



Budget and Rate Workshop for FY23-24

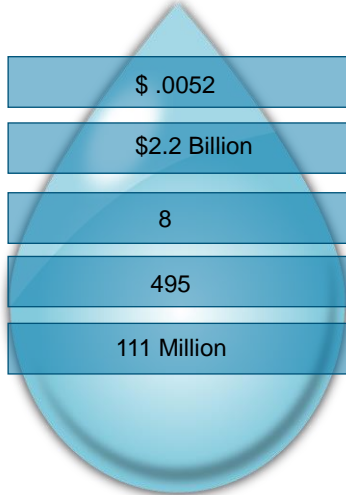
November 29, 2022

Annual budget and rate consideration timeline



Based on the PSB decision at the January meeting, new rates go into effect on March 1st.

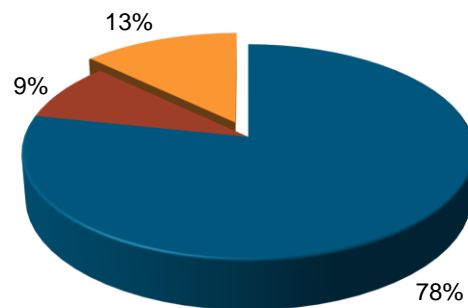
El Paso Water at a glance - 2022



\$.0052	Average cost per gallon of water delivered
\$2.2 Billion	Total Assets
8	Treatment plants (4 water, 4 wastewater)
495	Stormwater ponds, dams and basins
111 Million	Gallons of water delivered daily

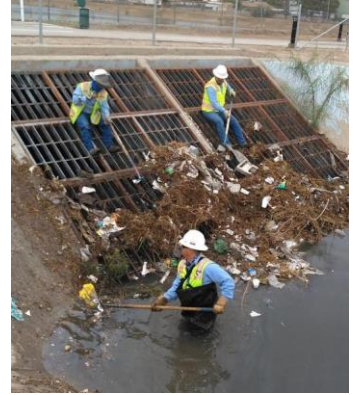
EPWater customers

- Residential – 199,112
- Non-residential – 22,348
- 6 Wholesale customers that serve 32,527 customers
 - Example: Lower Valley Water District receives water from EPWater but manages its own system.



■ Residential ■ Non-Residential ■ Wholesale

24/7 Operations and Service



Setting the Context: Prioritizing Affordability

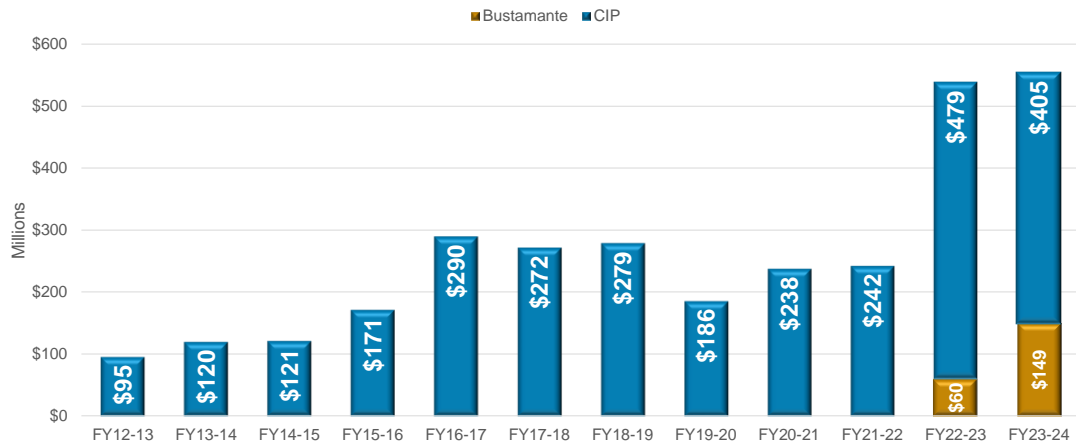
Protecting affordability while managing challenges



PSB actions to preserve affordability

- **2017** – approved waiver of the Water Supply Replacement Charge for all $\frac{3}{4}$ " meters with less than 4 CCFs monthly consumption
- **2019** – created AguaCares program to help El Paso's low-income seniors
- **2021**– partnered with Project Bravo to offer federally-funded assistance to customers through the Low Income Household Water Assistance Program
- **2023** – a proposed increase from 4 CCFs to 5 CCFs for monthly minimum charge to shield low water users from block charges
- **2023** – a proposed sustainability infrastructure surcharge to provide funding for infrastructure

Budgeted water and wastewater CIP for the last 12 years

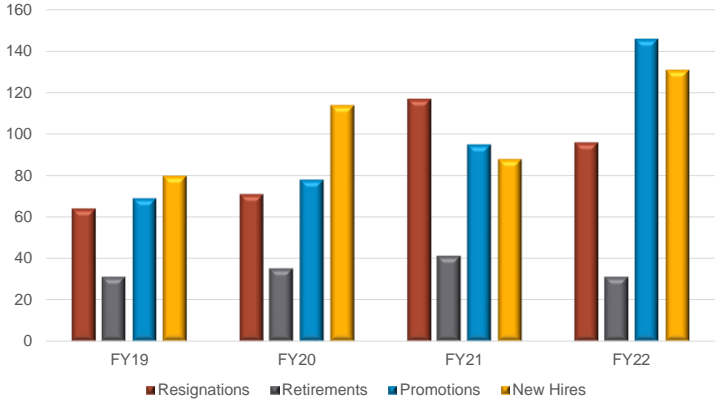


Challenges creating uncertainty, driving up costs

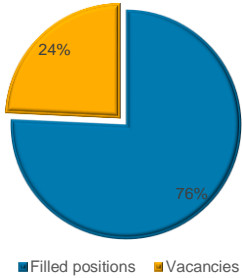


Managing staffing challenges

Employment Trends



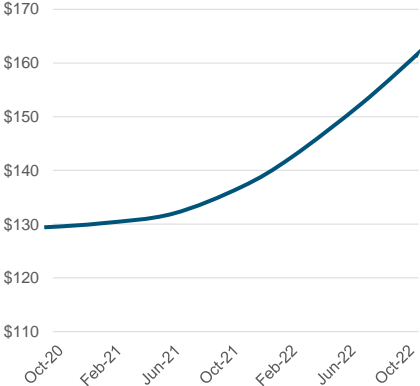
264 Current vacancies



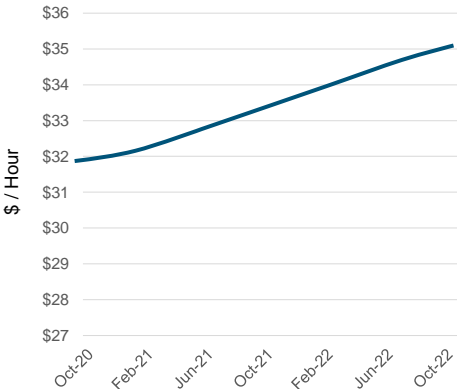
297 employees are eligible for retirement over the next 5 years.

National trends affecting EPWater

Producer Price Index for Government Construction



Average Hourly Earnings for Construction Employees



Cost increases of goods over the last three years

Gas	Increase	Amount
Cost/CCF	211%	\$900K

Electricity	Increase	Amount
Average Cost/kWh	54%	\$4M

Fuel	Increase	Amount
Diesel	150%	\$1M
Unleaded	106%	

Materials	Increase
PVC Pipe 6" & 8"	130%
Valve gates 4"-12"	54%

Chemicals	Increase	Amount
Powdered activated carbon	163%	\$700K
Liquid ferric chloride	77%	
Methanol	58%	

EPWater has a large pipeline distribution system



- 5,200 miles maintained
- Average age of installed pipes:
 - 45 years old for wastewater
 - 37 years old for water



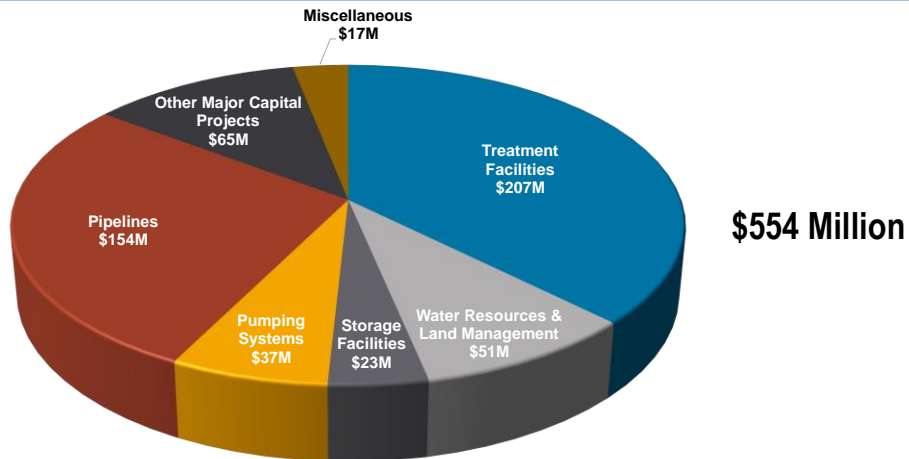
Water and Wastewater Capital Improvements

Our budget priorities = customer priorities

- Reliability
- Water supply
- Flood Control

Customer Survey:	Priorities
Replacing pipes more than 50 years old	90%
Developing sustainable water supply	86%
Building flood control	84%

Combined water and wastewater CIP

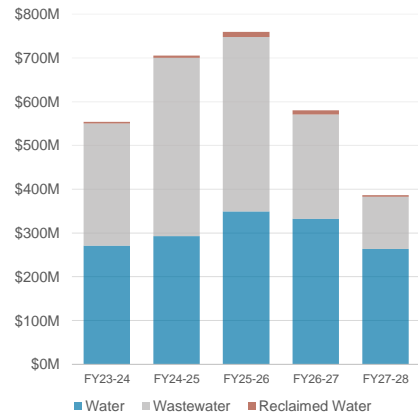


Key components of FY2023-2024 CIP

WATER	\$99M	Water pipelines
	\$23M	Water storage tanks
	\$21M	Pumping system
	\$22M	Water treatment plants
	\$52M	Water supply
WASTEWATER	\$58M	Wastewater pipelines
	\$16M	Pumping systems
	\$189M	Wastewater treatment



5 Year combined water and wastewater CIP

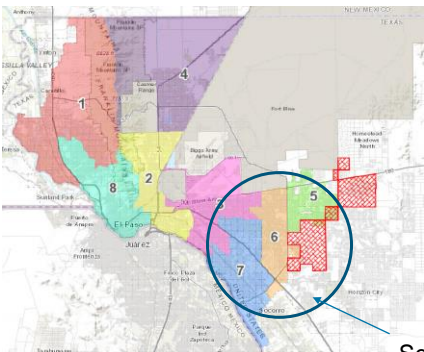


Water/wastewater CIP highlights video



Largest CIP Project: Bustamante WW Treatment Plant

Expansion is needed to this 31-year-old plant due to increased service area demand. Capacity increase at this time is triggered by TCEQ rules. Extensive rehabilitation is also required. The estimated costs over five years is \$730 million.



Service area with growth areas in red

39 MGD → 51 MGD

UPGRADES NEEDED

- Anaerobic digesters
- Clarifiers (primary/secondary)
- Grit settling
- Aeration

EXPANSION

- Generators
- Anaerobic digester
- Disinfection
- Headworks pumps/screening/electrical
- Clarifiers (primary/secondary)



Water, Wastewater & Reclaimed Water Capital & Operating Budget

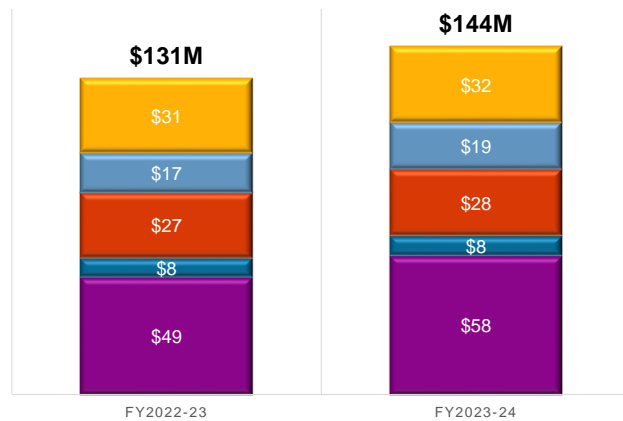
Water & Wastewater operating budget

Changes that affect the budget:

- 12% increase in utilities
- 18% increase in salaries due to retention and new positions

FY2022-23 VS FY2023-24

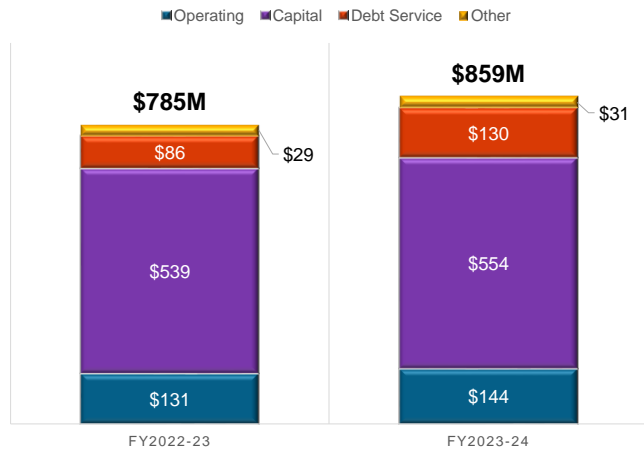
■ Personnel Services ■ Materials ■ Maintenance ■ Utilities ■ Miscellaneous



Water & Wastewater Budget Summary

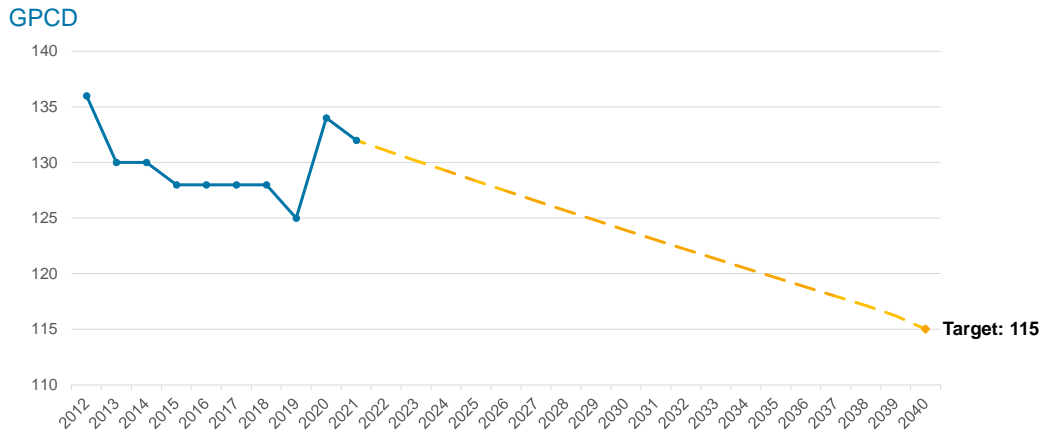
- Operating & maintenance budget has increased by \$13 million
- Debt service has increased by \$44 million
- Capital budget is \$554 million
- Total budget is \$859 million

FY2022-23 VS. FY2023-24



Recommended Rates

Impact of rate increase on water conservation



15% reduction in customer use to achieve target

While this reduction is intended over time, the proposed budget rates scheduled in the financial plan help apply downward pressure on water use that will achieve desired reductions AND help with affordability.

Usage Typical Customer	Bill Current Rates	Bill Proposed Rates	Usage 15% Reduction	Bill %15 Reduction
7,480	\$62.07	\$70.36	6,358	\$64.22

*Usage in gallons

Proposed water rate changes FY2023-2024

Charge	Current	Proposed	Change
Minimum Water Charge	\$8.70 <small>4 CCFs included</small>	\$9.48 <small>5 CCFs included</small>	\$0.78
Water Supply Replacement Charge <small>(4 CCFs or more)</small>	\$12.88	\$14.04	\$1.16

Residential Water Volume Charge			
Block	Current	Proposed	Change
1	\$2.62	\$3.07	\$0.45
2	\$6.20	\$7.25	\$1.05
3	\$8.86	\$10.37	\$1.51

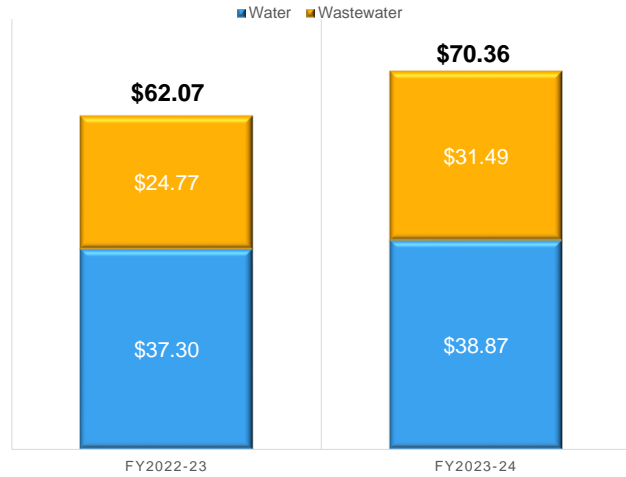
Proposed wastewater rate changes FY2023-2024

Charge	Current	Proposed	Difference
Minimum Wastewater Charge	\$19.79 <small>4 CCFs included</small>	\$27.71 <small>5 CCFs included</small>	\$7.92

Wastewater Volume Charge	Current	Proposed	Difference
(\$ per CCF)	\$2.49	\$3.78	\$1.29

Typical residential water and wastewater bill

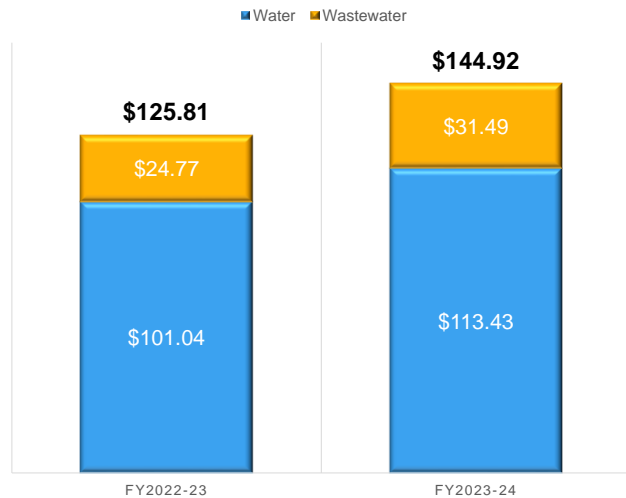
- Average monthly increase for the typical residential customer for water and wastewater charges is \$8.29



*Based on 10 CCFs with AWC of 7 CCFs

Residential water bill with higher consumption

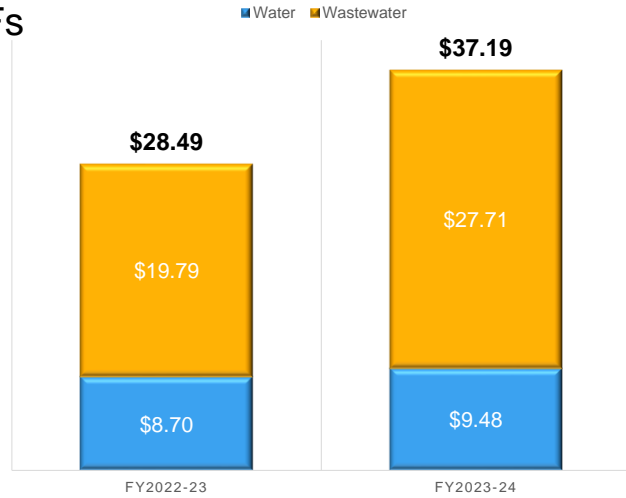
- Increase for monthly bill for water and wastewater charges is \$19.11



*Based on 20 CCFs with AWC of 7 CCFs

Low residential water user total bill for less than 4 CCFs

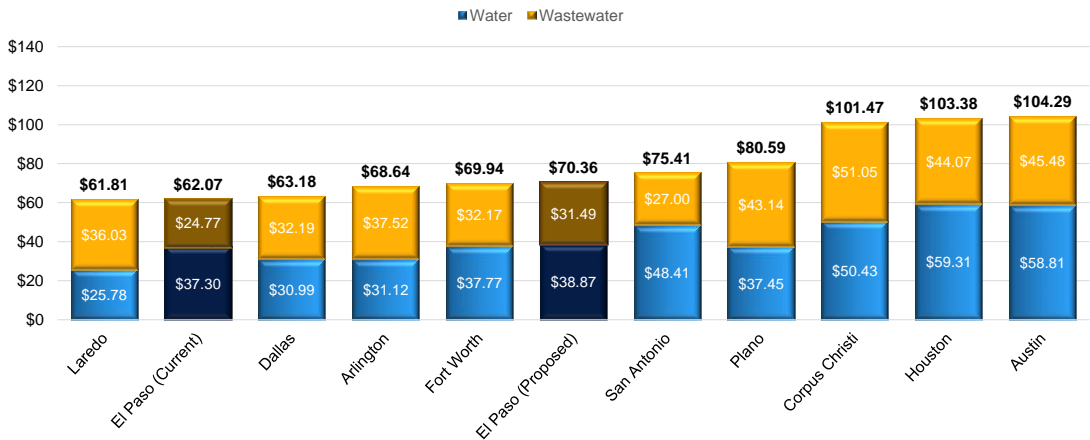
- Increase for monthly bill for water and wastewater charges is \$8.70



*Based on 3 CCFs with AWC of 4 CCFs

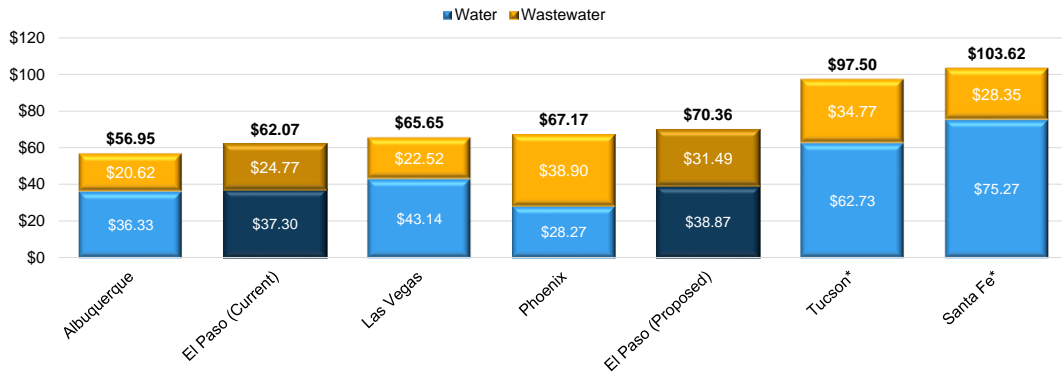
Average residential water/wastewater bill

Ten largest Texas cities 2022



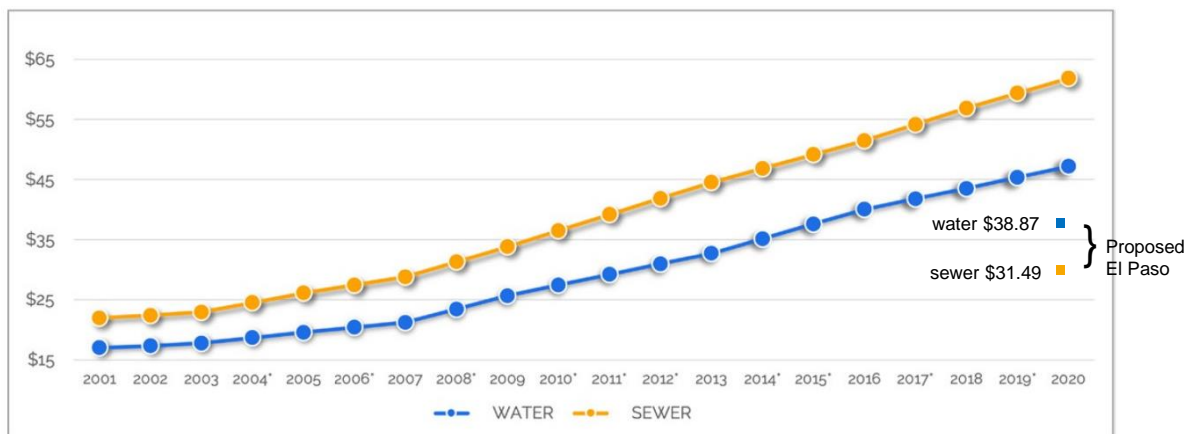
Average residential water/wastewater bill

Arid Cities 2022



Water 10ccfs, AWC 7ccfs

National rate trends for water and wastewater (2021)

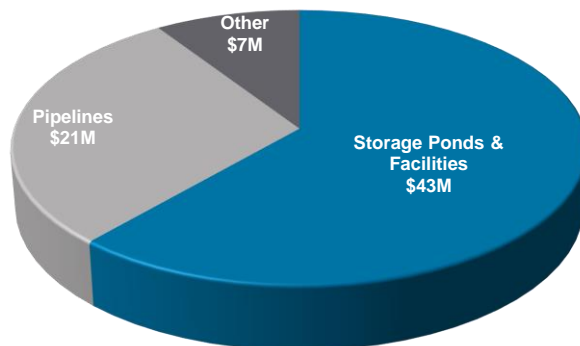




Stormwater Capital Improvements

FY 2023-24 Stormwater CIP

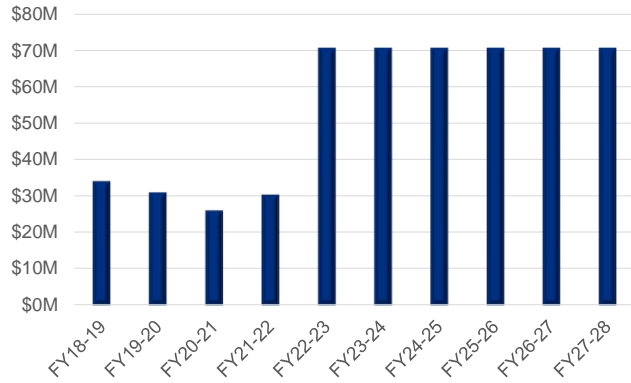
\$71 Million



City Council input – cut time of completion in half

Stormwater CIP

With input from City Council, PSB acted in FY22-23 to accelerate stormwater master plan implementation with completion expected in 10 years.



Key components of FY2023-2024 CIP

- \$36M** New Stormwater ponds/ improvements to ponds
- \$14M** Land acquisition
- \$1M** Corrugated metal pipe replacement/rehabilitation





Stormwater CIP highlights video





Stormwater – Capital & Operating Budget

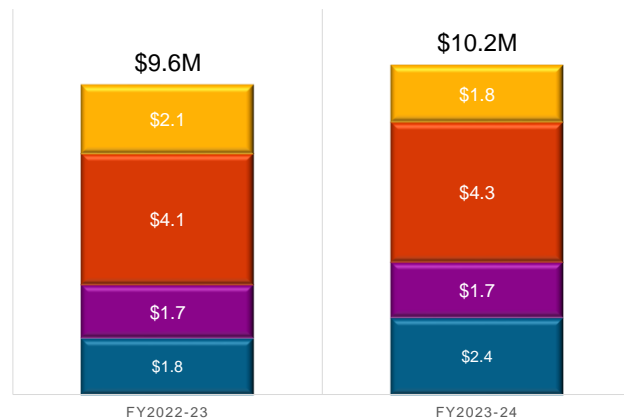
Stormwater operating budget

Changes that affect the stormwater budget

- Indirect Cost Allocation increased by \$629,000
- Maintenance increased by \$263,000

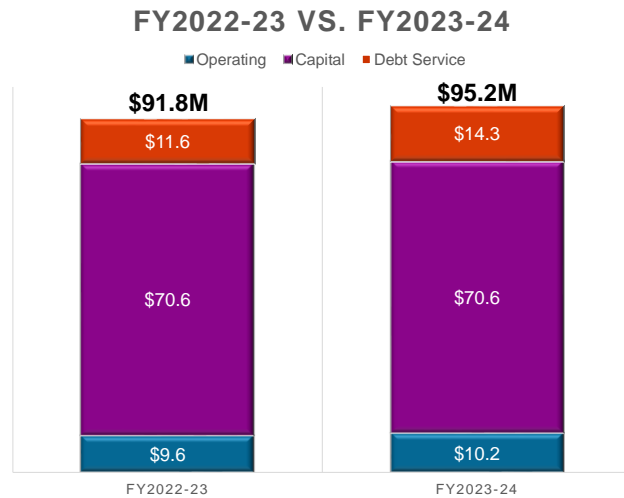
FY2022-23 VS FY2023-24

■ Indirect Cost Allocation ■ Personnel Services ■ Maintenance ■ Miscellaneous



Stormwater Budget Summary

- Debt service increased by \$2.7 million to fund CIP
- Capital budget is \$70.6 million
- Total budget is \$95.2 million



Proposed stormwater fee change FY2023-2024

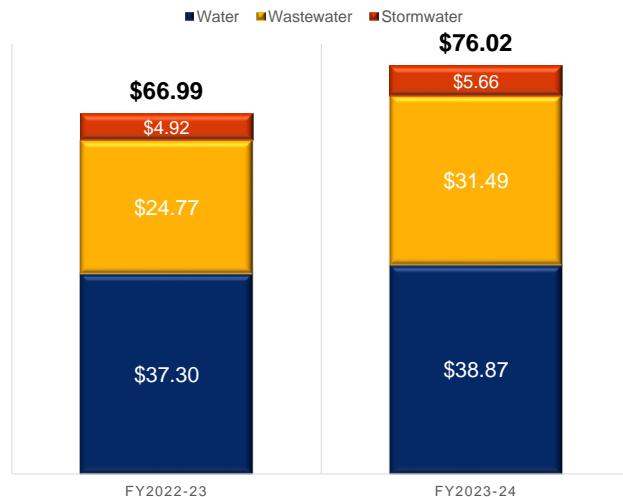
Customer	Current	Proposed	Change	Annual Stormwater Bill
Residential <small>Typical 1,201-3,000 sq. ft.</small>	\$4.92	\$5.66	\$0.74	\$67.90
Commercial <small>Fast Food Restaurant (11,123 sq. ft. approx. ¼ acre).</small>	\$27.86	\$32.04	\$4.18	\$384.51
Commercial <small>Car Dealership (176,068 sq. ft. approx. 4 acres)</small>	\$441.05	\$507.21	\$66.16	\$6,086.49

Stormwater Fees – Texas Cities

City	Typical Residential Fee
Austin	\$10.09
Arlington	\$8.50
Dallas	\$7.38
Lubbock	\$7.30
Fort Worth	\$5.75
El Paso (Proposed)	\$5.66
Houston	\$5.60
San Antonio	\$4.94
El Paso (Current)	\$4.92
Grand Prairie	\$4.69
Plano	\$3.92
Abilene	\$3.38
Amarillo	\$2.61

Typical Residential Total Bill

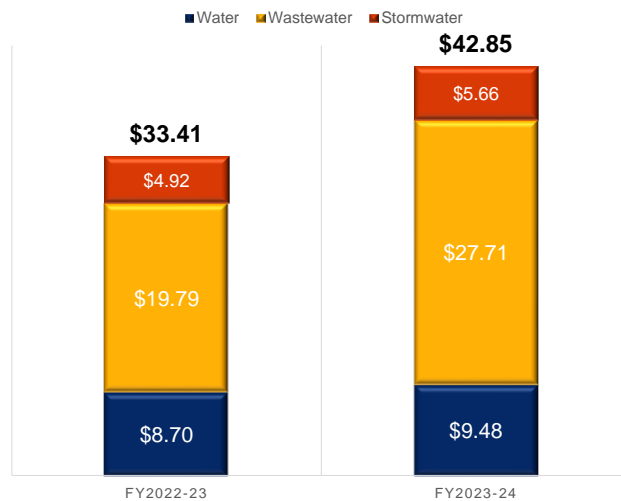
- \$ 1.57 increase for water
- \$ 6.72 increase for wastewater
- \$ 0.74 increase for stormwater
- **Typical residential customer bill with proposed rate increases will be 13.5% higher**
- With the increase, the average monthly residential bill will still be affordable



*Based on 10 CCFs with AWC of 7 CCFs

Low residential water user total bill for less than 4 CCFs

- \$ 0.78 increase for water
- \$ 7.92 increase for wastewater
- \$ 0.74 increase for stormwater
- **Low residential water user bill with proposed rate increases will be \$9.44**



*Based on 3 CCFs with AWC of 4 CCFs



Sustainable Infrastructure Surcharge

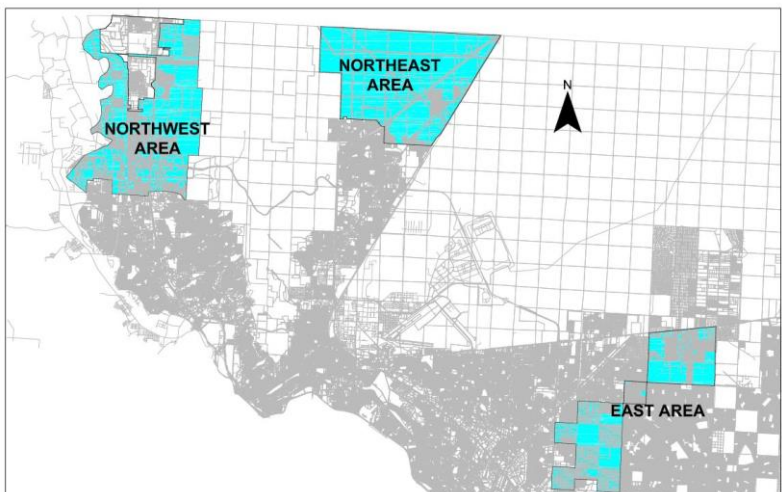
Shifting the burden

- As the City grows in every direction, all current customers pay for infrastructure to serve those areas.
- To keep rates affordable, it's time to start shifting the costs to those who need the new service.



Affordability Initiative: Sustainable Infrastructure Surcharge (SIS)

- New surcharge is for all **NEW** metered homes and businesses in outlying areas
- Excludes traditional infill areas
- Current customers will **not** see the surcharge
- New surcharge provides funding to pay for new infrastructure



Key SIS Elements



Recovers Costs for New Water and Wastewater Infrastructure



Surcharge Collected Via Monthly Bill



Fixed Fee by Meter Size



30-Year Timeline

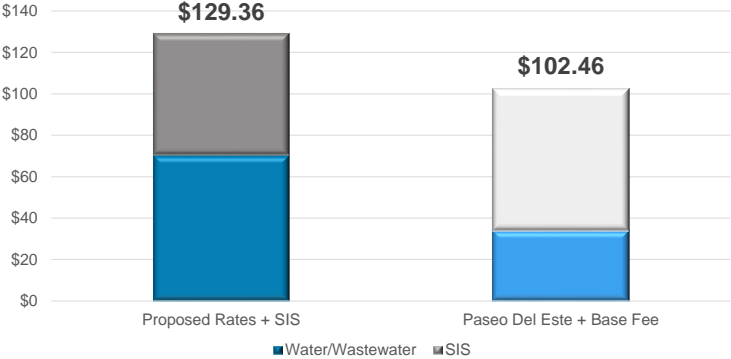


March 1, 2023 Implementation



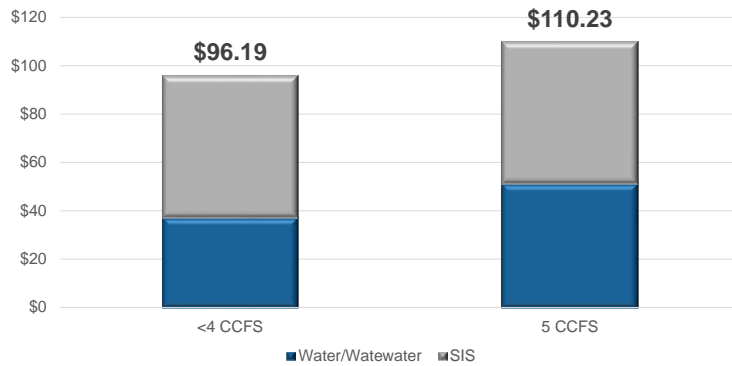
Update Every 5 Years

SIS typical residential monthly water and wastewater bill (*)



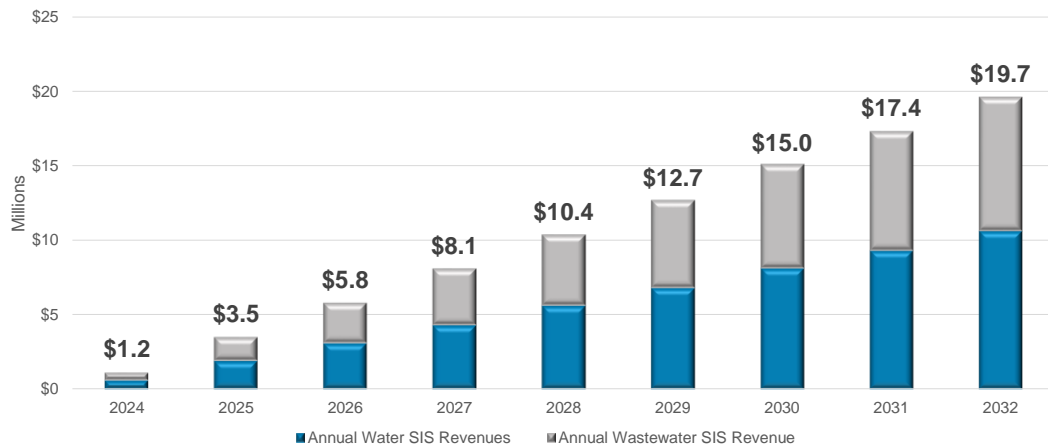
(*) 3/4-inch water meter using 10 hundred cubic feet (CCF) water and 7 CCF wastewater volume. Amounts exclude monthly Stormwater charge and the City Sanitation Billing Charges. Shows the proposed rates that will be effective March 1, 2023 separate from the proposed monthly SIS amount to be assessed to new customers.

SIS low consumption residential monthly water and wastewater bill (*)



(*) ¾-inch water meter. Amounts exclude monthly Stormwater charge and City Sanitation Billing Charges. Shows the proposed rates effective March 1, 2023 separate from the proposed monthly SIS amount to be assessed to new customers.

Projected annual SIS revenue by fiscal year



PSB options on implementation of SIS fee

1. Approve full amount of the SIS calculated monthly fee of \$59 per month for typical residential customers
2. Approval a percentage of the fee to only fund a partial amount of the infrastructure needs of growth areas
3. Not approve and continue for ALL existing customers to continue to pay for growth related projects
4. Any other direction the Board feels is in the best interest of El Paso



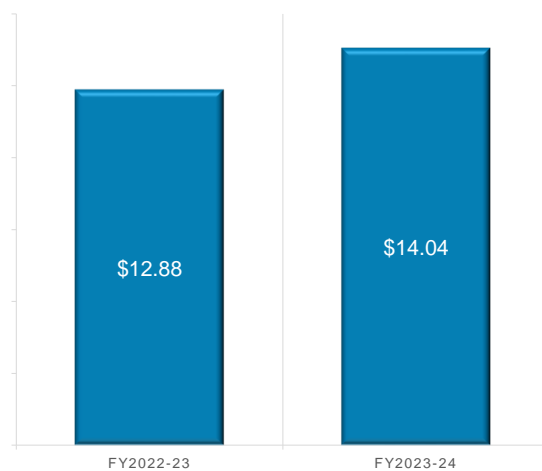
Reducing impact to customers

Actively pursuing state/federal infrastructure funding

- This year, EPWater secured \$22 million, most of which was for AWPf
- \$50+ million in grant funding requests still pending

Affordability: Water conservation saves money

- Water Supply Replacement Charge waived for customers (3/4" meter only) who use less than 4 CCFs per month
- In FY 2022, an average of 48,000 bills per month received the waiver
- \$6.4 million annually saved by high-conserving customers



Water efficient customers will keep their bills down

48,000 customers
save monthly



SAVE
\$14/month
below 4CCFs

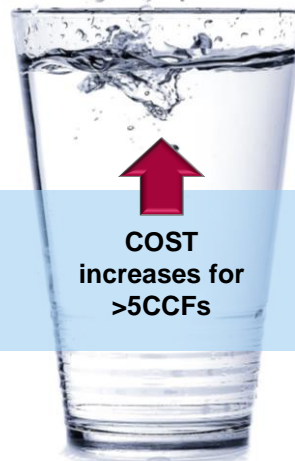
Waiver of Water Supply
Replacement Charge

18,000 customers
will save monthly



SAVE
\$6/month
4-5CCFs

Increased minimum
charge to 5CCFs



COST
increases for
>5CCFs

Higher water users
will pay more

Business rebate program can help reduce water bill



el paso WATER

WaterWise Business REBATE Program

Are you a business looking to replace any of these?

-  Car Wash Equipment
-  Industrial Laundry Equipment
-  Restroom Fixtures
-  Smart Water Irrigation

Up to \$15,000 rebate

Assistance provided to customers

Year	Customers Assisted	Total Amounts
2020	2,566	\$ 682,356
2021	2,821	\$1,736,023
2022 (Projected)	5,500	\$1,600,000



Breaking down a typical bill by customer's dollar



28¢
Solid Waste

34¢
Water

27¢
Wastewater

6¢
Franchise Fees

5¢
Stormwater

*10 CCFs, AWC 7 CCFs and one trash bin for solid waste

Breaking down a low consumption bill by customer's dollar



39¢
Solid Waste

*4 CCFs, AWC 4 CCFs and one trash bin for solid waste

12¢
Water

33¢
Wastewater

9¢
Franchise Fees

7¢
Stormwater

Breaking down a high consumption bill by customer's dollar



17¢
Solid Waste

*20 CCFs, AWC 7 CCFs and one trash bin for solid waste

60¢
Water

16¢
Wastewater

4¢
Franchise Fees

3¢
Stormwater



Proposed Changes to Rules & Regulations

Rules and regulations revisions

- Rules and Regulations 3
 - Update language for clarity
- Rules and Regulations 5
 - Update water and sewer annexation fees tables
 - Add meter/box damage fee during construction(cost plus \$300)
 - Add new Water Sustainable infrastructure surcharge (SIS) section
 - Update language for clarity
- Rules and Regulations 6
 - Add new Wastewater Sustainable infrastructure surcharge (SIS) section
- Rules and Regulations 7
 - Update water and sewer refund rates
 - Remove Paving Cuts waiver fee section
 - Update language for clarity

Opportunity for public comment

- Members of the public may show up at Public Service Board meetings to provide public comment.
 - Wednesday, December 14, 8:00 a.m.
 - Wednesday, January 11, 8:00 a.m.
- This year, we are adding an email option for public comment. Comments will be accepted until January 10, 2023. A summary of the comments received will be provided at the January 11 PSB meeting.
 - PublicAffairs@epwater.org.



Budget and Rate Workshop for FY23-24

November 29, 2022