

FINANCIAL PLAN

BUDGET TRENDS IN FY 2014 - 2015

El Paso Water Utilities 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 2014-2015 the Utility completed nine new wells and rehabilitation of old wells to ensure that El Paso had the necessary groundwater supply available during the summer months in anticipation of a lower than normal river water allotment due to the continued river drought. In addition, the replacement of the Paisano Valley line was completed this year. The replacement of this 36" line with a 48" line added more capacity to move water and also will assist in providing additional water to the downtown and west side areas during periods of drought. In December 2014 the Utility completed the final phase of the multi-year Eastside Interceptor System that will provide sewer service to the growing eastside area from Montana Avenue to the Roberto Bustamante Wastewater Treatment Plant. FY 2014-2015 saw continued improvements in operational efficiencies. In accordance with the Public Service Board's guiding plans, the Utility continued its regional leadership, investment in its employees, and its savings to customers.

Overall operating costs for FY 2014-2015 increased mainly due to the additional cost to purchase and treat 24,000 acre feet (AF) of surface water that the Utility received in 2014 thru its contracts with the El Paso County Water Improvement District #1. In 2014 the Utility received an additional 13,500 AF of surface water compared to 2013 when the Utility only received 10,550 AF, which is far less than the Utility's normal surface water allotment of over 60,000 AF. This increase resulted in additional surface water cost and chemical expense 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.

One major project that is ongoing is the reduction of 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 8.9% in 2014. Results of this program are reflected in various benchmarks in this budget document.

While the bulk of capital improvement efforts are geared towards serving the growth of the city, including water resource development, the Utility still pays diligent attention to replacement and rehabilitation of the total system. 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 \$101.0 million to be invested in plant and system improvements and additions in FY 2014-2015, the Utility estimates spending \$12.9 million in well drilling and equipping of high capacity water wells including the emergency drought wells project, \$7.2 million for new distribution water lines and pumping equipment, and \$18.5 million in rehabilitation of existing water infrastructure including \$4.7 million for the 48” Paisano Valley line replacement. In addition, \$3.7 million is projected to be spent for emergency back-up power generators. On the wastewater side, the Utility estimates spending \$15.6 million in new collection systems and pumping facilities, \$14.5 million in rehabilitation of existing wastewater infrastructure and \$5.6 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.

On January 8, 2015, the Utility issued \$131.7 million in revenue refunding bonds that took \$25 million of commercial paper long and refunded \$116.4 million of six previously issued bond series. The Utility took advantage its strong financial ratings and low rates in the market with this bond issue which resulted in a net present value savings of \$10.3 million.

FY 2015 – 2016: MEETING FUTURE DEMANDS

The FY 2015-2016 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:

<u>Date</u>	<u>Agenda</u>
November 10, 2014	Stormwater Utility Operating and Capital Budget
November 17, 2014	Water, Wastewater and Reclaimed Water Operating and Capital Budget
December 10, 2014	Adoption of Budget, Rates and Rules and Regulations for the Water, Wastewater and Reclaimed Water Utility
January 21, 2015	Public Hearing and Adoption of Budget, Rates and Rules and Regulations for the Stormwater Utility

ASSUMPTIONS

The FY 2015-2016 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	35.5 billion gallons
Water billed growth rate	1.5%
Sewer treated	22.1 billion gallons
Sewer 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	0.25% of average fund balance
Payment to City (water only)	10.0% of water revenues
Future debt financing 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 2015-2016 DETAIL BUDGET

The Fiscal Year 2015 – 2016 budget reflects the PSB’s updated 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 2015-2016 combined operating and capital budget addresses a continued effort to hold the line on expenditures. The Utility adopted an 8 percent water and sewer rate increase.

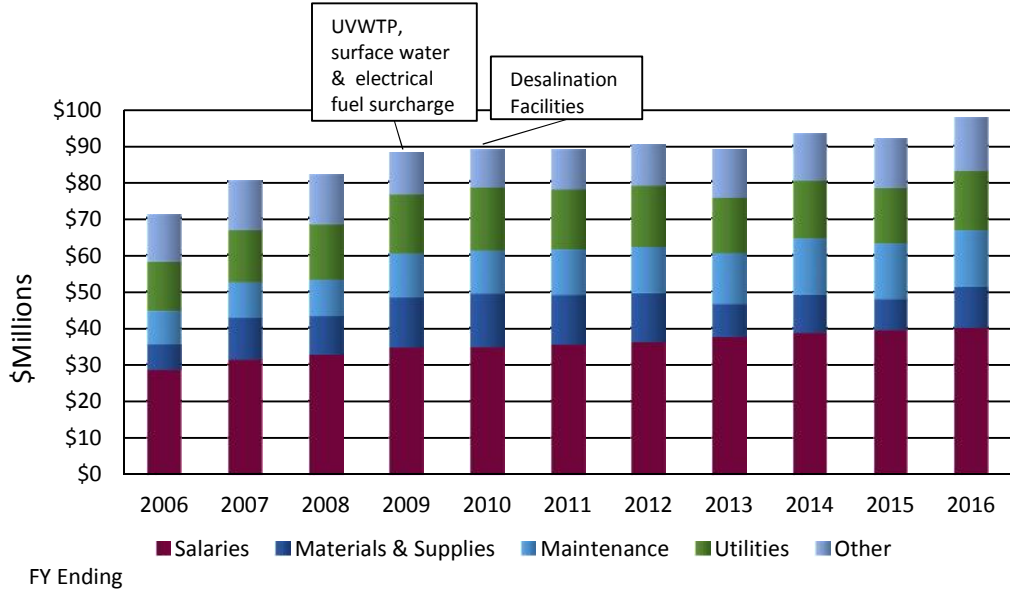
Some of the highlights of the 2015-2016 budget are as follows:

The operating budget increased by \$5.9 million. The following changes to the operating budget show that expenses increased mainly as a result of the expected increase in river water allotment of 35,000 acre feet:

- \$2.6 million increase in river water supply cost
- \$1.1 million increase in electricity expense
- \$376,000 increase in chemical expense

In addition, maintenance cost increased by \$183,000 and \$608,000 for normal salary adjustments and 11 new positions.

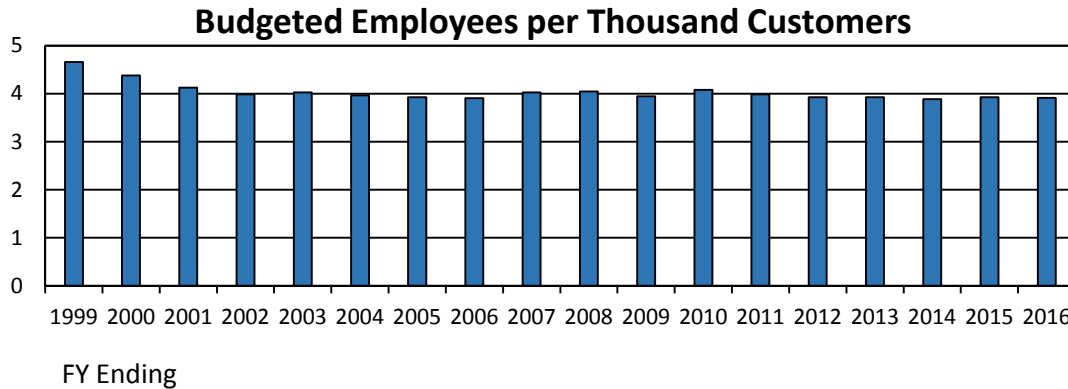
Operating Expenditure Comparison



The following table identifies adjustments to the staffing table:

CHANGE IN STAFFING	
SECTION	NUMBER OF POSITIONS
Engineering	+2
Financial and Support Services	+1
Information Systems	+1
Operations (Water)	+5
Operations (Wastewater)	+1
Operations (Equipment & Facilities Maintenance)	+1
NET CHANGE, ALL DIVISIONS FY 2015-2016	+11 POSITIONS

The Utility's ratio of employees to 1,000 customers has been reduced by 20% from 5.0 in 1996 to 3.9 employees per 1,000 customers budgeted for in FY 2015-2016.



Some capital projects were delayed in FY 2014-2015, therefore in FY 2015-2016 \$33.2 million of capital projects are already funded through prior years' appropriations. Out of the \$169.6 million capital budget, \$133.4 million is from new appropriations. The capital budget continues to address water supply issues, continued population growth and water demand, rehabilitation of water and wastewater infrastructure, and new water, wastewater and reclaimed water facilities to meet future demand:

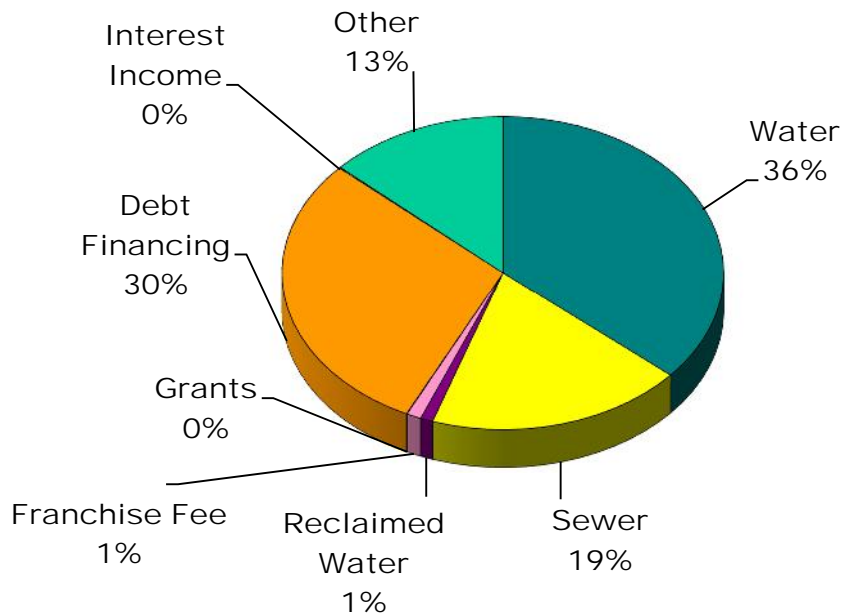
- To meet the demands of growth both inside and outside the city, several projects are included in the FY 2015-2016 capital budget. One of these is the construction of five reservoirs in the northeast, central and eastside of El Paso. These tanks will be built over two years at an estimated cost of \$26.3 million of which \$14.2 million will be spent during FY 2015-2016.
- To meet future water demand the Utility budgeted \$55.3 million for the acquisition of land for "near" and "far" water importation projects.
- A new strategic plan initiative is the implementation of a drought proof source of water. An advance purified water plant will be pilot tested to produce drinking water. The initial pilot plant will have a 2 MGD capacity and the Utility budgeted in FY 2015-2016 \$2.1 million for the design and permit requirements with the goal of treating 10 MGD in the near future for an estimated construction cost of \$89 million.
- Another initiative the Utility budgeted this year is for the first phase of a multiyear project to expand the Jonathan Rogers Water Treatment Plant from 60 MGD to 80 MGD. The total cost of this project is estimated at \$43.0 million, of which \$2.1 million will be spent in FY 2015-2016.
- The Utility will be constructing and equipping six water supply wells in the east and northeast areas of the city at an estimated cost of \$6.1 million.

- The Utility included \$14.1 million to provide emergency back-up power to major water facilities. This will be the fourth year of this multi-year \$30 million project.
- The capital budget also includes \$20.0 million for sewer rehabilitation projects which includes \$5.7 million for City of El Paso bond paving projects and TXDOT relocation of lines projects.
- In addition, the budget includes \$3 million for field operations yard relocation. 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

Sources of Funds, FY 15-16: \$332.010 million



Water – Water revenues are funds generated for providing potable water service to customers and fire protection. Water revenue for FY 2015-2016 is estimated at \$98.9 million and reflects an increase of \$8.5 million in billed water compared to the estimated water revenue for FY 2014-2015 due to an approved 8 percent revenue adjustment and normal growth in customers.

Sewer – Sewer revenues are proceeds from providing wastewater treatment services to customers. Wastewater revenue for FY 2015-2016 is estimated to be \$62.5 million. This estimate is higher from the previous year's budget reflecting an approved 8 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 \$21.8 million for FY 2015-2016. Effective March 1, 2015, a 3/4" x 5/8" meter accounts with monthly water consumption of less than 3 ccfs will not be charged the WSRC. This rate elimination was approved by the PSB to help low volume users. The WSRC for 3/4" meter customers with monthly consumption of 3 ccfs or greater will see a 24 percent rate adjustment. Customers with meter sizes greater than 3/4" will see an 8 percent rate adjustment.

Debt Service Proceeds – These are restricted funds available from previously issued and/or new bond issues for a specific use. For FY 2015-2016 the Utility budgeted \$98.0 million for new bond issues for capital improvements. This is an increase of \$73.0 million over the previous year and includes a bond issue of \$50.0 million to purchase water rights land in Hudspeth County. In addition, a \$20 million bond issue will be needed to finance the construction of five reservoirs.

Franchise Fee – Effective September 1, 2014 the City of El Paso is charging the Utility a franchise fee of \$3.6 million annually. 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. City Council recommended that the monthly flat fee of \$15.82 be collected from non-residential meter accounts only.

Reclaimed – Reclaimed water revenues are funds generated for supplying advanced secondary and tertiary reuse water services. This revenue source is estimated to generate \$3.1 million in FY 2015-2016. The estimated revenue is \$369,000 more than FY 2014-2015 due to an approved 8 percent revenue adjustment and normal customer growth.

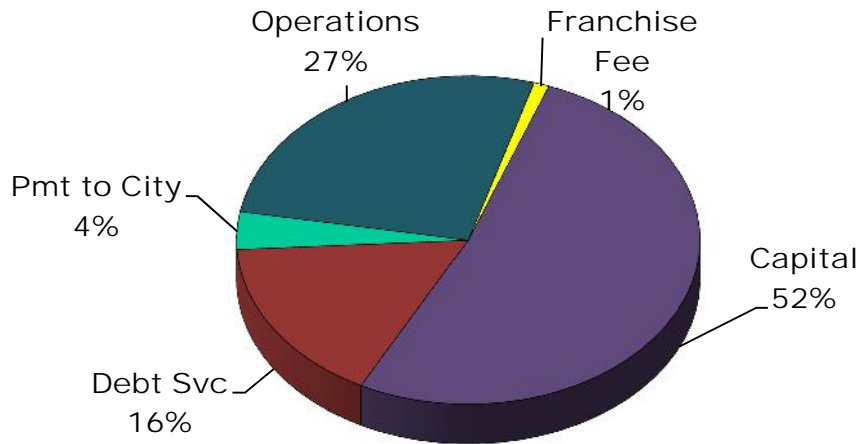
Interest Income – This category includes interest earned from investments, other cash management functions and notes receivable. This revenue source is estimated at \$318,000 for FY 2015-2016. Interest rates are projected to remain low in the upcoming year.

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 2015-2016 are estimated to be \$156,000, a decrease of \$3.0 million over the previous year.

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 2015-2016 estimated revenue from this source is \$43.8 million, which includes \$31.8 million from fund balance, \$2.0 million in revenue from annexation fees, \$850,000 in revenue from impact fees and \$2.5 million from contributions from new customers. The BAB 35% tax credit of \$219,000 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

Uses of Funds, FY 15-16: \$332.010 million



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 2015-2016 are estimated to be \$88.4 million. This is a 7.1% increase compared to FY 2014-2015. The increase is mainly due to the budgeted increase of surface water allotment from 15,000 acre feet (AF) in FY 2014-15 to 35,000 AF projected for FY 2015-16.

Capital – Capital expenses include all expenditures for the planning, design, construction, rehabilitation or purchase of assets. Total capital expenses for FY 2015-2016 are estimated to be \$171.4 million. Water capital projects represent 75.7% of total capital expenditures in FY 2015-2016, with wastewater projects representing 21.6%, reclaimed water projects representing 1.6%, and capital equipment representing 1.10%.

Debt Service – This category includes expenditures for the payment of principal and interest on bonds and other debt instruments. Debt service for FY 2015-2016 is estimated to be \$54.2 million. This is a \$4.8 million increase over the prior year due to the additional debt services cost associated with \$70.0 million of new bonds to be issued to finance capital projects. In addition, the Utility plans to take long an estimated \$28.0 million of Commercial Paper Notes next fiscal year.

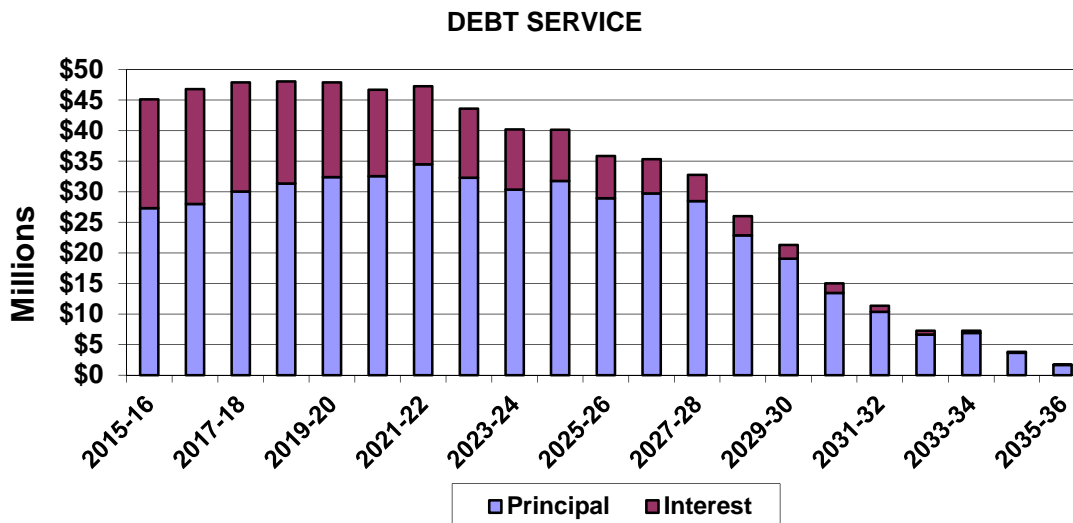
Payment to City – 10% of water revenues paid to the City of El Paso’s general fund per bond ordinance. For FY 2015-2016, this payment to the City is estimated to be \$12.2 million. This figure is \$852,000 more than the previous year due to an approved 8 percent water revenue adjustment.

Franchise Fee – Effective September 1, 2014 the City of El Paso is charging the Utility a franchise fee of \$3.6 million annually. 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. City Council recommended that the monthly flat fee of \$15.82 be collected from non-residential meter accounts only.

Contingency – This category allows for unusual, unbudgeted expenses, equivalent to 2.5% of the operating budget. The contingency this year is \$2.2 million.

DEBT SERVICE

The following chart shows, as of February 28, 2015, all outstanding principal and interest owed by El Paso Water Utilities. An adequate level of debt and strong financial positions reflects superior fiscal management that have allowed EPWU to continue to earn among the highest ratings that can be awarded by rating agencies like Standard & Poor’s (AA+) and Fitch (AA+). In December 2014 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. The commercial paper matures from one to 270 days, with interest rates from 0.06% to 0.11%. On January 8, 2015, the Utility issued \$131.7 million in revenue refunding bonds that took \$25 million of commercial paper long and refunded \$116.4 million of six previously issued bond series. The Utility took advantage its strong financial ratings and low rates in the market with this bond issue and obtained a net present value savings of \$10.3 million. This new debt service has been included in the FY 2015-2016 budget. The net result of low interest rates on debt financing means lower overall cost to EPWU 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			
<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015-16	27,345,000	17,774,315	\$45,119,315
2016-17	28,025,000	18,784,068	\$46,809,068
2017-18	30,040,000	17,841,439	\$47,881,439
2018-19	31,335,000	16,740,982	\$48,075,982
2019-20	32,415,000	15,489,678	\$47,904,678
2020-21	32,545,000	14,174,628	\$46,719,628
2021-22	34,495,000	12,799,989	\$47,294,989
2022-23	32,295,000	11,333,798	\$43,628,798
2023-24	30,360,000	9,860,828	\$40,220,828
2024-25	31,790,000	8,389,007	\$40,179,007
2025-26	28,920,000	6,949,795	\$35,869,795
2026-27	29,735,000	5,609,134	\$35,344,134
2027-28	28,475,000	4,298,211	\$32,773,211
2028-29	22,880,000	3,143,918	\$26,023,918
2029-30	19,045,000	2,237,651	\$21,282,651
2030-31	13,455,000	1,543,094	\$14,998,094
2031-32	10,325,000	1,021,263	\$11,346,263
2032-33	6,625,000	655,331	\$7,280,331
2033-34	6,900,000	372,413	\$7,272,413
2034-35	3,645,000	139,994	\$3,784,994
2035-36	1,655,000	28,963	\$1,683,963

CUSTOMER IMPACTS

Because of the many factors that go into providing quality water and wastewater services, El Paso Water Utilities must continue its leadership in regional and local planning to ensure that its customers continue to receive the highest quality water and sewer 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 sewer 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 *\$5.03 and the rate increases depending on the size of the meter.

Water Rate Structure

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. An 8 percent revenue increase rate adjustment was approved in the FY 2015-2016 budget. The rates effective March 1, 2015 are outlined below:

*Rates effective March 1, 2015

Block 1 \$1.52 per CCF

Block 2 \$3.58 per CCF

Block 3 \$5.12 per CCF

* Does not include the 10 percent of all water sales payable to the City of El Paso.

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.

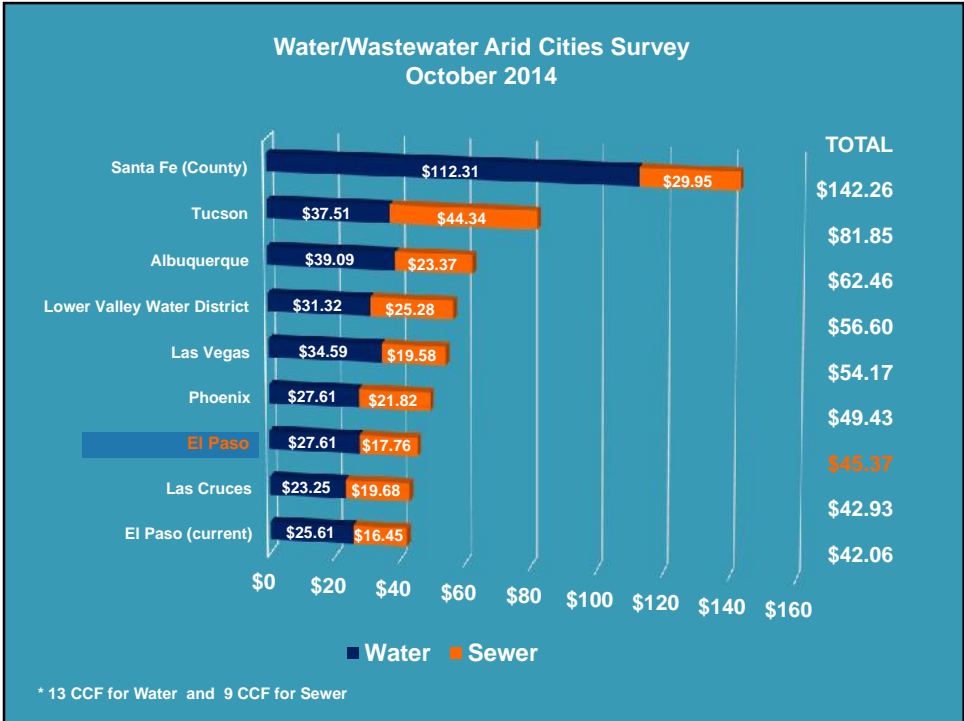
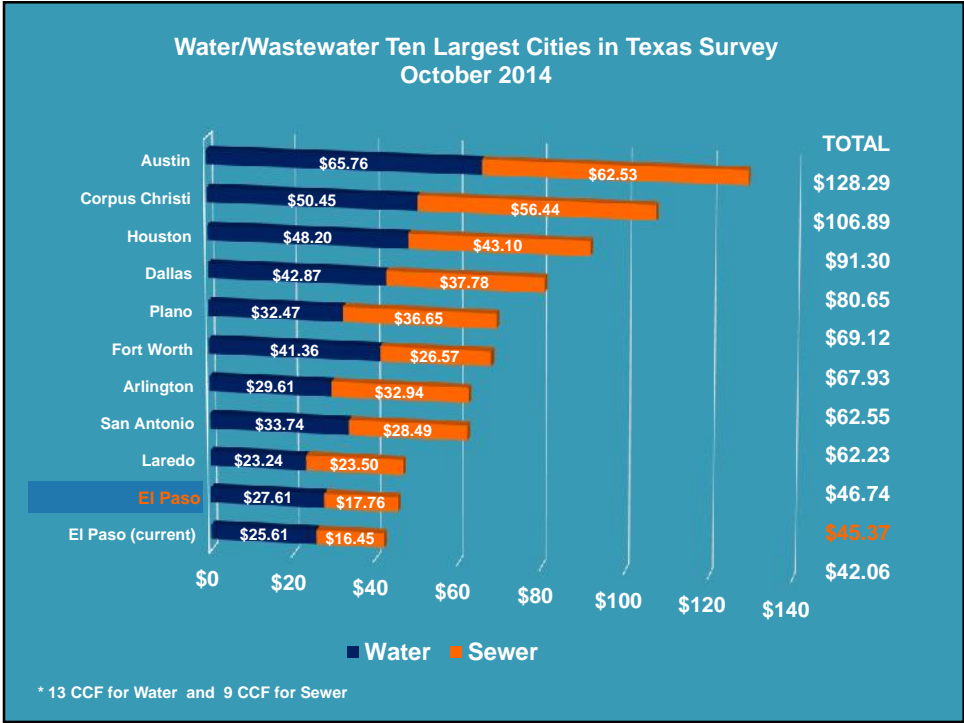
In February 1996, the PSB adopted a water supply replacement charge (WSRC). This is dedicated revenue to be used for the acquisition of new water resources to meet current and future water demand. The WSRC is a flat monthly fee charged to each water customer, increasing with equivalent meter size. The typical meter size for a single family detached residence is 3/4" x 5/8" and the WSRC is *\$7.13. Effective March 1, 2015, a 3/4" x 5/8" meter accounts with monthly water consumption of less than 3 ccfs will not be 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 Utilities. Effective March 1, 2015 this monthly charge will be shown separately from water charges in the Utility bill.

Effective September 1, 2014, City Council established a franchise fee to be paid by the El Paso Water Utilities to compensate the City of El Paso for the use of city streets and rights of way for utility lines and wear and tear on City streets in a total amount of Three Million Five Hundred Fifty Thousand and No/100 Dollars (\$3,550,000.00). The City recommended that any resulting fee be assessed on non-residential meters. The calculated monthly fee is \$15.92 and will be adjusted as needed in order to meet the amount established by City Council.

The wastewater bill is determined by taking 90% of the customer's AWC, then billing a minimum charge of \$11.80 for the first 4 CCFs, and \$1.49 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. EPWU continues to offer the most competitive and efficient services possible, and provides one of the most affordable commodities in the West, as supported in a September 2014 survey of similar cities (survey assumes consumption of 13 CCFs of water and 9 CCFs of sewer). 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 Utilities 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 EPWU-PSB 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.



Water/Wastewater Regional Survey October 2014



* 13 CCF for Water and 9 CCF for Sewer

El Paso Water Utilities - Public Service Board
SUMMARY OF RECEIPTS & DISBURSEMENTS (IN 1000'S)
FY 2015-16 BUDGET

FY 2014-15 Approved -vs- Projected Budget

	Approved Budget FY 2014-15	Projected FY 2014-15	Variance	% Change
Water Billed (In Billion Gallons)	36.50	34.50	(2.00)	-5.48%
REVENUE				
Water	89,781	89,423	(358)	-0.40%
Water Supply Replacement Charge	19,976	19,929	(47)	-0.24%
Reclaimed Water	2,682	2,789	107	3.99%
Fire Protection	581	646	65	11.19%
Service Charges, Misc. Fees	3,157	3,407	250	7.93%
Total Water	116,177	116,194	17	0.01%
Wastewater Service	58,096	56,599	(1,497)	-2.58%
Pretreatment Surcharge	501	493	(8)	-1.60%
Total Wastewater	58,597	57,092	(1,505)	-2.57%
Misc. Operating Revenues	3,000	2,949	(51)	-1.70%
City Franchise Fee	-	1,980	3,600	N/A
Interest Revenue on Operating Funds	55	90	35	63.64%
Total Operating Revenues	177,830	178,305	2,096	0.27%

LESS OPERATING EXPENDITURES				
Operation & Maintenance	82,545	81,307	(1,238)	-1.50%
City Franchise Fee	-	1,980	3,600	N/A
Total Expenditures	82,545	83,287	2,362	0.90%

Revenues Available	95,286	95,018	(268)	-0.28%
Sale of Misc. Assets	70	70	0	0.00%
Interest Revenue on Restricted Funds	254	228	(26)	-10.09%
Build America Bonds (BAB) 35% Tax Credit	219	214	(5)	-2.09%
Revenues Available for Debt Service	95,829	95,530	(299)	-0.31%
Debt Service - Water and Wastewater	48,104	48,099	(5)	-0.01%
Debt Service Reserve Fund	908	1,236	328	36.12%
Short Term Commercial Paper - Interest	373	350	(23)	-6.17%
Payment to City	11,301	10,705	(596)	-5.27%
Revenues Avail For Capital Rehab/Impr.	35,143	35,141	(2)	-0.01%

PLUS MISC. NON-OPERATING REVENUES				
Sales of Land Assets	6,500	900	(5,600)	-86.15%
Impact Fees	850	805	(45)	-5.29%
Annexation Fees	1,000	2,100	1,100	110.00%
Contribution of New Customers	4,668	2,790	(1,878)	-40.23%
Total Non-Operating Revenues	13,018	6,595	(6,423)	-49.34%

Total Revenues Avail for Capital Rehab/Impr.	48,161	41,736	(6,425)	-13.34%
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CAPITAL EXPENDITURES				
Capital Projects-Water	74,892	60,634	(14,258)	-19.04%
Capital Projects-Wastewater	39,066	34,558	(4,508)	-11.54%
Capital Projects-Reuse	6,222	5,611	(611)	-9.82%
Capital Equipment	1,287	3,500	2,213	171.95%
Total Capital Expenditures	121,467	104,303	(17,164)	-14.13%
Contingencies	2,064	-	(2,064)	-100.00%
Deficiency to be funded by debt or construction funds	(75,369)	(62,567)	12,802	-16.99%
Restricted Bond Construction Funds	-	62,566	62,566	N/A
New Bond Issues & Short Term Commercial Paper Program	25,000	35,000	10,000	40.00%
Grants	3,200	1,000	(2,200)	-68.75%
Less Transfer to Water Supply Reserve	(6,500)	(900)	5,600	-86.15%
Fund Balance (Increase/Decrease)	(53,669)	35,099	88,768	
Debt Service Coverage	1.99	1.99		

EL PASO WATER UTILITIES - 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

	<u>Year End February 28, 2014</u>		<u>Year End February 28, 2015</u>		<u>FY 2015-2016</u>
	Budget	Actual	Budget	Projected	Budget
BILLED WATER (billions of gallons, retail + wholesale)	35.00	34.75	36.50	34.50	35.50
OPERATING REVENUES					
Water service	\$ 93,662,000	\$ 88,016,006	\$ 89,781,000	\$ 89,423,000	\$ 98,224,000
Water supply replacement charge	19,703,000	19,594,187	19,976,000	19,929,000	21,803,000
Reclaimed water service	3,086,000	2,651,400	2,682,000	2,789,000	3,051,000
Fire protection	1,022,000	587,999	581,000	646,000	652,000
Service charges, misc. fees	2,663,000	3,233,707	3,157,000	3,356,000	3,342,000
Wastewater service	57,737,000	57,582,137	58,096,000	56,599,000	61,922,000
Pretreatment surcharges	534,000	450,359	501,000	493,000	539,000
Misc. operating revenues	3,000,000	4,243,578	3,000,000	3,000,000	3,000,000
Franchise Fee	-	-	-	1,980,000	3,550,000
Interest revenue on operating funds	48,000	56,824	55,000	90,000	90,000
TOTAL OPERATING REVENUES	181,456,000	176,416,197	177,830,000	178,305,000	196,174,000
OPERATING EXPENSES					
Operations and maintenance - water and reclaimed water	43,138,900	38,764,590	40,976,000	40,361,000	45,464,800
Operations and maintenance - wastewater	23,535,600	22,496,822	23,484,000	23,132,000	23,392,700
General and administrative	17,573,500	19,178,358	18,085,000	17,814,000	19,576,500
Franchise Fee	-	-	-	1,980,000	3,550,000
Depreciation	50,000,000	50,592,539	50,000,000	50,000,000	50,000,000
Other operating expenses	1,850,000	2,602,114	1,850,000	1,850,000	1,850,000
Other Post-Employment Benefits expense	1,000,000	833,973	1,000,000	1,000,000	1,000,000
Payment to City of El Paso per bond covenants	11,587,000	10,553,216	11,301,000	10,705,000	12,153,000
TOTAL OPERATING EXPENSES	148,685,000	145,021,612	146,696,000	146,842,000	156,987,000
OPERATING INCOME	32,771,000	31,394,585	31,134,000	31,463,000	39,187,000
NON-OPERATING REVENUES (EXPENSES)					
Interest income	365,000	209,091	254,000	228,000	228,000
IRS tax credit for Build America Bonds	236,000	221,332	219,000	214,000	219,000
Gain on sale of assets	5,092,000	2,328,419	6,570,000	970,000	3,070,000
Interest on bonds and commercial paper	(21,000,000)	(18,534,364)	(21,000,000)	(22,465,000)	(21,000,000)
Impact Fees	850,000	273,620	850,000	805,000	850,000
Annexation fees	1,000,000	1,899,650	1,000,000	2,100,000	2,000,000
Tap fees and other customer construction related contributions	15,029,000	2,463,951	4,668,000	2,790,000	2,500,000
TOTAL NON-OPERATING EXPENSES	1,572,000	(11,138,301)	(7,439,000)	(15,358,000)	(12,133,000)
INCOME BEFORE CONTRIBUTIONS	34,343,000	20,256,284	23,695,000	16,105,000	27,054,000
CAPITAL CONTRIBUTIONS	8,000,000	13,828,858	8,000,000	8,000,000	8,000,000
INCREASE IN NET POSITION	42,343,000	34,085,142	31,695,000	24,105,000	35,054,000
TOTAL NET POSITION - BEGINNING	751,129,267	751,129,267	785,214,409	785,214,409	816,909,409
TOTAL NET POSITION- ENDING	\$ 793,472,267	\$ 785,214,409	\$ 816,909,409	\$ 809,319,409	\$ 851,963,409
DEBT SERVICE COVERAGE	2.02	2.09	1.99	1.99	2.00

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

El Paso Water Utilities / Public Service Board Water and Wastewater Fiscal Year 2015-16 Annual Budget (in \$1,000's)	Approved FY 2015-16
Total Operating and Capital Budget	\$332,010
OPERATING REVENUES	
Water Service	98,224
Water Supply & Replacement	21,803
Reclaimed Water Sales	3,051
Fire Protection	652
Service Charges, Misc. Fees	3,342
TOTAL WATER REVENUES	127,072
RATE INCREASE - Water	8.0%
RATE INCREASE - Reuse	8.0%
Wastewater Service	61,922
Pretreatment Surcharges	539
TOTAL WASTEWATER REVENUES	62,461
RATE INCREASE - Wastewater	8.0%
Other Revenue	3,000
Franchise Fee	3,550
Interest Revenue on Operating Funds	90
TOTAL OPERATING REVENUES	196,174
LESS OPERATING EXPENSES	
Operations & Maintenance	88,434
Franchise Fee	3,550
TOTAL OPERATING EXPENSES	91,985
NET OPERATING REVENUES AVAILABLE	104,189
Sale of Assets	70
Interest Revenue on Restricted Funds	228
Build America Bonds (BAB) 35% Tax Credit	219
REVENUE AVAILABLE FOR DEBT SERVICE	104,706
Existing Debt Service - P & I - Bonds	46,317
Commercial Paper Annual Financing	332
New Debt Service - P & I - Bonds	5,958
Annual Contributions to Reserve Fund	1,622
Payment to City - Water Only	12,153
REVENUE AVAILABLE FOR CAPITAL IMPROVEMENTS PLUS RESTRICTED NON-OPERATING REVENUES	38,324
Land Sales	3,000
Impact Fees	850
Annexation Fees	2,000
Contribution of New Customers	2,500
TOTAL NON-OPERATING REVENUES	8,350
TOTAL REVENUE AVAILABLE FOR CAPITAL IMPROVEMENTS	46,674
CAPITAL EXPENDITURES	
Capital Projects - Water	129,786
Capital Projects - Wastewater	37,100
Capital Projects - Reuse	2,677
Capital Equipment	1,867
TOTAL CAPITAL EXPENDITURES	171,430
Contingencies	2,212
(DEFICIENCY) TO BE FUNDED BY DEBT, GRANTS OR CONSTRUCTION FUNDS	(126,969)
Less Restricted Construction Funds	-
Less New Bond Issues & Commercial Paper	98,000
Less Grants	156
Less Transfer to Water Supply Reserve	(3,000)
Increase /(Decrease) In Fund Balance	(\$31,813)
Debt Service Coverage - Target 1.5x	2.00
Percent Increase In Utility Bill	8.0%

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

EXPENDITURE	2013-14			2014-15			Final		
	Approved Budget	Actual	%	Approved Budget	6 months YTD	%	Approved	2015-16 Increase (Decrease)	%
GENERAL OPERATING									
PERSONAL SERVICES	38,812,600	36,936,465	95.2%	39,517,600	17,433,928	44.1%	40,125,900	608,300	1.54%
MATERIALS & SUPPLIES	10,365,900	7,144,943	68.9%	8,390,800	3,765,381	44.9%	11,314,900	2,924,100	34.85%
MAINTENANCE	15,319,800	14,386,547	93.9%	15,184,700	6,868,059	45.2%	15,367,800	183,100	1.21%
UTILITIES	15,850,600	16,306,713	102.9%	15,276,100	8,688,898	56.9%	16,334,200	1,058,100	6.93%
OTHER*	13,004,100	12,664,758	97.4%	13,506,800	6,267,322	46.4%	14,492,200	985,400	7.30%
GROSS O & M BUDGET	93,353,000	87,439,425	93.7%	91,876,000	43,023,589	46.8%	97,635,000	5,759,000	6.27%
Less: Capital Salaries	(3,779,000)	(4,526,590)	119.8%	(3,965,000)	(2,400,679)	60.5%	(3,781,000)	184,000	-4.64%
Capital Credits	(4,021,000)	(4,786,560)	119.0%	(4,173,000)	(2,447,951)	58.7%	(4,119,000)	54,000	-1.29%
Stormwater Indirect Cost Allocation	(1,305,000)	(1,305,000)	100.0%	(1,193,000)	(596,500)	50.0%	(1,300,000)	(107,000)	8.97%
NET OPERATING BUDGET	84,248,000	76,821,275	91.2%	82,545,000	37,578,459	45.5%	88,435,000	5,890,000	7.14%
CLEARING ACCOUNTS									
PERSONAL SERVICES	4,072,000	3,722,869	91.4%	4,060,100	1,797,924	44.3%	3,835,500	(224,600)	-5.53%
MATERIALS AND SUPPLIES	1,589,700	1,586,916	99.8%	1,688,700	775,005	45.9%	1,650,900	(37,800)	-2.24%
MAINTENANCE	283,200	308,803	109.0%	298,200	147,989	49.6%	296,200	(2,000)	-0.67%
UTILITIES	270,000	319,961	118.5%	293,000	178,339	60.9%	296,000	3,000	1.02%
OTHER*	972,100	1,037,247	106.7%	1,093,000	595,279	54.5%	1,106,400	13,400	1.23%
TOTAL CLEARING ACCOUNTS	7,187,000	6,975,795	97.1%	7,433,000	3,494,536	47.0%	7,185,000	(248,000)	-3.34%

*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 UTILITIES/PUBLIC SERVICE BOARD
SUMMARY OF OPERATING BUDGET APPROPRIATIONS
BY PROGRAM BY ORGANIZATIONAL UNIT
FISCAL YEAR 2015-2016

Section Division	FY 2013-14			FY 2014-15			FY 2015-16		
	Approved Budget	Actual	%	Approved Budget	6 months YTD	%	Approved Budget	Increase (Decrease)	%
ADMINISTRATION									
100 Public Service Board	715,000	435,258	60.9%	698,000	139,424	20.0%	362,000	(336,000)	-48.14%
105 Executive Services	2,246,000	2,271,055	101.1%	1,281,600	590,866	46.1%	1,145,000	(136,600)	-10.66%
110 Legal Services	809,000	1,174,373	145.2%	815,000	533,590	65.5%	1,071,000	256,000	31.41%
115 Communications	557,000	416,974	74.9%	996,800	505,542	50.7%	1,579,000	582,200	58.41%
120 Human Resources	826,000	706,507	85.5%	922,000	375,184	40.7%	920,000	(2,000)	-0.22%
130 Water Resources Management	351,000	344,174	98.1%	348,000	158,002	45.4%	355,000	7,000	2.01%
140 Land Management	953,000	1,034,278	108.5%	979,000	419,120	42.8%	971,000	(8,000)	-0.82%
150 Tech20 Learning Center	971,000	768,349	79.1%	876,000	354,070	40.4%	1,187,000	311,000	35.50%
TOTAL DIVISION	7,428,000	7,150,966	96.3%	6,916,400	3,075,799	44.5%	7,590,000	673,600	9.74%
TECHNICAL SERVICES									
310 Technical Services	572,000	291,094	50.9%	638,600	228,495	35.8%	644,000	5,400	0.85%
315 Water/Wastewater Engineering	921,000	640,711	69.6%	1,026,000	289,041	28.2%	1,005,000	(21,000)	-2.05%
320 Planning and Development	1,960,000	1,886,684	96.3%	2,022,000	821,679	40.6%	1,892,000	(130,000)	-6.43%
325 Project Administration	697,000	734,016	105.3%	817,000	373,718	45.7%	1,059,000	242,000	29.62%
TOTAL DIVISION	4,150,000	3,552,505	85.6%	4,503,600	1,712,933	38.0%	4,600,000	96,400	2.14%
OPERATIONS (WATER DIVISION)									
410 Water Division Office	1,438,000	999,163	69.5%	1,280,000	326,044	25.5%	1,217,000	(63,000)	-4.92%
420 Water Production	14,337,000	14,099,063	98.3%	14,451,000	7,201,032	49.8%	14,534,000	83,000	0.57%
430 Canal Street Water Treatment Plant	3,478,000	2,585,776	74.3%	3,157,000	1,566,237	49.6%	4,094,000	937,000	29.68%
440 Water Distribution	9,843,000	10,232,410	104.0%	9,710,000	5,109,873	52.6%	10,725,000	1,015,000	10.45%
450 Jonathan Rogers Water Treatment Plant	4,923,000	2,843,905	57.8%	3,074,000	2,014,086	65.5%	6,228,000	3,154,000	102.60%
470 Upper Valley Water Treatment Plant	1,649,000	1,684,958	102.2%	1,648,000	889,727	54.0%	1,814,000	166,000	10.07%
480 Desalination Plant	3,339,000	3,191,391	95.6%	3,089,000	1,135,132	36.7%	2,813,000	(276,000)	-8.93%
TOTAL DIVISION	39,007,000	35,636,665	91.4%	36,409,000	18,242,129	50.1%	41,425,000	5,016,000	13.78%
OPERATIONS (OPERATIONS SUPPORT)									
510 Operations Management	453,000	447,052	98.7%	517,000	232,187	44.9%	593,000	76,000	14.70%
520 Environ. Compliance & Industrial Pretreatment	743,000	714,874	96.2%	717,000	319,238	44.5%	726,000	9,000	1.26%
525 Laboratory Services	2,829,000	2,804,025	99.1%	2,887,000	1,387,190	48.0%	2,920,000	33,000	1.14%
540 Reclaimed Water System	615,000	400,365	65.1%	598,000	225,918	37.8%	515,000	(83,000)	-13.88%
560 Biosolids Management	1,987,000	1,805,009	90.8%	2,098,000	714,251	34.0%	1,938,000	(160,000)	-7.63%
TOTAL DIVISION	6,627,000	6,171,326	93.1%	6,817,000	2,878,784	42.2%	6,692,000	(125,000)	-1.83%
OPERATIONS (WASTEWATER DIVISION)									
610 Wastewater Division Office	583,000	548,539	94.1%	610,000	284,260	46.6%	627,000	17,000	2.79%
620 Wastewater Lift Stations	2,565,000	2,245,048	87.5%	2,606,000	1,119,112	42.9%	2,653,000	47,000	1.80%
630 Collection System Maintenance	1,899,000	2,171,212	114.3%	1,954,000	1,001,999	51.3%	2,001,000	47,000	2.41%
640 John T. Hickerson Water Reclamation Facility	2,732,000	2,527,714	92.5%	2,669,000	1,204,777	45.1%	2,701,000	32,000	1.20%
650 Haskell Street Wastewater Treatment Plant	4,013,000	3,892,486	97.0%	3,956,000	1,722,884	43.6%	3,844,000	(112,000)	-2.83%
670 Roberto Bustamante WW Treatment Plant	4,550,000	4,157,929	91.4%	4,428,000	1,998,336	45.1%	4,484,000	56,000	1.26%
680 Fred Hervey Water Reclamation Plant	3,456,000	3,292,309	95.3%	3,495,000	1,543,698	44.2%	3,449,000	(46,000)	-1.32%
690 Wastewater System Repair & Construction	1,792,000	1,801,658	100.5%	1,787,000	851,037	47.6%	1,772,000	(15,000)	-0.84%
TOTAL DIVISION	21,590,000	20,636,895	95.6%	21,505,000	9,726,103	45.2%	21,531,000	26,000	0.12%
FINANCIAL & SUPPORT SERVICES									
710 Finance	546,000	529,421	97.0%	604,000	398,196	65.9%	641,000	37,000	6.13%
715 Asset Management	848,000	825,525	97.3%	855,000	377,999	44.2%	913,000	58,000	6.78%
720 Customer Service	5,899,000	5,928,330	100.5%	6,098,000	2,880,977	47.2%	6,484,000	386,000	6.33%
740 Accounting	742,000	693,104	93.4%	722,000	323,755	44.8%	724,000	2,000	0.28%
750 Purchasing	623,000	598,186	96.0%	631,000	251,854	39.9%	642,000	11,000	1.74%
TOTAL DIVISION	8,658,000	8,574,566	99.0%	8,910,000	4,232,781	47.5%	9,404,000	494,000	5.54%
INFORMATION SERVICES									
810 Information Services	3,746,000	3,764,752	100.5%	4,136,000	2,207,482	53.4%	4,097,000	(39,000)	-0.94%
825 Instrumentation and Control	2,147,000	1,951,711	90.9%	2,679,000	947,578	35.4%	2,296,000	(383,000)	-14.30%
TOTAL DIVISION	5,893,000	5,716,503	97.0%	6,815,000	3,155,060	46.3%	6,393,000	(422,000)	-6.19%
GROSS O & M BUDGET									
93,353,000	87,439,425	93.7%	91,876,000	43,023,589	46.8%	97,635,000	5,759,000	6.27%	
Less: Capital Salaries	(3,779,000)	(4,526,590)	119.8%	(3,965,000)	(2,400,679)	60.5%	(3,781,000)	184,000	-4.64%
Less: Capital Credits	(4,021,000)	(4,786,560)	119.0%	(4,173,000)	(2,447,951)	58.7%	(4,119,000)	54,000	-1.29%
Less: Stormwater Indirect Cost Allocation	(1,305,000)	(1,305,000)	100.0%	(1,193,000)	(596,500)	50.0%	(1,300,000)	(107,000)	8.97%
NET OPERATING BUDGET EPWU	84,248,000	76,821,275	91.2%	82,545,000	37,578,459	45.5%	88,435,000	5,890,000	7.14%
CLEARING ACCOUNTS									
912 Meter Repair & Testing	507,000	434,840	85.8%	498,000	211,455	42.5%	447,000	(51,000)	-10.24%
914 Warehouse	392,000	391,099	99.8%	391,000	146,299	37.4%	398,000	7,000	1.79%
915 Fleet Maintenance	2,623,000	2,608,737	99.5%	2,766,000	1,238,902	44.8%	2,756,000	(10,000)	-0.36%
916 Heavy Equipment Operations	2,446,000	2,286,681	93.5%	2,509,000	1,251,002	49.9%	2,515,000	6,000	0.24%
917 Facilities Maintenance	1,219,000	1,254,437	102.9%	1,269,000	646,878	51.0%	1,069,000	(200,000)	-15.76%
TOTAL CLEARING ACCOUNTS	7,187,000	6,975,795	97.1%	7,433,000	3,494,536	47.0%	7,185,000	(248,000)	-3.34%
STORMWATER UTILITY									
210 Stormwater Management	5,398,000	5,183,251	96.0%	4,154,000	2,271,436	54.7%	4,702,100	548,100	13.19%
220 Stormwater Engineering	585,000	495,820	0.0%	706,000	257,938	36.5%	758,500	52,500	7.44%
230 Stormwater Code Compliance	0	0	0.0%	411,000	180,083	0.0%	420,400	9,400	0.00%
TOTAL STORMWATER UTILITY	5,983,000	5,679,071	94.9%	5,271,000	2,709,457	51.4%	5,881,000	610,000	11.57%
Plus: Indirect Cost Allocation	1,305,000	1,305,000	100.0%	1,193,000	596,500	50.0%	1,300,000	107,000	8.97%
NET OPERATING BUDGET STORM	7,288,000	6,984,071	95.8%	6,464,000	3,305,957	51.1%	7,181,000	717,000	11.09%
EPWU AND STORMWATER	91,536,000	83,805,347	91.6%	89,009,000	40,884,415	45.9%	95,616,000	6,607,000	7.42%

EL PASO WATER UTILITIES/PUBLIC SERVICE BOARD
SUMMARY, FY 2015-2016
STAFFING BY DIVISION AND SECTION

Division/Section		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Administration	Executive Services	14	15	15	15	6	5
	Legal Services	4	4	4	4	4	4
	Communications	2	2	2	2	8	8
	Human Resources	8	8	8	11	11	11
	Water Resources Management	5	4	4	4	4	4
	Land Management	7	7	7	8	8	9
	Tech20 Learning Center	10	10	10	10	10	10
	Total Division	50	50	50	54	51	51
Technical Services	Technical Services	3	4	4	5	6	5
	Water/Wastewater Engineering	14	14	14	15	15	15
	Planning and Development	33	32	32	32	33	31
	Project Administration	8	8	8	8	8	13
	Stormwater Engineering	6	6	6	0	0	0
	Asset Management	0	0	0	0	0	0
	Total Division	64	64	64	60	62	64
Financial & Support Services	Finance	3	3	3	3	4	4
	Property and Treasury Management	13	13	14	14	15	15
	Customer Service	96	98	101	102	102	103
	Accounting	14	14	13	13	13	13
	Purchasing	9	9	10	10	10	10
	Meter Repair Shop	11	11	11	11	11	11
	Warehouse	9	9	9	9	8	8
		Total Division	155	157	161	162	163
Information Services	Information Services	24	24	26	27	30	31
	Instrumentation and Control	13	14	25	26	29	29
		Total Division	37	38	51	53	59
Operations (Water System)	Water Division Office	3	3	3	3	3	3
	Well Production	43	43	44	43	43	44
	Canal Street WTP	20	20	20	20	20	20
	Water Distribution	96	96	96	98	98	102
	Jonathan Rogers WTP	18	18	18	18	18	18
	Upper Valley WTP	15	15	15	15	15	15
	Desalination Plant	14	14	14	14	14	14
		Total Division	209	209	210	211	211
Operations (Wastewater System)	Wastewater Division Office	5	5	5	5	5	5
	Wastewater Lift Stations	20	20	18	18	18	18
	Wastewater Collection System Maintenance	33	33	33	33	33	33
	Northwest WWTP	17	17	15	15	15	15
	Haskell Street WWTP	32	32	30	30	30	30
	Roberto Bustamante WWTP	31	31	29	29	29	30
	Fred Hervey WRP	30	30	28	28	28	28
	Wastewater System Repair & Construction	20	20	20	20	20	20
	Total Division	188	188	178	178	178	179
Operations (Operations Support)	Operations Management	3	3	3	3	4	4
	Environmental Compliance/Industrial Pretreatment	11	10	10	10	10	10
	Laboratory Services	29	29	30	30	30	30
	Reclaimed Water System	1.5	1.5	1.5	1.5	1.5	1.5
	Biosolids Management	0.5	0.5	0.5	0.5	0.5	0.5
		Total Division	45	44	45	45	46
Operations (Equipment & Facilities Maintenance)	Fleet Maintenance	21.3	21.3	21.3	22.3	22.3	23.3
	Heavy Equipment Operations	42.3	42.3	42.3	42.3	42.3	42.3
	Facilities Maintenance	17.3	17.3	18.3	18.3	18.3	18.3
		Total Division	81	81	82	83	83
TOTAL BUDGETED POSITIONS		829	831	841	846	853	864
TOTAL ACTUAL POSITIONS		759	752	782	785	775	

FIVE YEAR FINANCIAL PLAN

A five-year financial plan is also prepared which 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 adjustment made to the O&M budget due to the anticipated and continuing river drought this year. Due to the drought, the Utility expects to receive in 2015 only 35,000 acre feet of surface water, therefore the costs such as chemicals, electricity and maintenance were increased to reflect the increase production from the water surface plants and decrease use of well water during the summer months. Overall, this plan attempts to capture and reflect future incremental increases in operating and capital costs due to new facilities being placed into service and compliance with new federal, state and local regulations.

Alternative Revenue Sources

The five-year plan includes several assumptions regarding additional revenue sources. The plan includes issuing \$50 million in bonds thru the Texas Water Development Board (TWDB) for water rights land acquisition to be used for future water importation. An additional \$20 million in bonds will be issued in the open market to fund four reservoir tank projects. 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 fiscal year 2015-2016 \$3 million in land sales revenues is budgeted, with \$14 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 2010-11 plan. We anticipate collecting \$850,000 in impact fees in FY 2015-2016 and an additional \$5.8 million in the following four years. The Build America Bond (BAB) 35% tax credit was also a new revenue source in FY 2010-11. For

fiscal year 2015-2016, \$219,000 in BAB tax credit is budgeted and reflects the decrease as a result of cuts made in the Budget Act of 2013.

Five Year Financial Plan* (in \$1,000's)

WATER & WASTEWATER FUND	Adopted Budget FY 2014-15	Projected Budget FY 2014-15	Approved FY 2015-16	Projected FY 2016-17	Projected FY 2017-18	Projected FY 2018-19	Projected FY 2019-20
Total Operating and Capital Budget	\$266,761	\$245,999	\$332,010	\$351,771	\$366,101	\$420,982	\$302,376
OPERATING REVENUES							
Water Service	89,781	89,423	98,224	110,446	121,951	133,419	140,560
Water Supply Replacement	19,976	19,929	21,803	24,516	27,070	29,616	31,201
Reclaimed Water Sales	2,682	2,789	3,051	3,431	3,788	4,145	4,366
Fire Protection	581	646	652	659	666	672	679
TOTAL WATER REVENUES	113,021	112,787	123,731	139,052	153,475	167,852	176,806
RATE INCREASE - Water	0.0%	0.0%	8.0%	11.0%	9.0%	8.0%	4.0%
RATE INCREASE - Reuse	0.0%	0.0%	8.0%	11.0%	9.0%	8.0%	4.0%
Wastewater Service	58,096	56,599	61,922	69,626	76,879	84,109	88,611
Pretreatment Surcharges	501	493	539	606	670	733	772
TOTAL WASTEWATER REVENUES	58,597	57,092	62,461	70,233	77,549	84,842	89,383
RATE INCREASE - Wastewater	0.0%	0.0%	8.0%	11.0%	9.0%	8.0%	4.0%
Service Charges, Misc. Fees	6,157	6,356	6,342	6,335	6,398	6,462	6,527
City Franchise Fee, Misc. Revenues	0	1,980	3,550	3,550	3,550	3,550	3,550
Interest Revenue on Operating Funds	55	90	90	91	92	93	94
TOTAL OPERATING REVENUES	177,830	178,305	196,174	219,261	241,064	262,799	276,359
LESS OPERATING EXPENSES							
Operations & Maintenance	82,545	81,307	88,435	89,557	90,754	91,661	92,578
City Franchise Fee, Expenses	0	1,980	3,550	3,550	3,550	3,550	3,550
TOTAL OPERATING EXPENSES	82,545	83,287	91,985	93,107	94,304	95,211	96,128
OPERATING REVENUES AVAILABLE	95,286	95,019	104,189	126,154	146,761	167,588	180,232
Sale of Assets	70	70	70	70	70	70	70
Interest Revenue on Restricted Funds	254	228	228	228	228	228	228
Build America Bonds (BAB) 35% Tax Credit	219	214	219	210	201	191	181
REV. AVAILABLE FOR DEBT SERVICE	95,829	95,531	104,706	126,662	147,260	168,077	180,710
Existing Debt Service - P & I - Bonds	45,916	48,099	46,317	47,427	47,712	47,565	46,384
Commercial Paper Annual Interest	373	350	332	321	321	321	321
New Debt Service - P & I - Bonds	2,188	(0)	5,958	15,994	25,946	36,210	42,796
Annual Contributions to Reserve Fund	908	1,236	1,622	2,952	3,491	3,749	2,377
Payment to City - Water Only	11,301	10,705	12,153	13,746	15,002	16,554	17,276
REV. AVAIL. FOR CAPITAL IMPROVEMENTS	35,143	35,142	38,324	46,222	54,788	63,678	71,556
PLUS MISC. NON-OPERATING REVENUES							
Impact Fees	850	805	850	850	1,650	1,650	1,650
Land Sales	6,500	900	3,000	5,000	2,000	5,000	2,000
Annexation Fees	1,000	2,100	2,000	2,000	2,000	2,000	2,000
Contribution of New Customers	4,668	2,790	2,500	1,750	1,768	1,786	1,803
TOTAL NON-OPERATING REVENUES	13,018	6,595	8,350	9,600	7,418	10,436	7,453
TOT. REV. AVAIL. FOR CAPITAL REHAB/IMPR.	48,161	41,737	46,674	55,823	62,206	74,113	79,009
CAPITAL EXPENSES							
Capital Projects - Water	74,892	60,634	129,786	133,643	148,524	150,705	74,513
Capital Projects - Wastewater	39,066	34,558	37,100	40,998	26,107	59,465	21,221
Capital Projects - Reuse	6,222	5,611	2,677	3,050	4,139	10,624	759
Capital Equipment	1,287	3,500	1,867	1,849	1,849	1,849	1,849
TOTAL CAPITAL EXPENSES	121,467	104,303	171,430	179,540	180,619	222,643	98,342
Contingencies	2,064	0	2,212	2,234	2,257	2,279	2,302
(DEFICIENCY) TO BE FUNDED BY DEBT, GRANTS OR CONSTRUCTION FUNDS	(75,369)	(62,566)	(126,969)	(125,952)	(120,669)	(150,809)	(21,634)
Less Restricted Construction Funds	0	62,566	0	0	0	0	0
Less New Bond Issues & Commercial Paper	25,000	35,000	98,000	131,000	123,000	156,000	23,000
Less Grants	3,200	1,000	156	0	0	0	0
Transfer to / from Reuse Fund to Water Fund	0	0	0	0	0	0	0
Transfers from / (to) Water Supply Reserve	(6,500)	(900)	(3,000)	(5,000)	(2,000)	(5,000)	(2,000)
Increase / Decrease In Fund Balance	(\$53,669)	\$35,100	(\$31,813)	\$48	\$331	\$191	(\$634)
DSC Senior Lien Debt - 1.50x	1.99	1.99	2.00	2.00	2.00	2.01	2.03
Cash Reserve Balance - % of O&M	77%	103%	59%	58%	58%	57%	56%
Debt Service Coverage All Debt - 1.50x	1.99	1.99	2.00	2.00	2.00	2.01	2.03
Average Residential Water Bill (w/ WSRC)	\$24.43	\$24.43	\$26.38	\$29.29	\$31.92	\$34.48	\$35.86
Average Residential Wastewater Bill	\$15.19	\$15.19	16.41	18.21	19.85	21.44	22.29
Total Residential Bill	\$39.62	\$39.62	\$42.79	\$47.50	\$51.77	\$55.91	\$58.15
Percent Increase	0.0%	0.0%	8.0%	11.0%	9.0%	8.0%	4.0%
Cumulative (Bill) Increase - %	0.0%	0.0%	8.0%	19.9%	30.7%	41.1%	46.8%

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