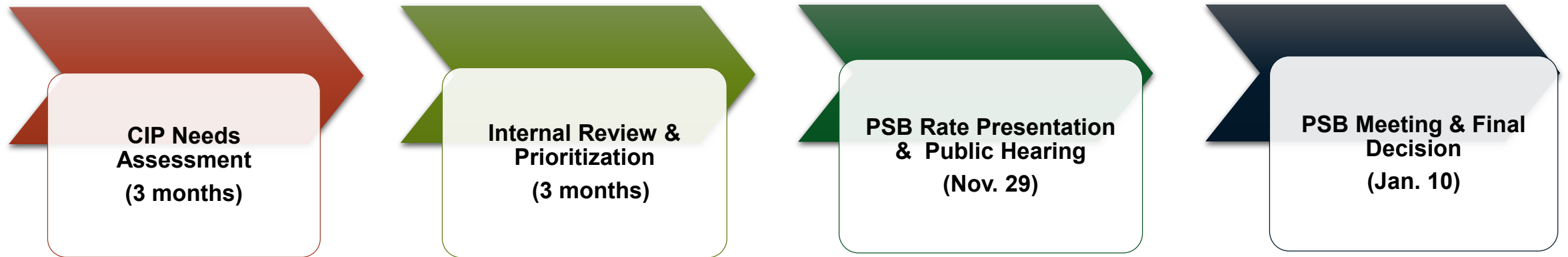




City Council Briefing on Proposed Budget and Rates for FY2024-25

January 3, 2024

Annual Budget and Rate Consideration Timeline



PSB will vote on proposal at January board meeting.
New rates go into effect on March 1.

EPWater at-a-glance 2023

\$.005

Average cost per gallon of water delivered

110 Million

Gallons of water delivered daily

8

Treatment plants (4 water, 4 wastewater)

508

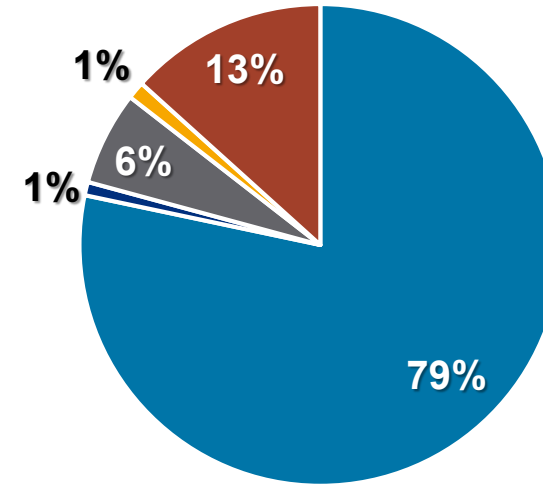
Stormwater ponds, dams and basins

\$2.4 Billion

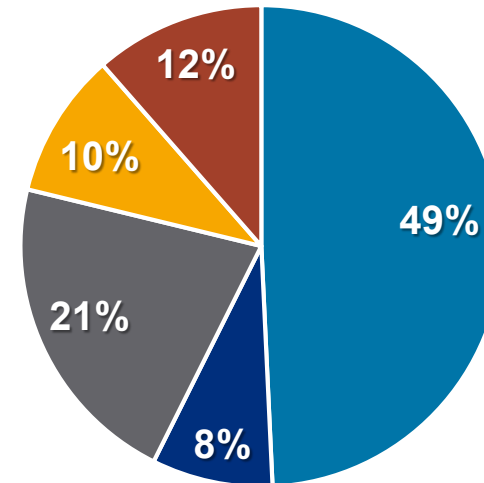
Total Capital Assets

EPWater Customers

Customer Class	Connections	Water Consumed (in gallons)
Residential (single family+)	199,925	16.4 billion
Residential (multifamily)	2,287	2.7 billion
Commercial & Industrial	16,090	7.1 billion
Institutional (schools, city, county, federal)	3001	3.2 billion
Wholesale (Lower Valley Water District, etc.)	33,980	3.8 billion



Connections



Consumption

■ Residential
■ Multifamily
■ Commercial/Industry
■ Institutional
■ Wholesale



Main budget driver continues to be the need to invest in infrastructure to provide customers with a sustainable water supply and the highest quality in water services.

Proposed rates are below financial plan projections

**Financial Plan for FY2023-24
projected rate increases for FY24-25:**

Water 12%

Wastewater 17%

Stormwater fee 15%

Current Proposal for FY2024-25:

Water 4%

Wastewater 4%

Stormwater fee 13%



Inflation and other cost impacts

Price Variance of Goods Over the Last Two Fiscal Years

Natural Gas	Decrease
Cost/CCF	(30%)

Fuel	Decrease
Diesel	(15%)
Unleaded	(11%)

Chemicals	Increase
Liquid Peroxide	11%
Liquid Ferrous Chloride	28%
Liquefied Chlorine Gas	141%

Electricity	Increase
Average Cost/kWh	8%

Materials	Increase
Gate Valves 4"	77%
Gate Valves 6"	13%
Gate Valves 8"	41%
PVC Pipe 4"	92%
PVC Pipe 6" - 8"	0%

*Comparing end of February FY 21-22 vs. FY 22-23

➡ Cost increases for certain goods far exceed rate of inflation.



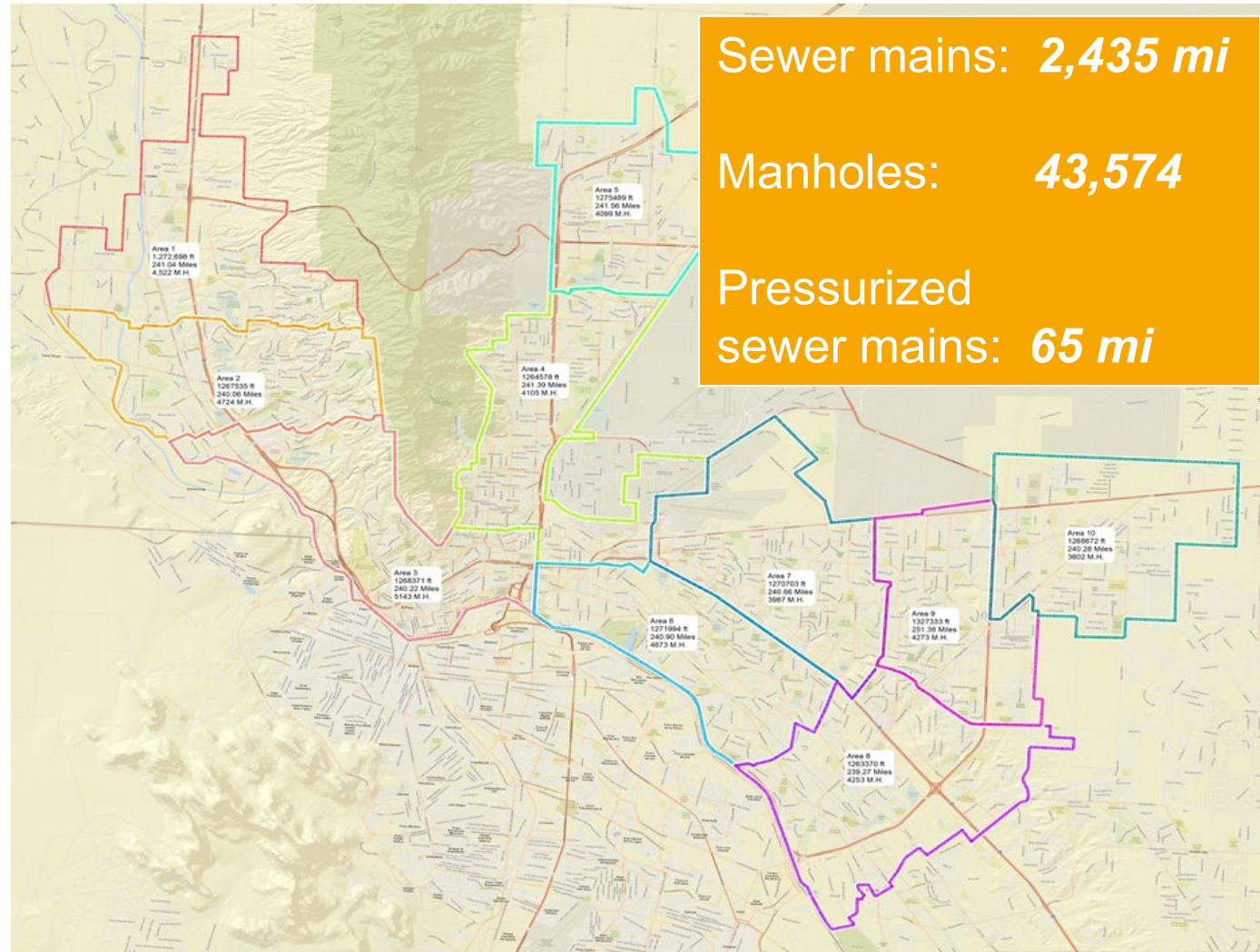
Water and Wastewater Capital Improvements

EPWater's Pipeline Distribution System



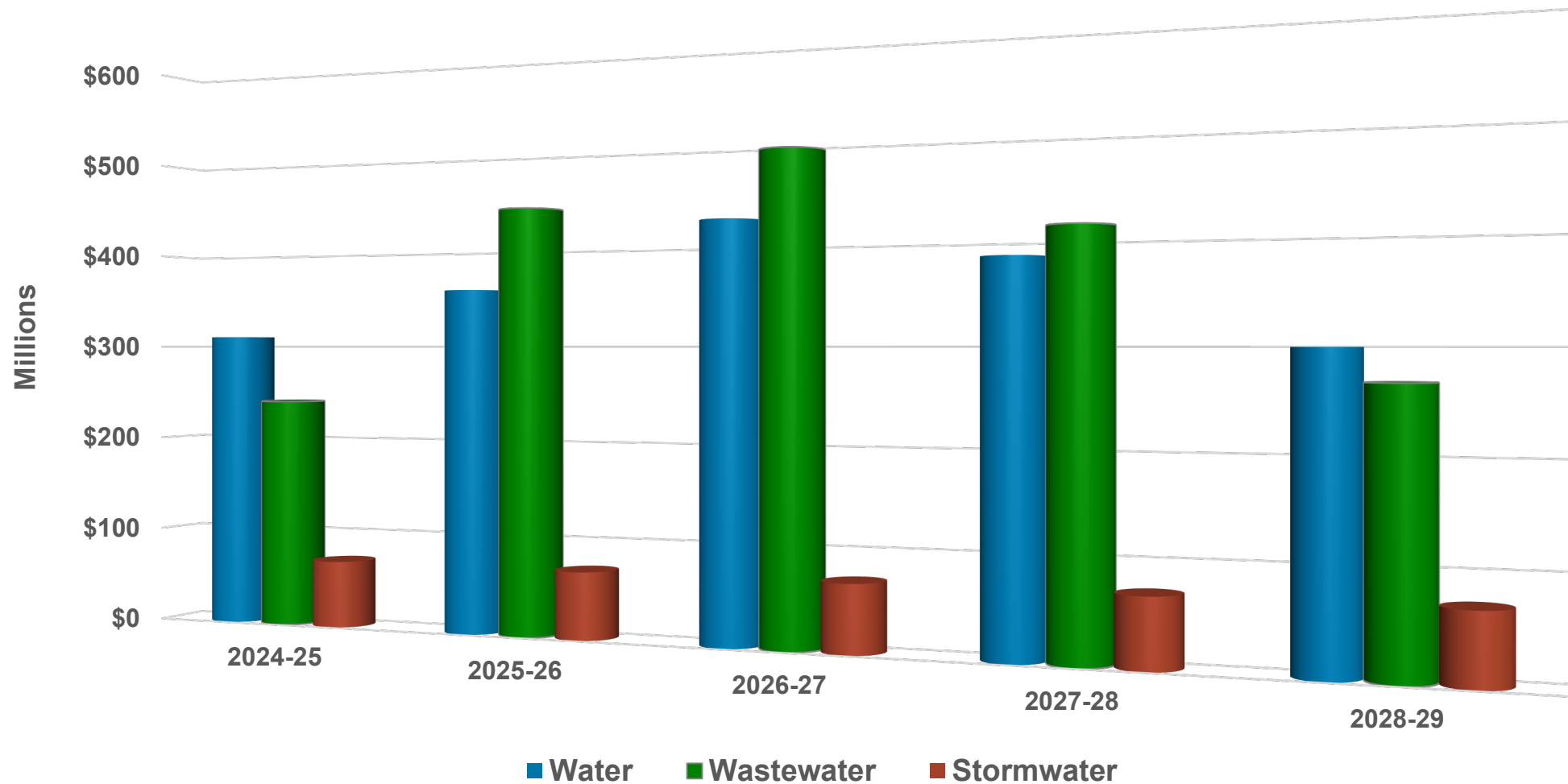
- 5,400 miles maintained
- Average age of installed pipes:
 - 43 years old for wastewater
 - 46 years old for water

Wastewater System – Key Budget Drivers

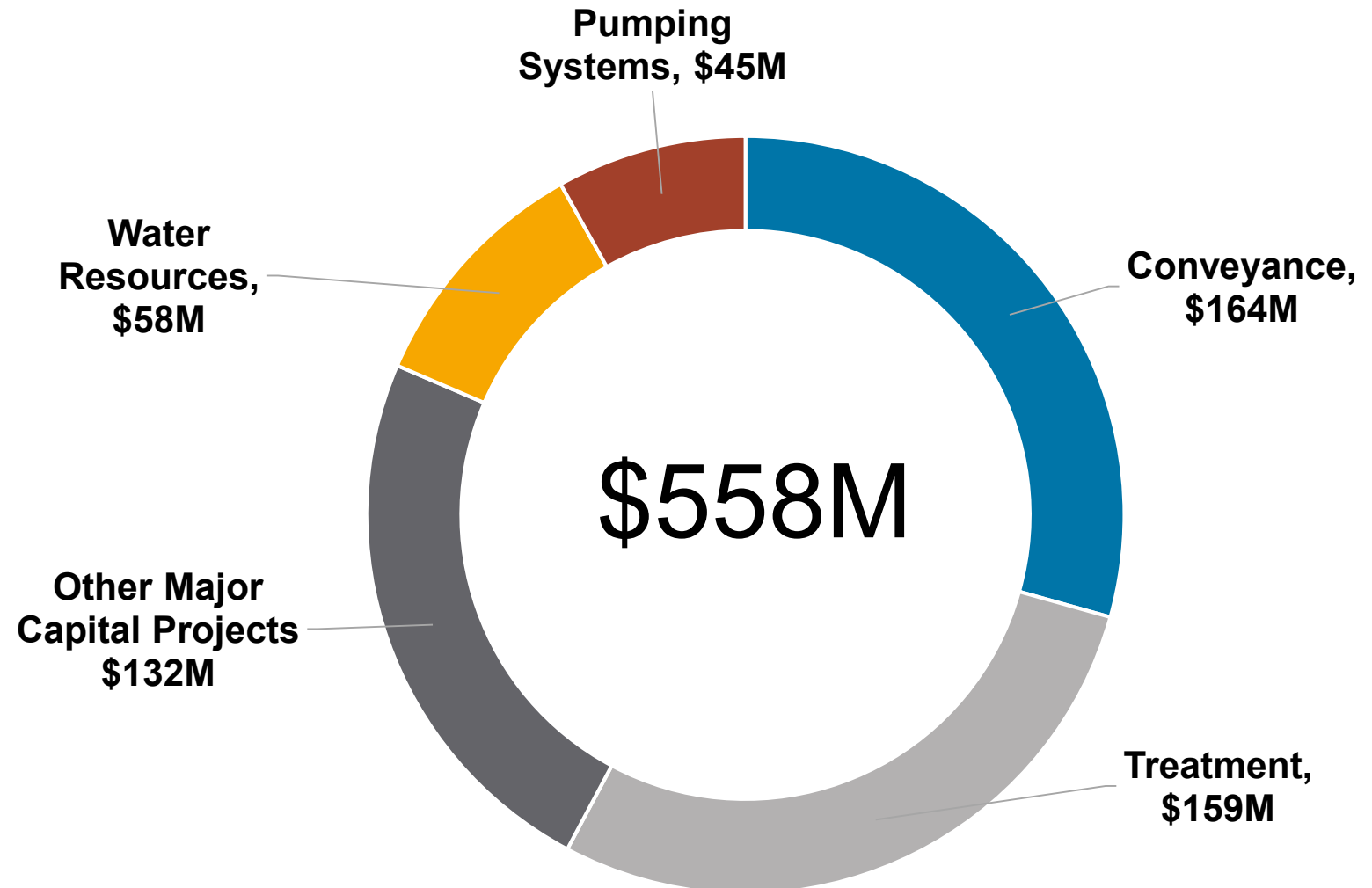


- Many lines in **older parts of the city** have reached the end of their useful life
- Treatment plants are **nearing capacity limits**
- **Rapid population growth drives the need** for plant rehabilitation and expansion
 - Fast-growing areas of East El Paso and Northeast El Paso require investment.

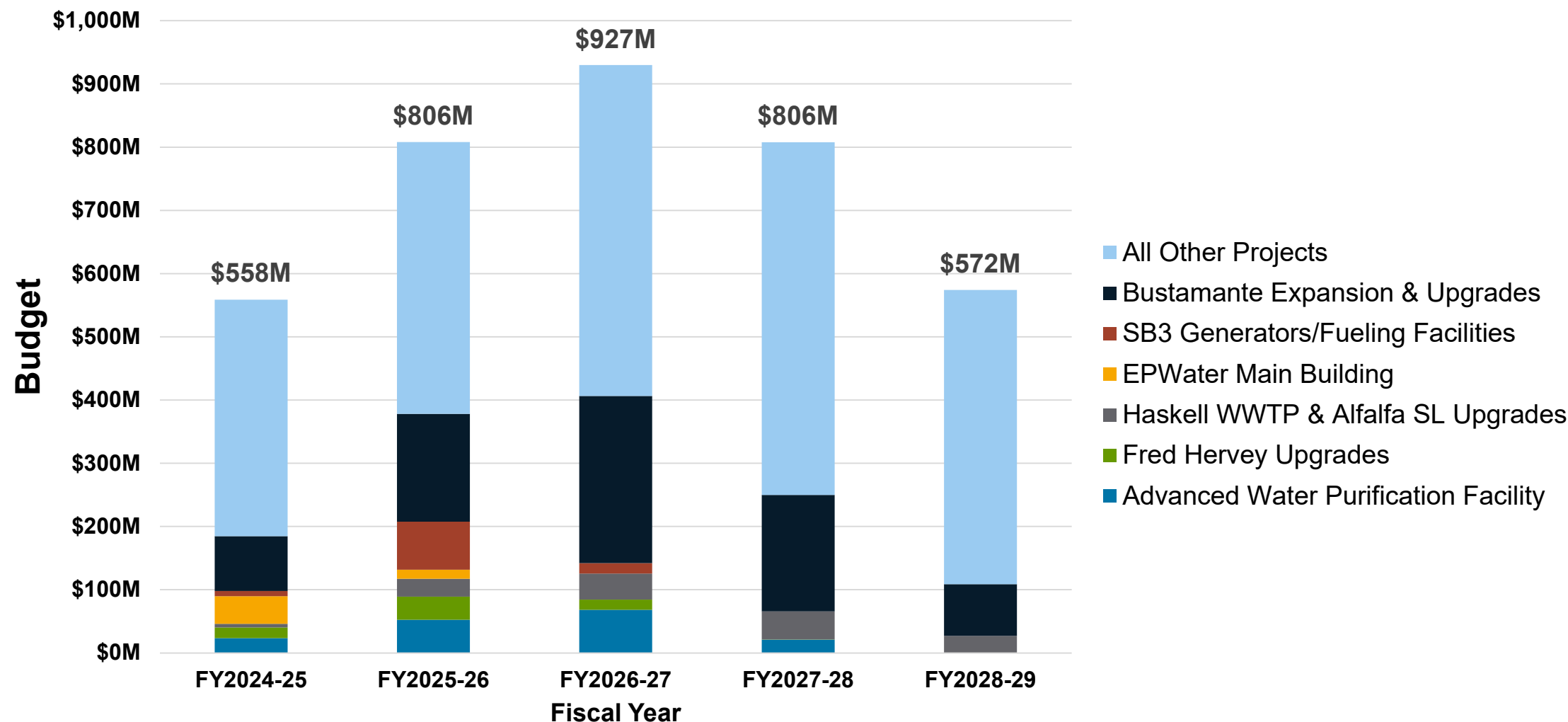
Five-Year Combined Projected CIP Budget



Water and Wastewater Capital Improvement Program FY2024-25



Five-Year Projected CIP



FY2024-25 CIP Priorities

Infrastructure Reliability \$363M



Headworks at the Bustamante Wastewater Treatment Plant

Additional CIP Priorities



Future Water Supply \$52M



Growth \$99M



Transportation, Technology, Other \$44M

Largest CIP Project: Bustamante Wastewater Plant

- Expansion is needed for this 32-year-old plant due to increased service area demand
- Capacity increase currently is triggered by TCEQ rules
- Extensive rehabilitation is required
- Estimated costs over the next five years are \$776 million



39 MGD  51 MGD

EXPANSION

Generators
Anaerobic digester
Disinfection
Headworks pumps/screening/electrical
Clarifiers

UPGRADES

Anaerobic digesters
Clarifiers
Grit settling
Aeration



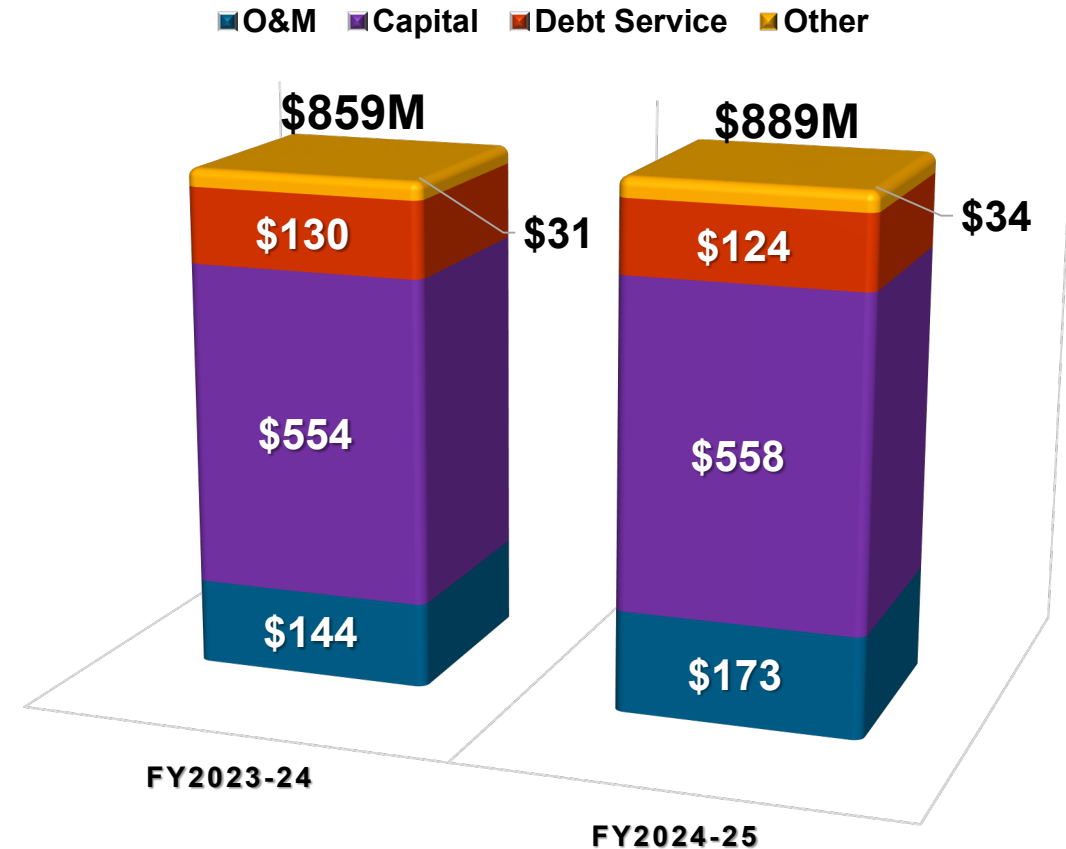
Water, Wastewater, and Reclaimed Water Capital and Operating Budget

Water and Wastewater Budget Summary

Total budget: \$889 million

- Operation and maintenance budget - \$29 million increase
- Debt service - \$6 million decrease
- Capital budget is \$558 million

FY2023-24 VS. FY2024-25



Water and Wastewater Operating Budget

Changes that affect the budget:

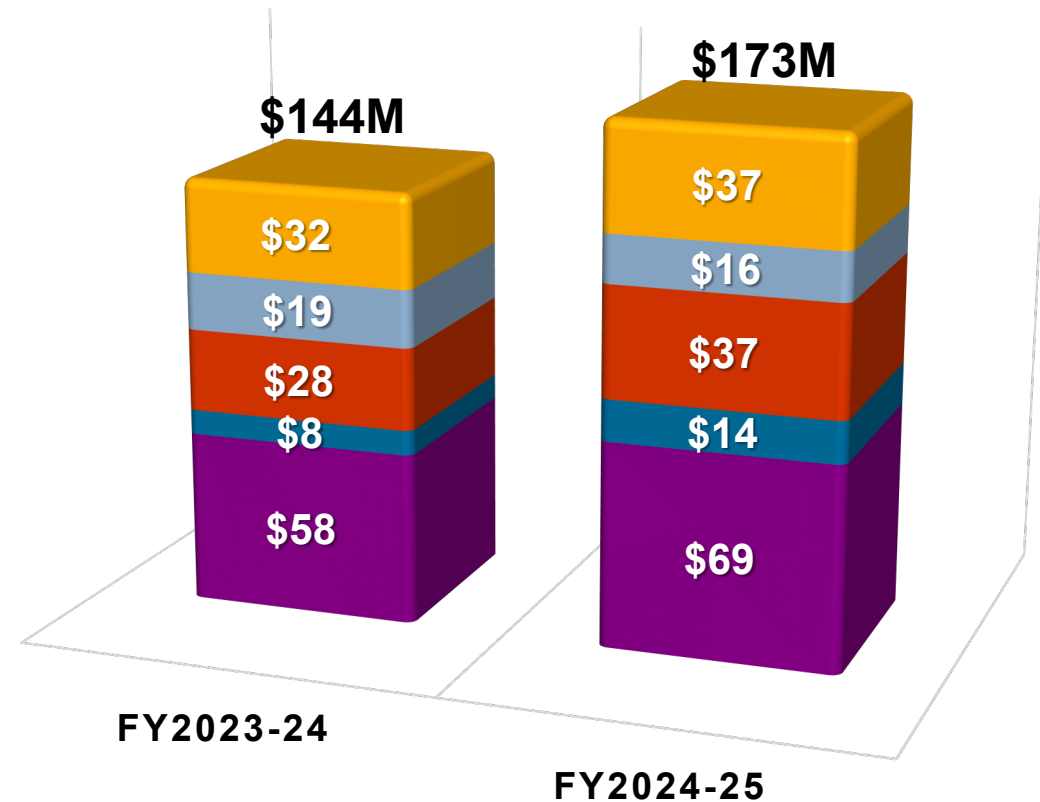
- 35% increase in maintenance
- 20% increase in salaries due to retention and new positions

As a regulated industry, employee retention and recruitment efforts are critical due to:

- Licensing requirements
- Hard-to-fill positions
- Demanding work environment
- Competition with oil and gas companies

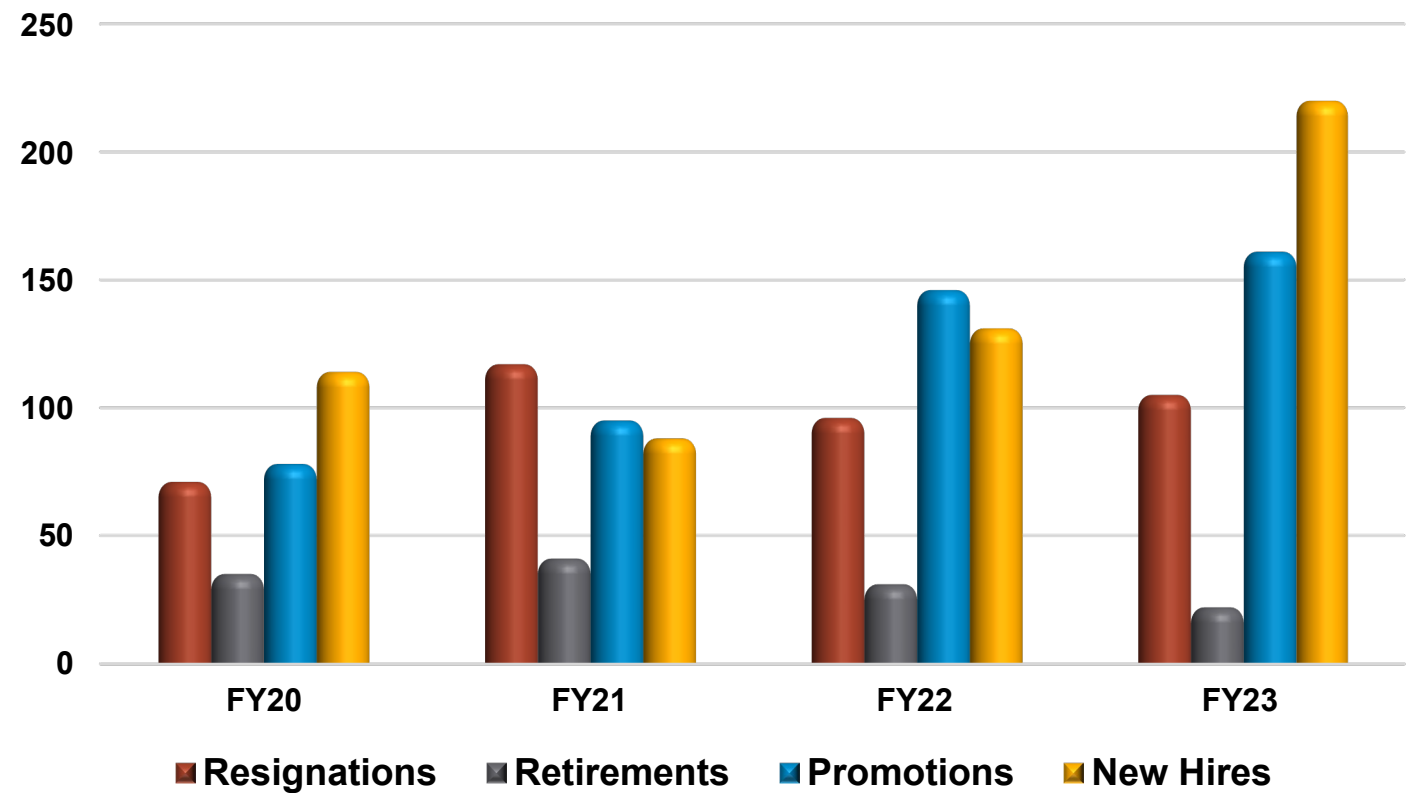
FY2023-24 VS FY2024-25

■ Personnel Services ■ Materials ■ Maintenance ■ Utilities ■ Miscellaneous

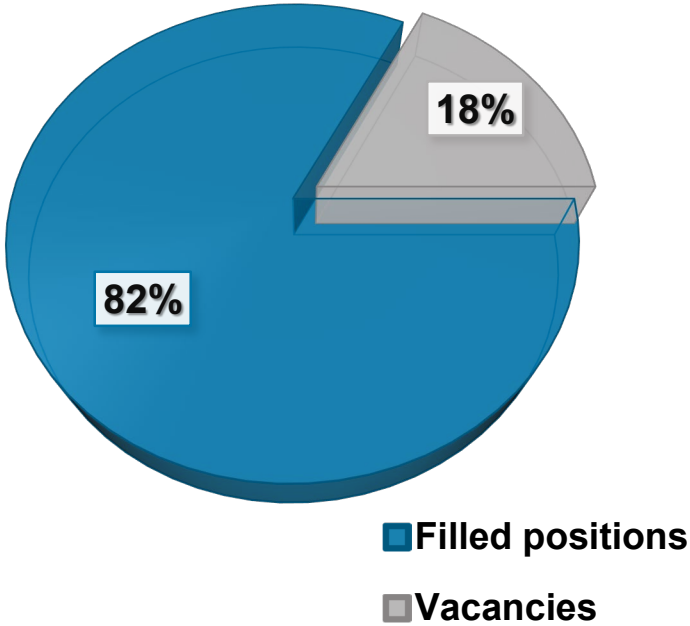


Managing Staffing Challenges

Employment Trends



205 CURRENT VACANCIES



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



Proposed FY 2024-25 Rates for PSB Consideration

Proposed 4% Water Rate Increase

Charge	Current	Proposed	Change
Minimum Water Charge	\$9.48 5 CCFs included	\$9.86 5 CCFs included	\$0.38
Water Supply Replacement Charge (4 CCFs or more)	\$14.04	\$14.60	\$0.56

Residential Water Volume Charge			
Block	Current	Proposed	Change
1	\$3.07	\$3.19	\$0.12
2	\$7.25	\$7.54	\$0.29
3	\$10.37	\$10.78	\$0.41

Proposed 4% Wastewater Rate Increase

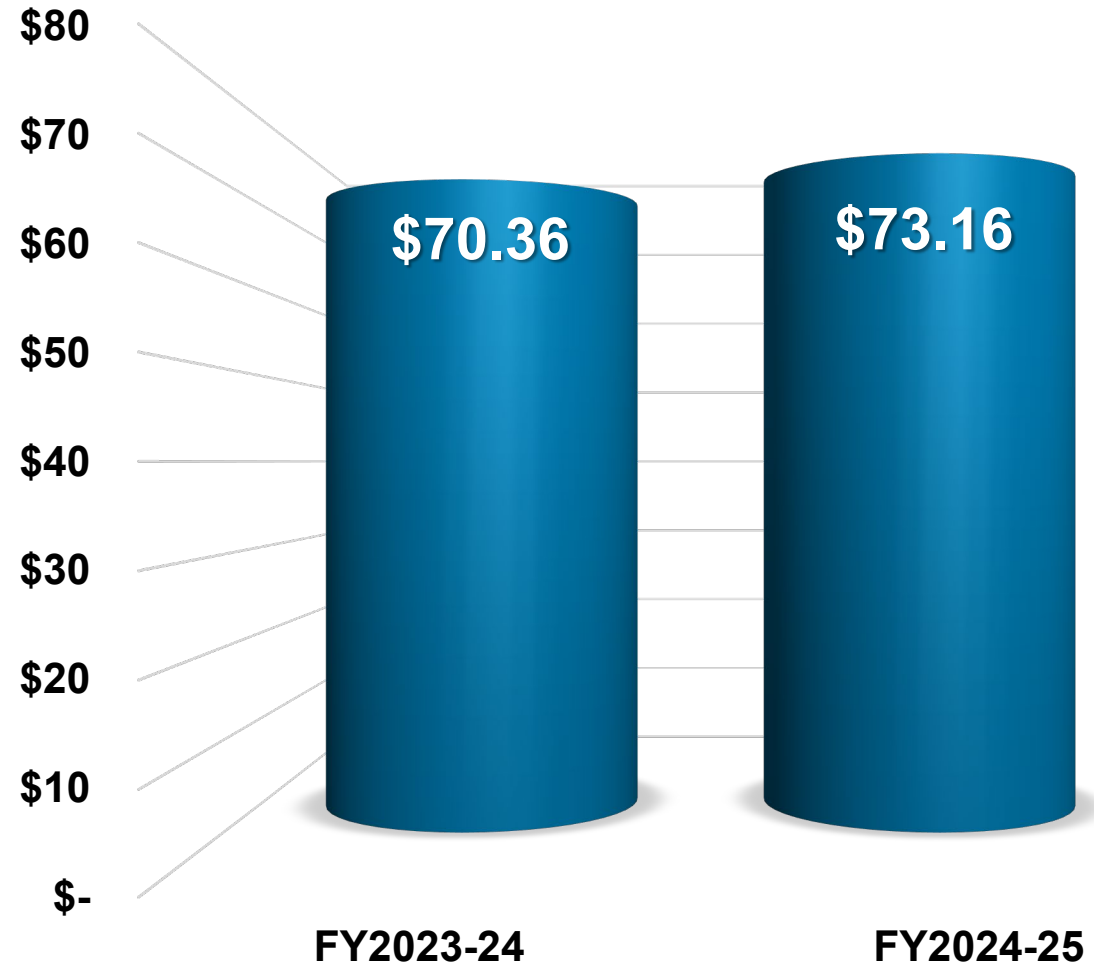
Charge	Current	Proposed	Difference
Minimum Wastewater Charge	\$27.71 <small>5 CCFs included</small>	\$28.82	\$1.11

Wastewater Volume Charge	Current	Proposed	Difference
(\$ per CCF)	\$3.78	\$3.93	\$0.15

Typical Residential Water and Wastewater Bill

- Average monthly increase for the typical residential customer for water and wastewater charges is **\$2.80**
- Daily charge for services is **\$2.41**

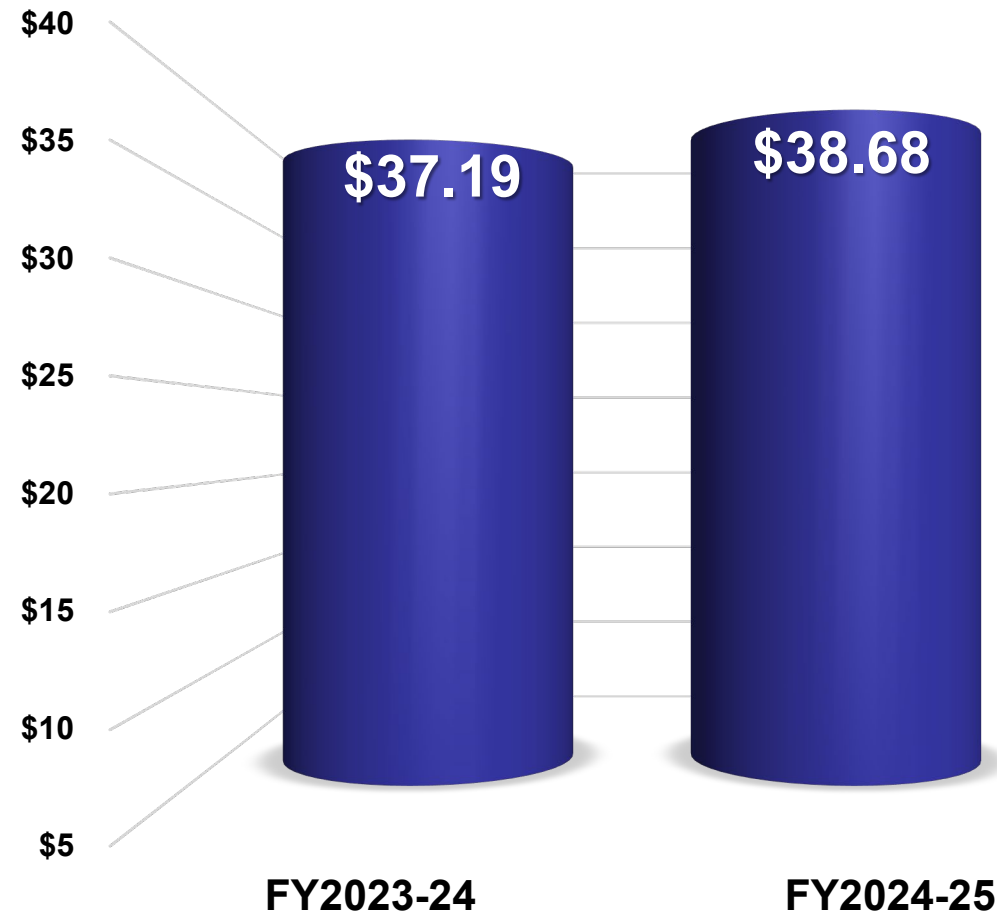
Based on 10 CCFs with AWC of 7 CCFs



Low Residential Water User Total Bill for Less Than 4 CCFs

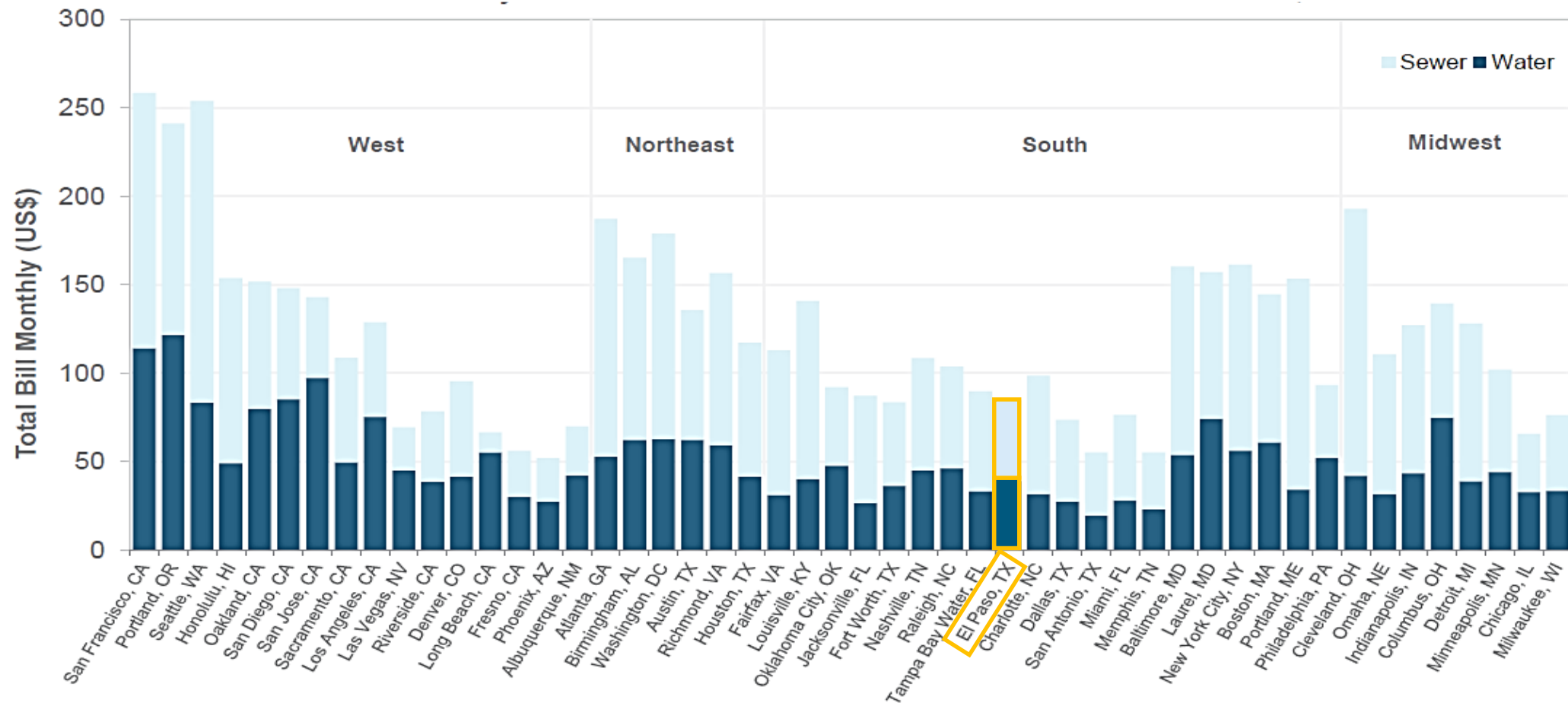
- Increase in monthly bill for water and wastewater charges is **\$1.49**
- Daily charge for services is **\$1.27**

Based on 3 CCFs with AWC of 4 CCFs



Residential Utility Water and Wastewater Bills for 50 U.S. Cities, 2023

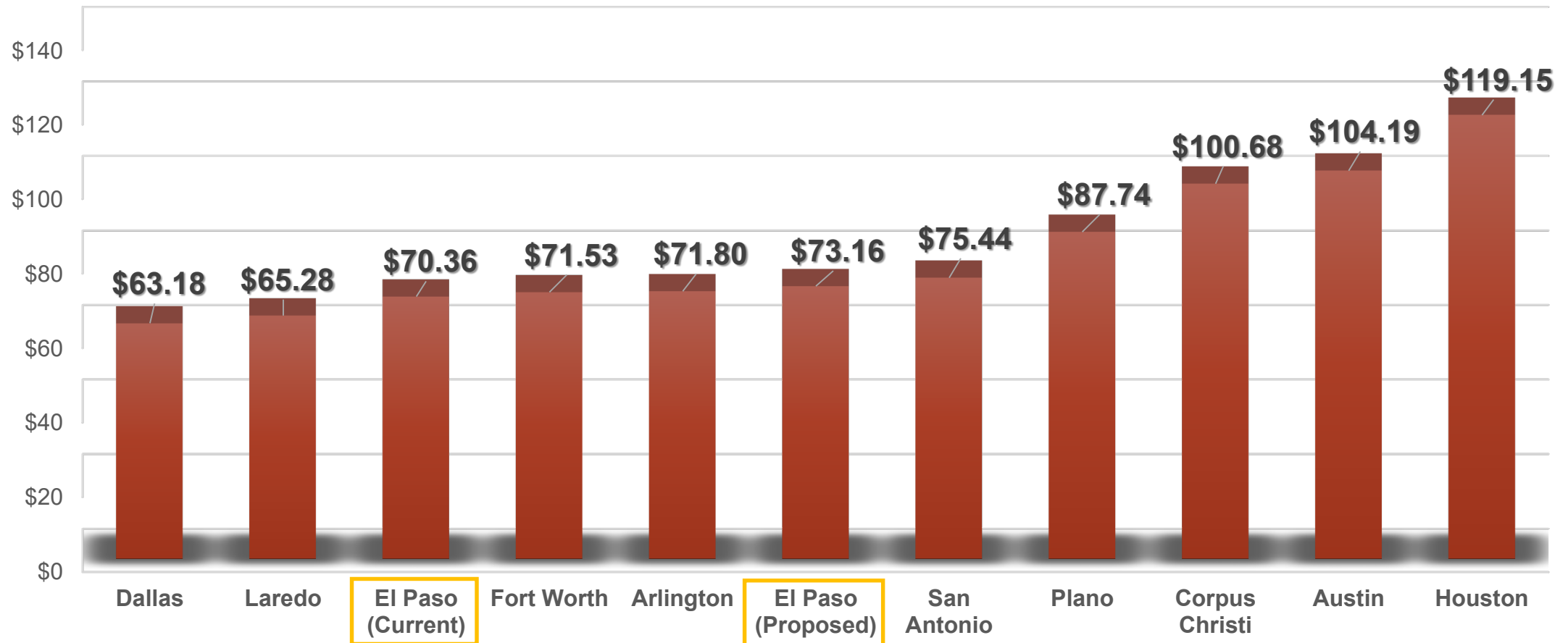
The average combined water and wastewater bill for a typical U.S. household across the 50 municipalities in US\$121.78 per month.



Note: Based on individual consumption rates corresponding to each municipality
Source: Bluefield Research

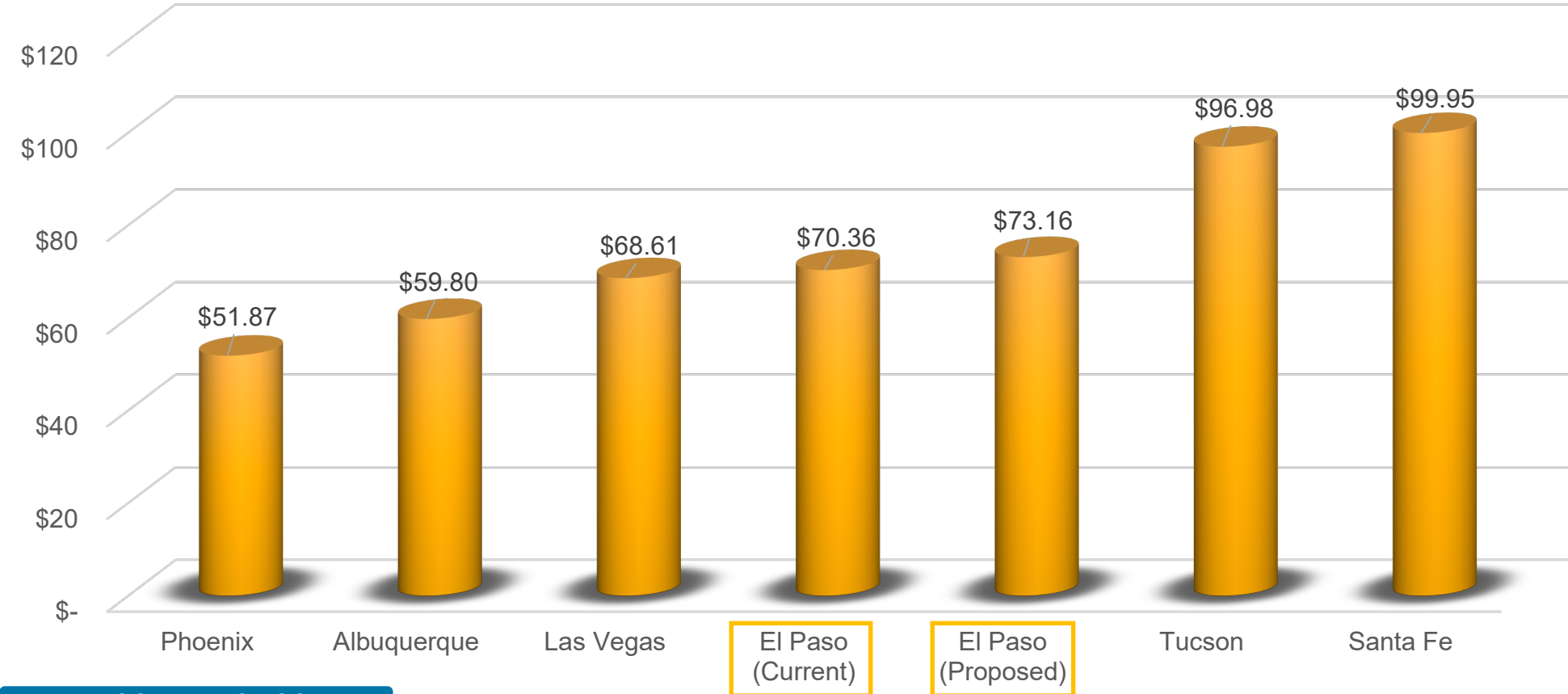
Ten Largest Texas Cities (October 2023)

Average Residential Water and Wastewater Bill



Arid Cities (October 2023)

Average Residential Water and Wastewater Bill



Water 10CCFs, AWC 7CCFs

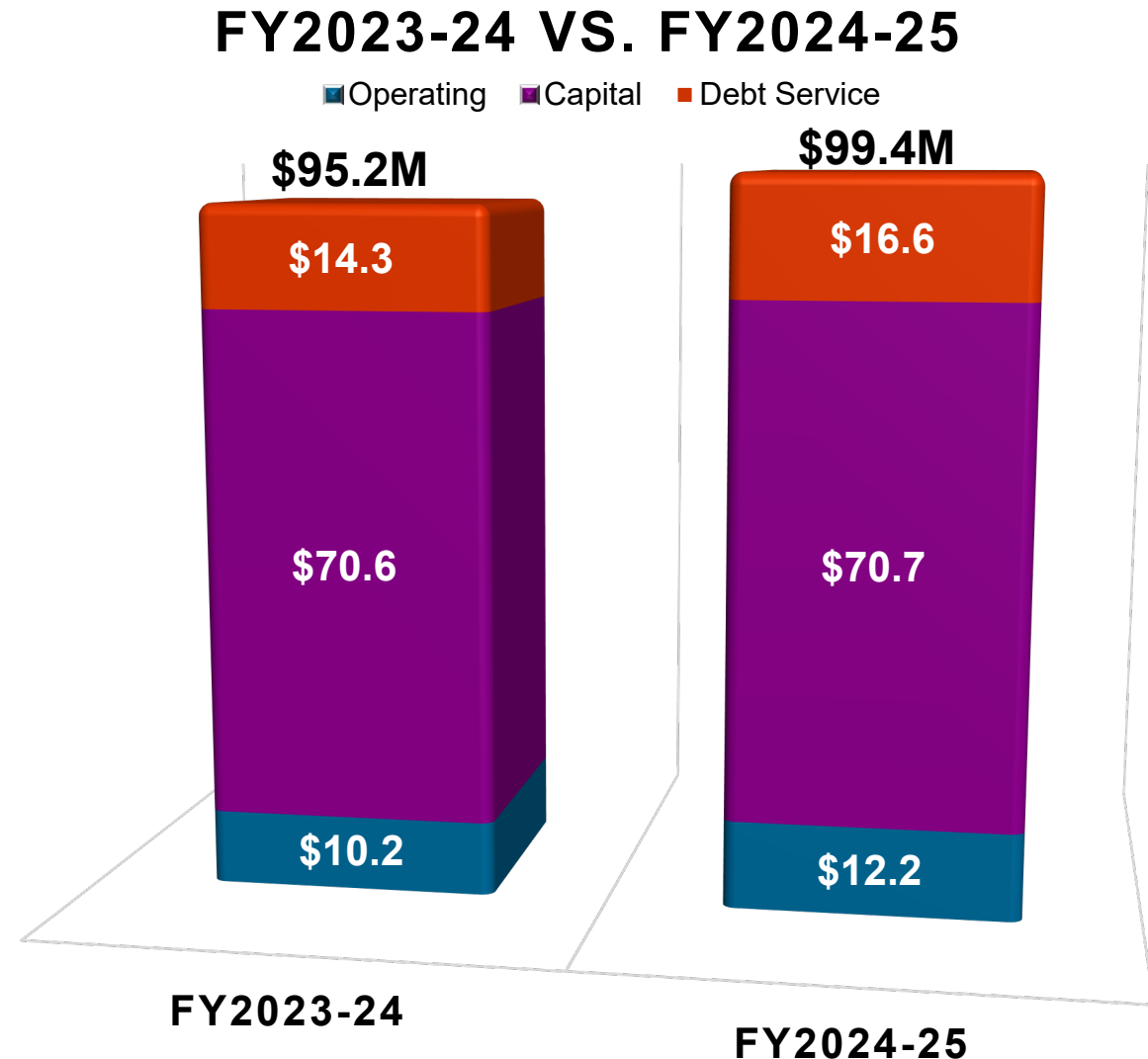


Stormwater – Capital and Operating Budget

Stormwater Budget Summary

Total budget is \$99.4 million

- Maintenance expense increased by \$1.5 million
- Debt service increased by \$2.3 million to fund CIP
- Capital budget is \$70.7 million



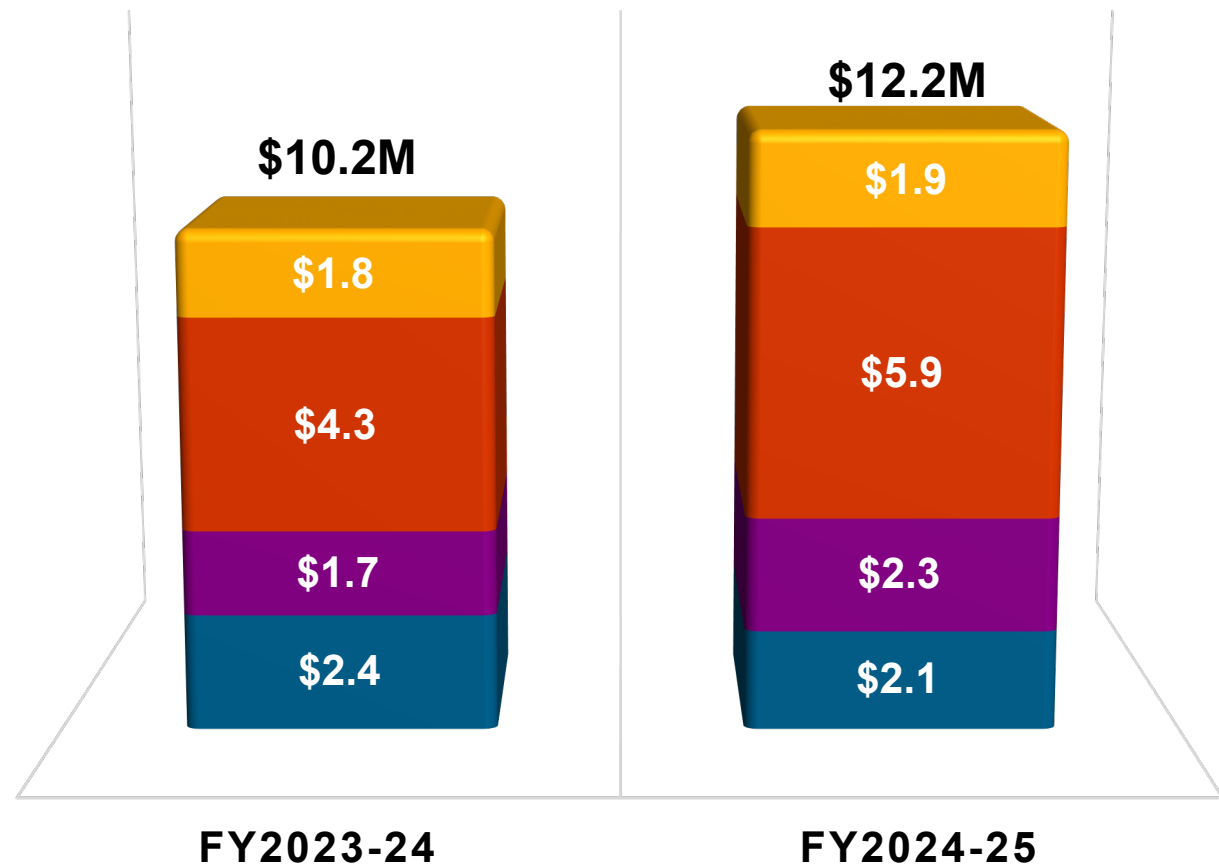
Stormwater Operating Budget

FY2023-24 VS FY2024-25

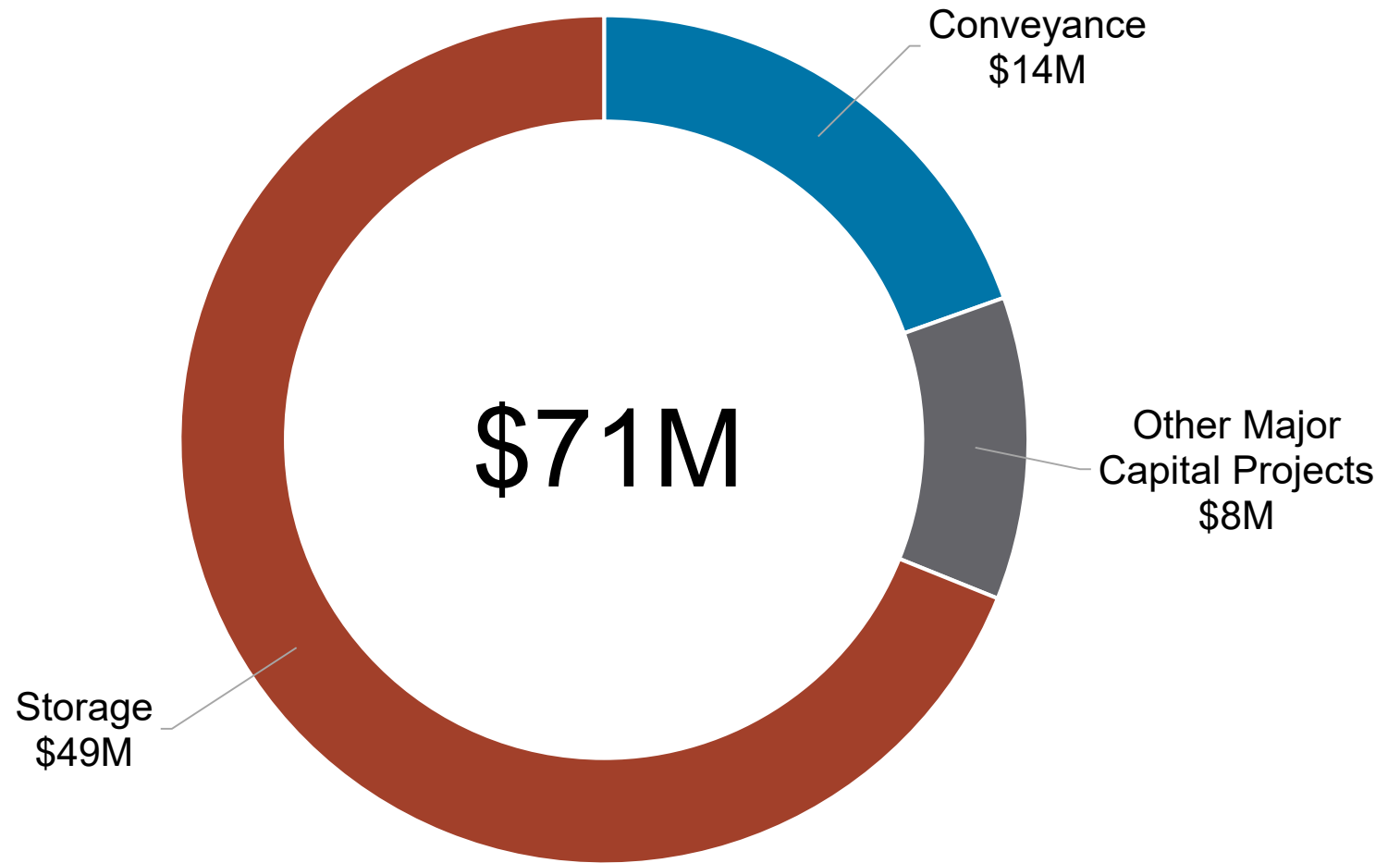
■ Indirect Cost Allocation ■ Personnel Services ■ Maintenance ■ Miscellaneous

Changes that affect the stormwater budget

- Maintenance increased by \$1.5 million
- Increase in salaries of \$1million



Stormwater Capital Improvement Program FY24-25



Major Stormwater Storage Improvements \$44M

Central \$14M

Scenic Dam

Murchison Dam

Denver Dam

Cliff Dam

Palisades System

Northwest \$11M

John T. Hickerson
WWTP Stormwater
Basin

Arroyo 1 Detention
Basin

Flow path 39A
Detention

Charl Ann Pond
Improvements

Northeast \$16M

Animal Services
Ponding Area-
Phase II

Will Ruth Pond

Eastside \$3M

SAC 1 Detention
Basin

Proposed 13% Stormwater Fee Increase

Customer	Current	Proposed	Change	Annual Stormwater Bill
Residential Typical 1,201-3,000 sq. ft.	\$5.66	\$6.40	\$0.74	\$76.80
Commercial Fast Food Restaurant (11,123 sq. ft. approx. ¼ acre).	\$32.04	\$36.21	\$4.17	\$434.36
Commercial Car Dealership (176,068 sq. ft. approx. 4 acres)	\$507.21	\$573.14	\$65.93	\$6,877.74

Stormwater Fees – Texas Cities

Typical Residential Fee





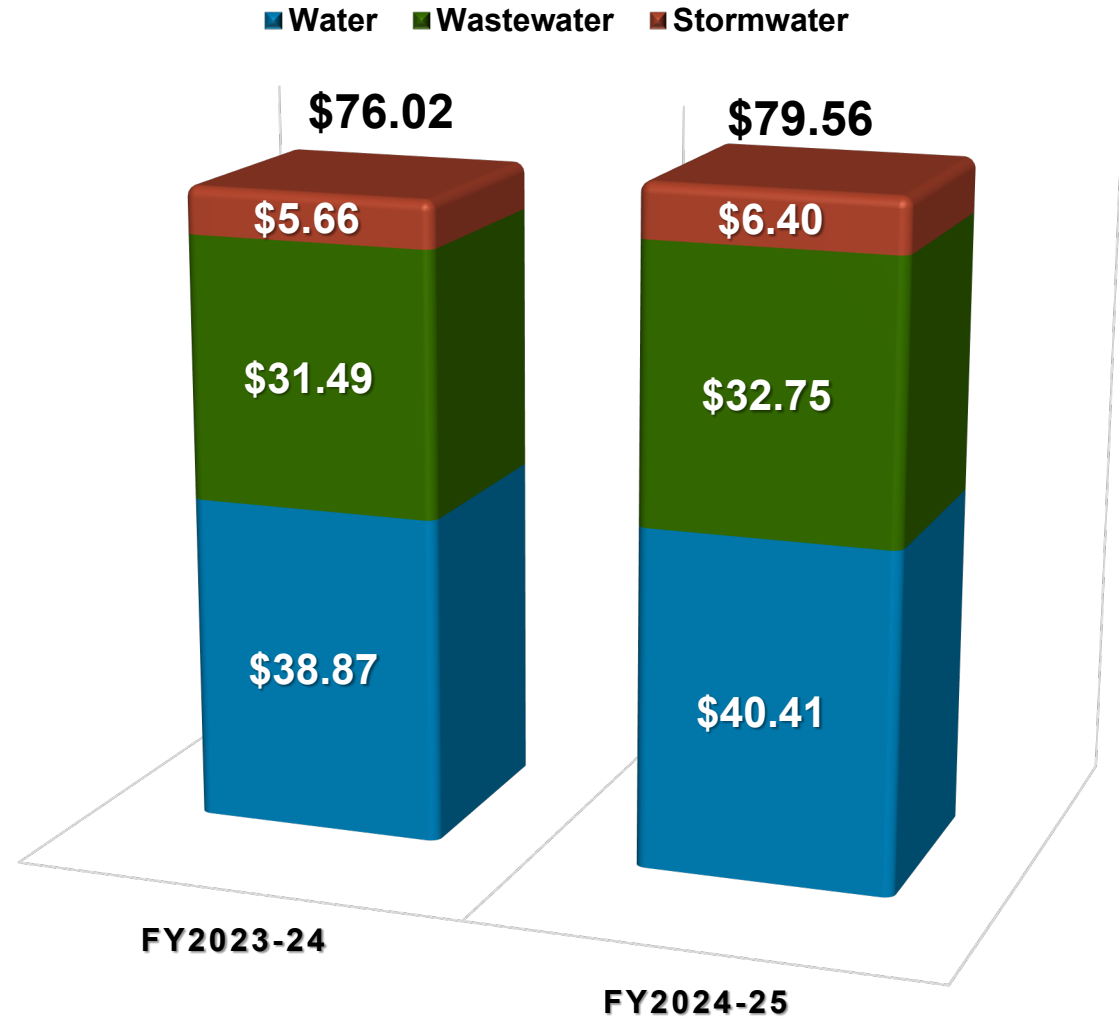
Total Combined Proposed Bill

Typical Residential Total Bill

- \$ 1.54 increase for water
- \$ 1.26 increase for wastewater
- \$ 0.74 increase for stormwater

TOTAL = \$3.54

- Typical residential customer bill with proposed rate increases will be 4.7% higher
- Daily service charges are \$2.62
- With reduced consumption of 830 gallons monthly the typical customer bill will be the same as last year



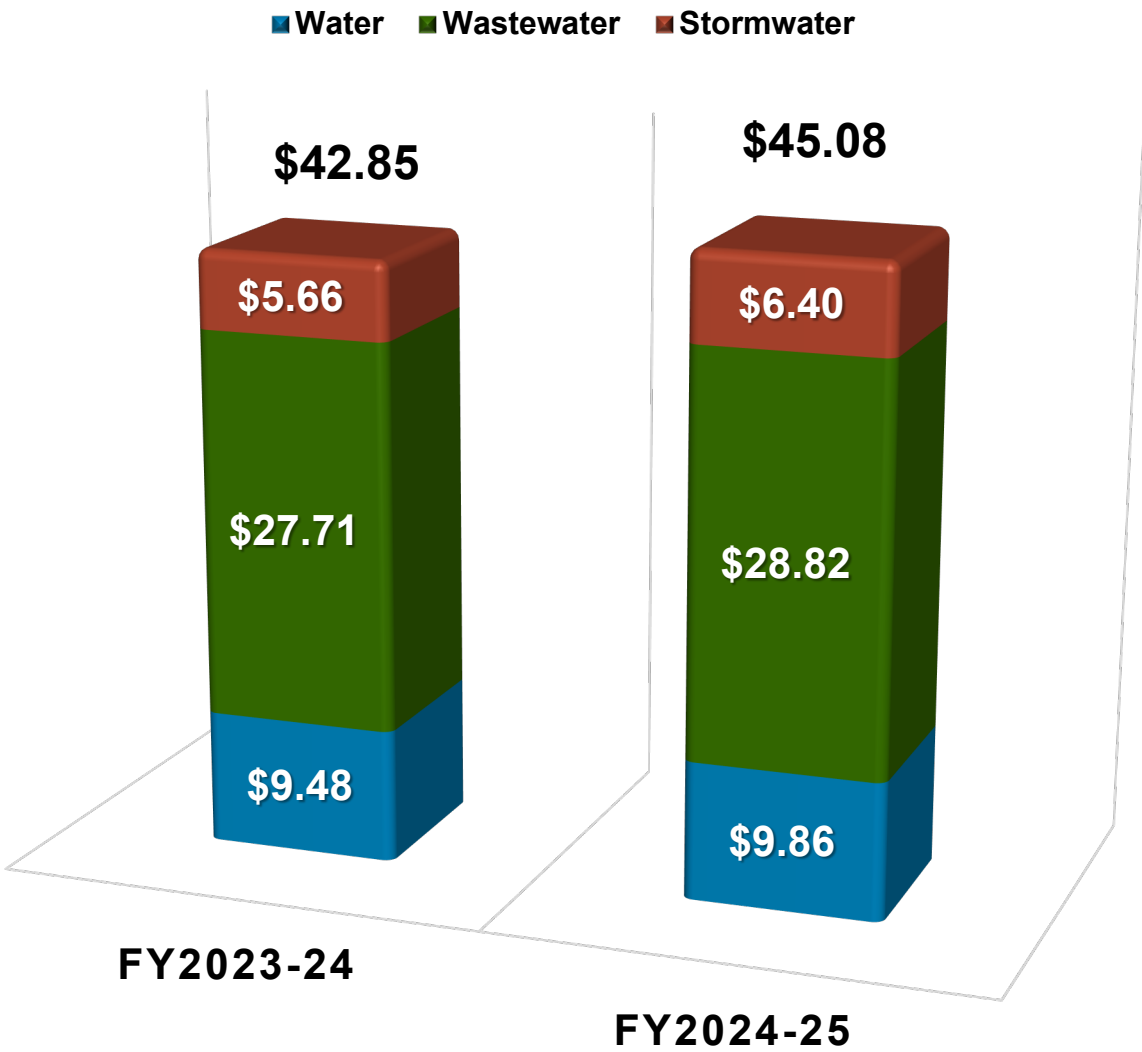
* Based on 10 CCFs with AWC of 7 CCFs

Residential Low Water User Total Bill (Less Than 4 CCFs)

- \$ 0.38 increase for water
- \$ 1.11 increase for wastewater
- \$ 0.74 increase for stormwater

TOTAL = \$2.23

- Daily service charge are \$1.48



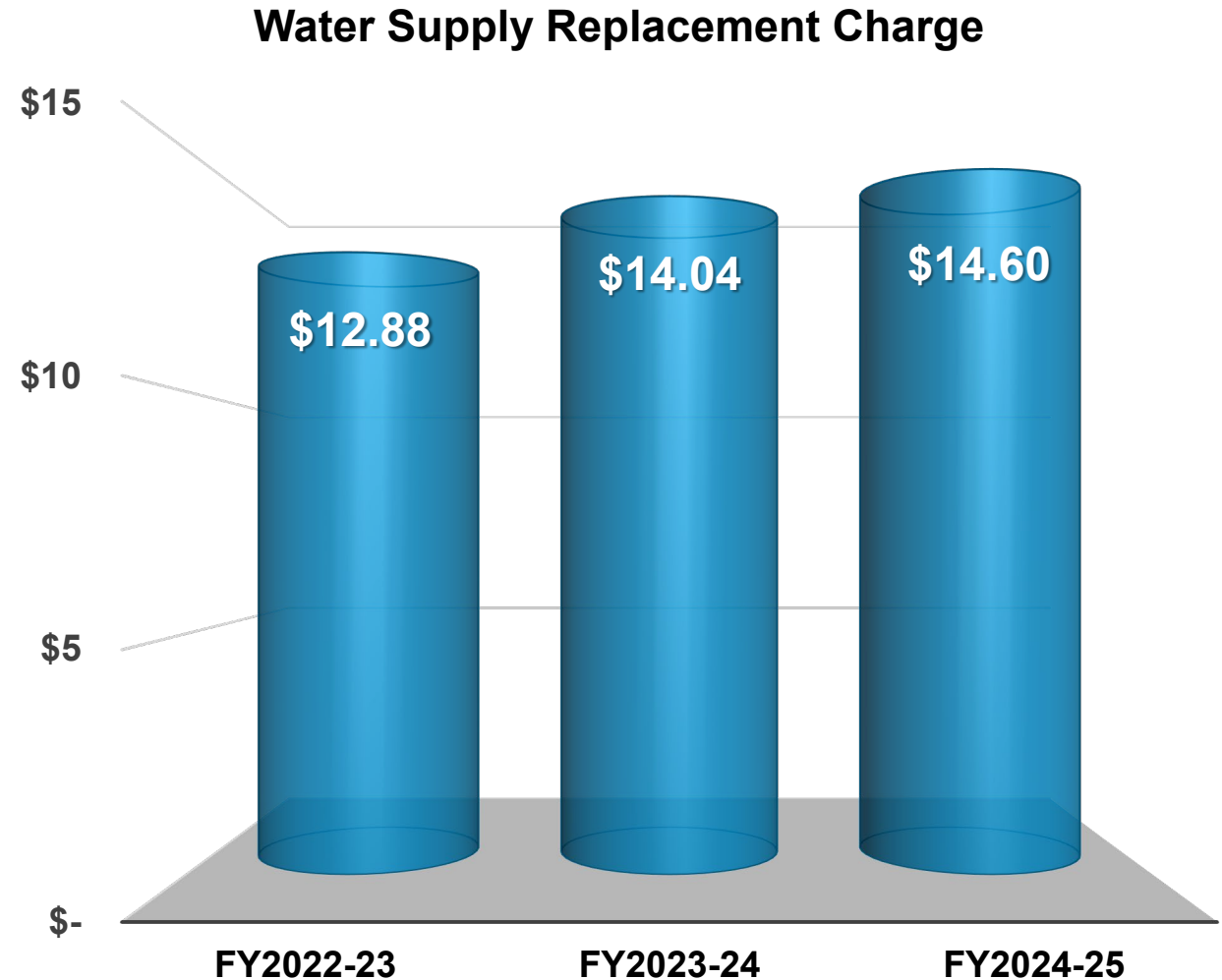
* Based on 3 CCFs with AWC of 4 CCFs



Opportunities for Customers to Save

Affordability: Water Conservation Saves Money

- Water Supply Replacement Charge waived for customers who use less than 4 CCFs per month
- In FY 2022-23, an average of 50,000 bills per month received the waiver
- \$9.6 million annually saved by high-conserving customers



* WSRC for typical $\frac{3}{4}$ inch meters

Business Rebate Program Can Help Reduce Water Bill



**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

Calendar Year	Customers Assisted	Total Amounts
2020	2,566	\$ 682,356
2021	2,821	\$1,736,023
2022	5,688	\$1,608,469
2023 (Projected)	5,800	\$2,400,000



Recap

- Maintaining critical infrastructure and serving population growth are key budget drivers
- Proposed rates are below financial plan projections
- Customers have ways to save on their bill

The Public Service Board will vote on the proposed budget for FY 2024-25 at the **next meeting on January 10.**

The meeting will be held at 8 a.m. at 1154 Hawkins. It is open for the public to attend.

High Quality Water at an Affordable Price



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Thank You