwater Utility was created and started operations during fiscal year 2008

¹Fiscal year 2013 has been restated as a result of a change in the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

²Fiscal year 2012 has been restated as a result of the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

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