Quarterly Presentation to El Paso City Council

John E. Balliew, P.E.
President and CEO, El Paso Water
October 11, 2021

Water Crisis Leads to Formation of PSB

1950s drought: a clarion call for El Paso

El Paso Headlines from 1951:

- Water Rationing in the City for the Summer (March 9)
- Serious Water Shortage Faces City (March 11)
- Power Firm Fears Water Shortage (June 1)
- Independent Water Board Suggested (June 10)
- River Drop Leaves Areas Waterless (June 23)


The El Paso Times

Water Supply Adequate If City Plans Carried Out; Shortage Looms In June

City created the PSB for water & wastewater

- In 1952, the City Council transferred complete authority and control of the management and operation of the water and wastewater system to the Public Service Board (Ordinance 752) by vesting them with "complete management and control of the system…. with the same freedom and in the same manner as are ordinarily enjoyed by the Board of Directors of a private corporation operating properties of a similar nature."
- Per bond ordinance, the Board has complete management of its infrastructure, land assets and has the same authority with respect to El Paso Water employees as that of the City Council with respect to employees of the City.

PSB is an expertise-based Board

- Mayor – representing City's interests
- Engineering position
- Financial management position
- General business management position
- Environment/Health position
- Education/Communication position
- Consumer/citizen advocacy position

- Position advertised
- City Council-appointed selection committee screens candidates and presents a slate of up to 3 candidates for City Council action.
- City Council considers the candidates and chooses.

Overview

EPWater strategic planning

- Under PSB direction, El Paso Water has its own strategic plan, including mission, vision, values, thematic priorities and objectives.
- The utility has worked with the Balanced Scorecard Institute over the last five years, engaged leaders and employees in multiple workshops and adopted their framework for planning.
- When invited, I have participated in City strategic planning sessions, which then helps to inform our utility planning process.

MISSION

Provide our customers with a sustainable water supply and the highest quality water services to enhance the vitality of El Paso.

VISION

We are an international model for water resource innovation, respected and trusted by our customers for our leadership in delivering sustainable water services to a thriving El Paso community.

THEMES - PRIORITIES

Innovative Resource Management
Exceptional Service
Talent Growth
Organizational Excellence

El Paso is recognized as an international leader in water innovation

- Conservation
- Reclamation
- Aquifer Recharge
- Desalination
- Portfolio of Water Sources
- Advanced Purification

- EPWater receives visitors from around the globe at our desalination plant.
- Our leaders are in demand at national water conferences.
- San Antonio Water System operates under a similar governance structure, and SAWS and EPWater are considered the two best run utilities in Texas.

Awarded for sustainability

- El Paso is one of only two utilities nationally to receive the **Sustainability Water Utility Management Award** two times from the Association of Metropolitan Water Agencies.

Innovating the future with key partners

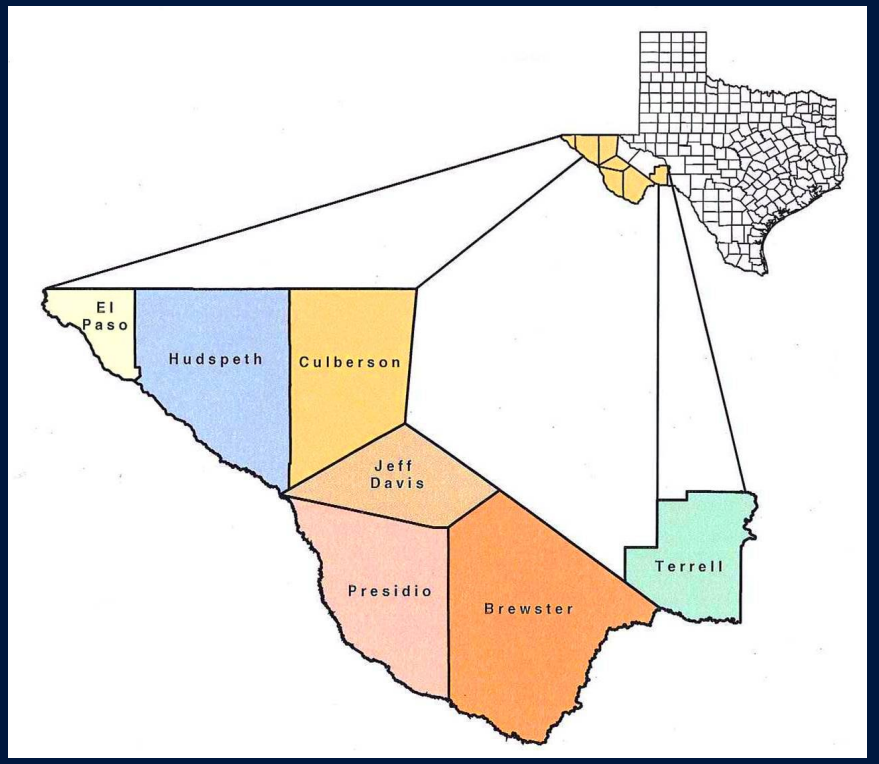
Focus Areas:

- CERRO: More water from salt concentrate
- Permalog Leak Detection System
- Enhanced composting
- Water-energy nexus
- KANDO water quality management

Water Supply and Planning

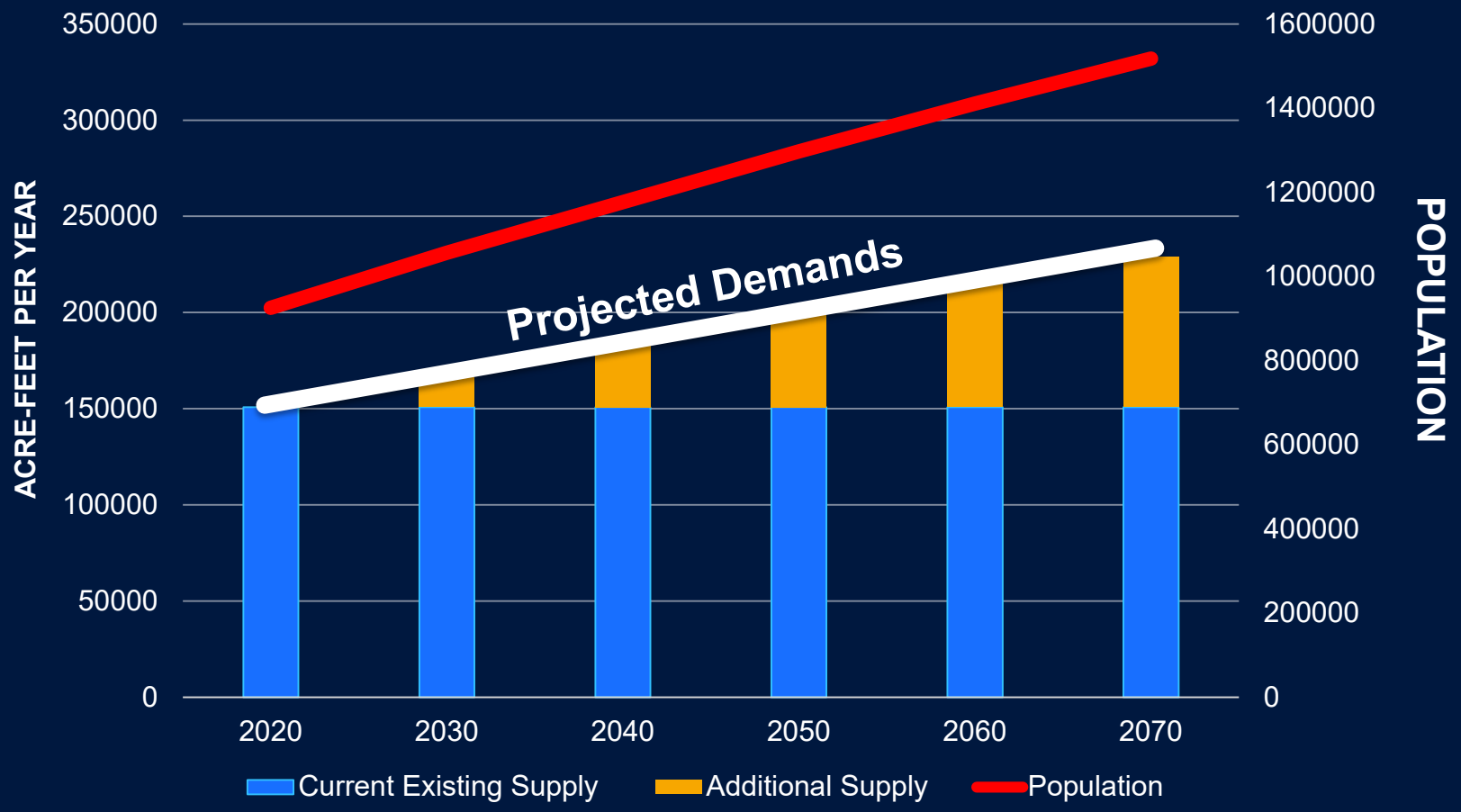
50-Year water plan approved by TWDB

- **1991:** EPWater started producing 50-Year Water Plans to anticipate and plan to meet community water needs.
- **1995:** Texas legislature designated the PSB as the regional water and wastewater authority and planner (SB 450)
- **1997:** Texas legislature adopted current water planning process with 16 water planning areas; El Paso is part of Region E (Far West Texas Planning Group).
- **Every 5 years**: Every water utility, county and all 16 regions conduct planning exercises, evaluate population growth and water demands and available supplies to update their plans.
- **2021**: EPWater submitted its latest updated 50-Year plan as part of the Region E Plan. TWDB has approved it.



The City is invited and encouraged to attend Region E planning meetings, which typically meet quarterly. City was previously but not currently active.

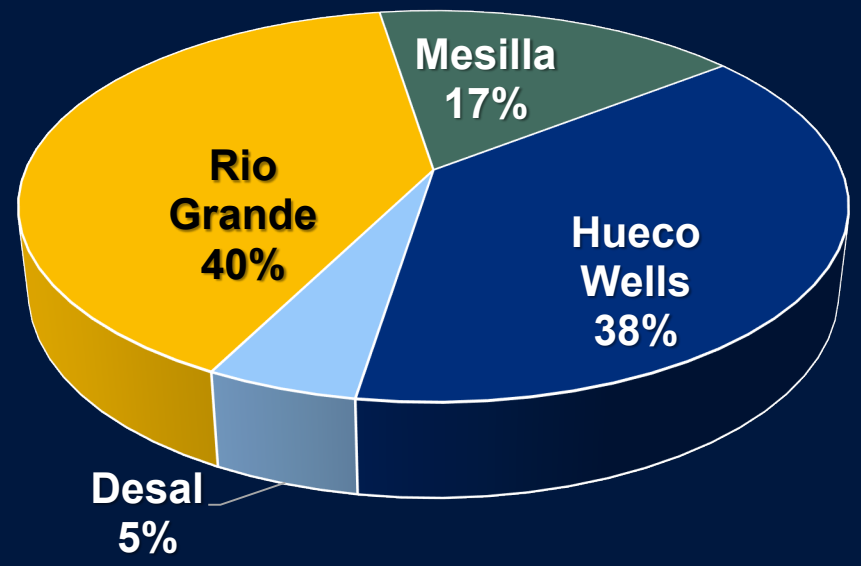
New water sources are needed to meet demands of increasing population



El Paso's Water Sources: Typical vs. 2070

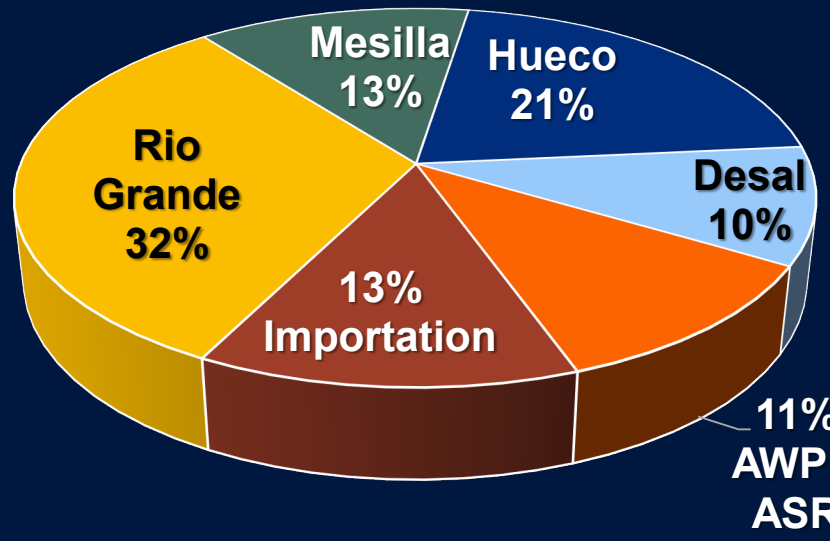
TYPICAL

Water Supply: **158,000 AF**
Normal (Non-drought) Conditions



2070 Estimates

Water Supply: **210,000 AF**
Normal (Non-drought) Conditions



Ratios of supply sources currently and in 2070 are based on concepts from 50-Year state water plan, which is integrated into the TWDB- Region E – Far West Texas Plan. (Online)

Infrastructure Management

$1.91 billion in major system assets

Water & Wastewater	
4	Water treatment plants
4	Wastewater treatment plants
60	Pump stations
70	Lift stations
76	Reservoirs
151	Number of wells
2,326	Miles of wastewater lines
2,854	Miles of water lines
11,447	Number of fire hydrants

Stormwater	
9	Miles of agricultural drains
41	Dams/Basins
72	Miles of channels
441	Ponds
7,315	Drainage inlets

We place the highest priority on water quality

- Our river treatment plants consistently receive Partnership for Safe Water Awards (EPA and water associations).
- Our accredited International Water Quality Laboratory is a national model.
  - Lab collects and reviews more than 45,000 samples and performs more than 370,000 water tests annually.
  - We put out a water quality report annually, as required by TCEQ (available on EPWater website).

Water pipes benchmarking

- The national average for water main breaks is 25 breaks per 100 miles.
  - El Paso's rate is about 8 breaks per 100 miles.
- El Paso has 2,854 miles of water lines.
  - About 700 miles (25%) of water lines are 40 years or older.
  - The utility has leak detection and condition assessment programs to maximize asset life.

Largest Water/WW infrastructure investments

Looking back: last 5 years

Water & Wastewater

- Dell City water rights acquisitions
  - $200 million investment
- Eastside Interceptor
- Country Club Water/Wastewater Line Replacement
- Yandell and Roseway Large Diameter Transmission Line rehabilitation
- Paisano Valley
- Super Oxygenation System
- Back-up Power Generation Packages
- Customer Information System Upgrade
- Hickerson Plant Expansion
- Montwood Lift Station
- Ozonation System
- Digester Improvements
- Effluent Pipe Rehabilitation
- Blower Rehabilitation
- Membrane Replacement
- Haskell to Hervey Diversion
- Security Upgrades
- Instrumentation Upgrades
- Lift station rehabilitations
- Wastewater manhole rehabilitation

Largest Stormwater infrastructure investments

Looking back: last 5 years

Stormwater

- Gateway Ponds
- Fairbanks Sediment Catch Basin
- Central Dam Improvements
  - Louisiana Dam
  - Kentucky Dam
  - Denver Dam
  - Copia Pond
- Austin Pond
- Pollard Pond
- Thomas Manor Park Pond
- Magnolia Pump Station/Force Main
- Grand Teton Basin
- Improvements with City

Largest Water/WW infrastructure investments

Upcoming: Next 5 years

Water & Wastewater

- ASR Project
- KBH Desalination Expansion
- Storage Tank Rehabilitation & Maintenance
- Critical line replacement at gas line crossings
- Advanced Water Purification Facility
- Water Tanks for Additional Storage
  - Rosemont
  - Zaragosa
  - Sunset
  - Cielo Vista
- Reclaimed Water System Rehabilitation
- Frontera Force Main Replacement
- Rehabilitation, upgrades and expansion to Bustamante Wastewater Plant Rehabilitation and upgrades to Haskell Wastewater Plant – Grit, odor control, etc.
- Rehabilitation and expansion of lift stations
- Sanitary Sewer Connections – Septic to Public System

Largest Stormwater infrastructure investments

Upcoming: Next 5 years

Stormwater

- Will Ruth Pond
- Dallas Pond
- Real estate acquisition/demolition
- Flow Path 39A Detention
- Palisades Stormwater System
- Arroyo 1A Improvements
- Corrugated Metal Pipe Replacement - Citywide
- Clardy Fox Pump Station- Upgrade
- Fort Bliss Diversion Access Boxes
- Desilting at 6 Central Dams:
  - Morehead Dam
  - Memphis Dam
  - Scenic Dam
  - Tremont Dam
  - Murchison Dam
  - Cliff Dam

Next year’s cost drivers

- This year’s river drought brought more urgency to water supply projects.
- SB3 legislation (now law) will require more backup generating power investments at all our water facilities.

Specific Projects:

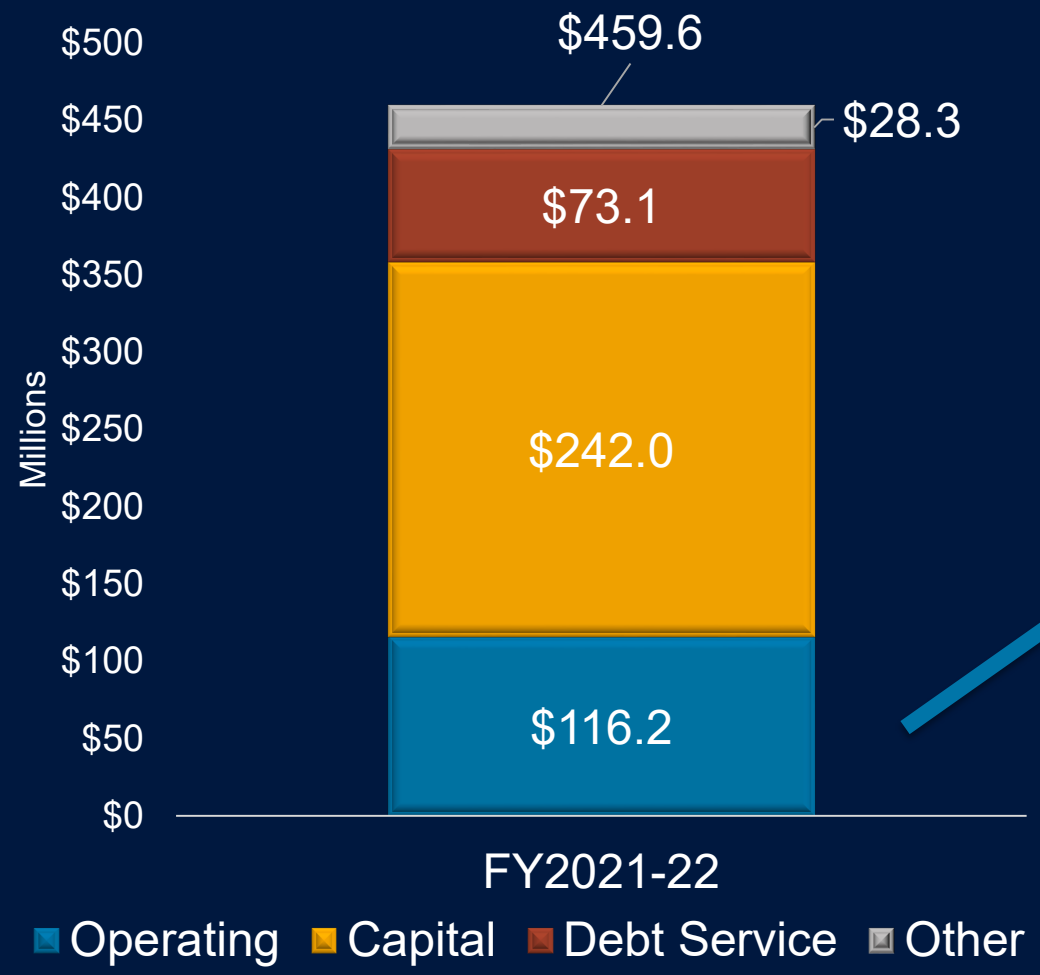
- Aquifer Storage and Recovery
- Heath-De Leon Tank
- Rosemont Tank
- Zaragoza Tank
- Bustamante Wastewater Treatment Plant expansion and rehabilitation

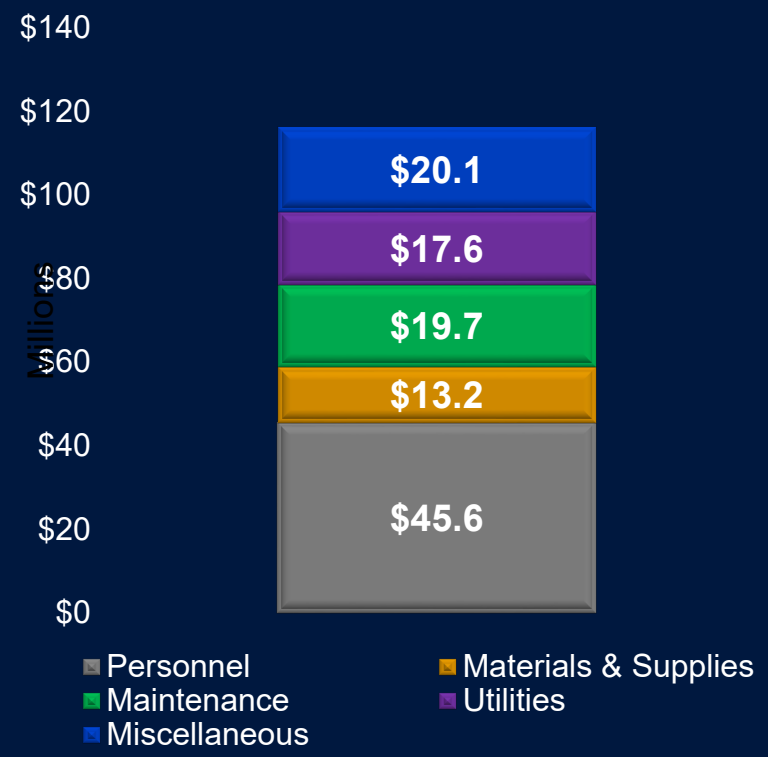
Rates

Annual rate consideration timeline

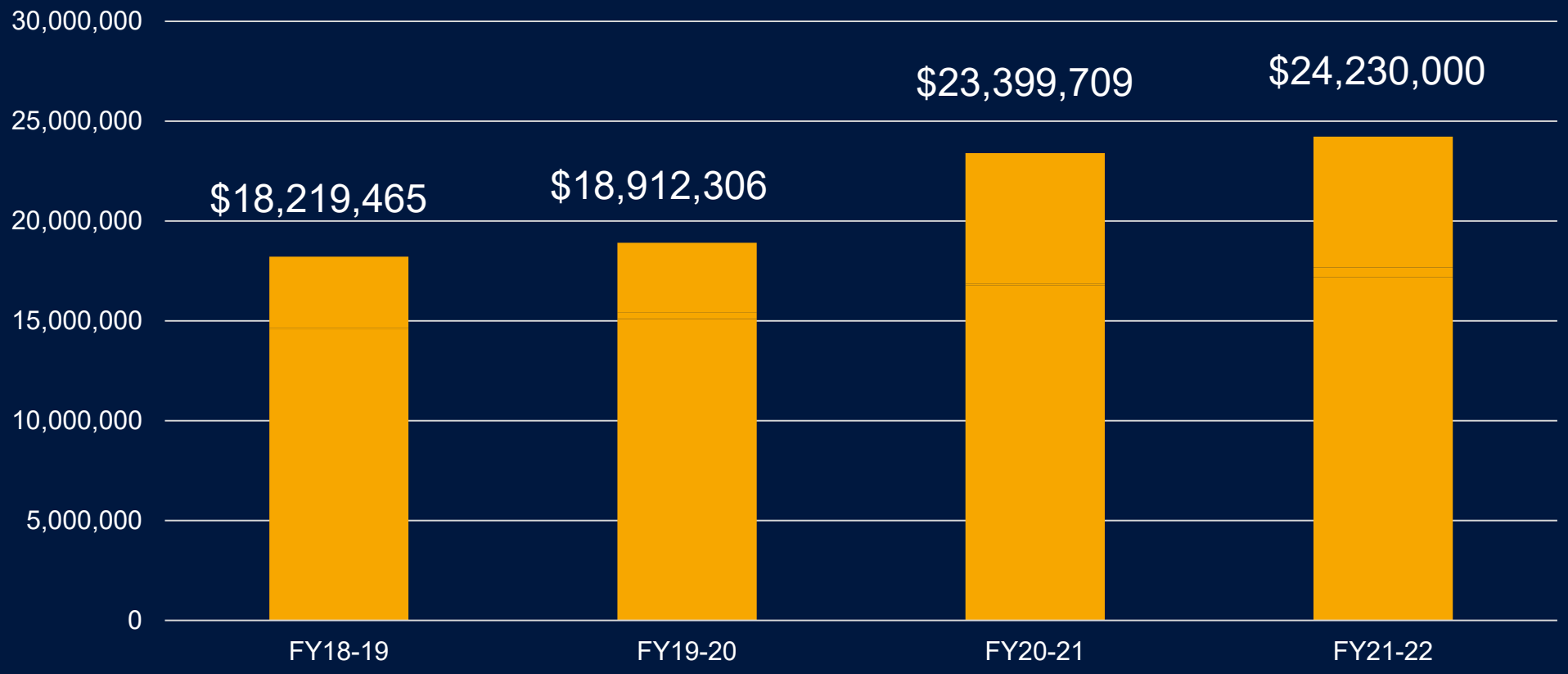
- New rates go into effect in March if the PSB approves a rate increase.
- The PSB has directed small, incremental increases over time rather than alternating between cycles of no increases and large increases that come with certain costly CIP projects.

FY21-22 water & wastewater budget summary



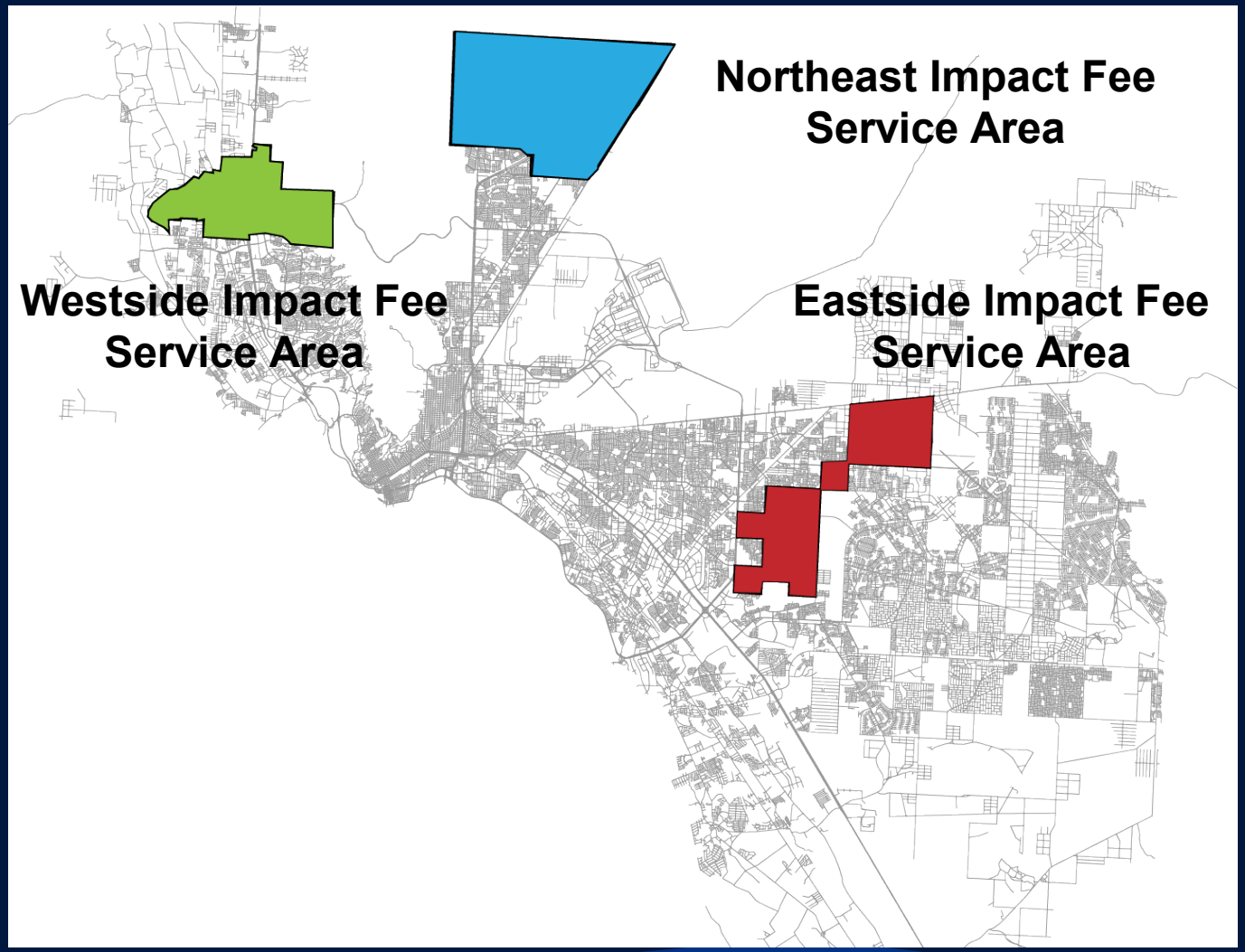


EPWater payments to the City



Note: Includes 10% payment to City, franchise fee and 5% of land sales.

Who pays for growth?



Funding for growth

- Current impact fee does not cover cost of growth

- Cost of gap split by everyone in the water system, which comes out to $401 per customer over a 10-year period.
- Since City Council has not acted on impact fee recommendations, EPWater is conducting a rate study on differential rates for growth areas.

Actively pursue state & federal funding

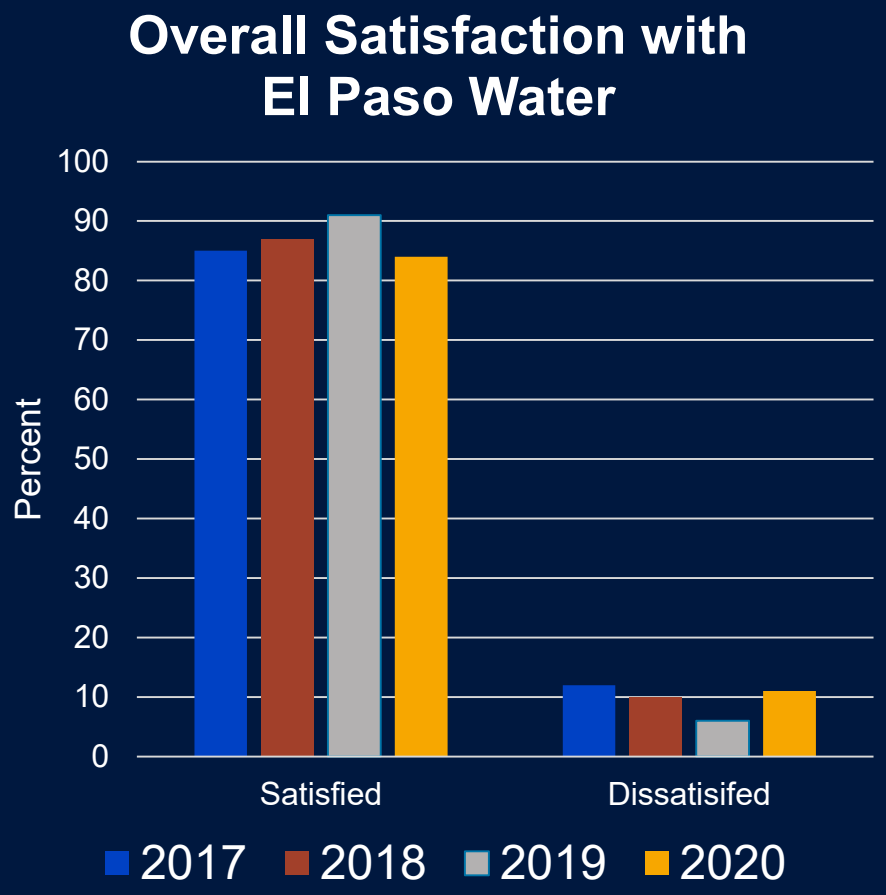
- This year, we have secured $9 million, mostly for water projects.
- Prior to this year, we averaged about $5 million annually in funding.

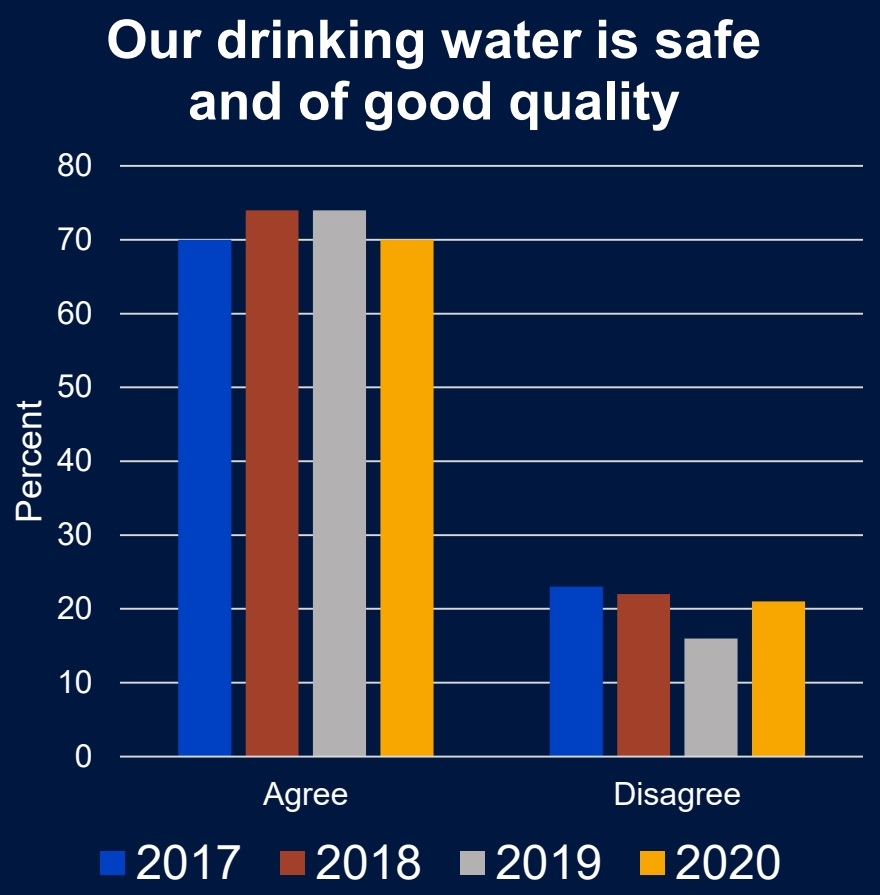
Funding Agencies
U.S. Army Corps of Engineers
U.S. Bureau of Reclamation
Texas Water Development Board
EPA through NADBank
Texas Military Preparedness Commission

EPWater was invited to submit, and in June submitted, funding requests for a small percentage of the City's ARPA allocation. We have requested assistance (30% of project costs) for stormwater projects.

Customer Service and Satisfaction

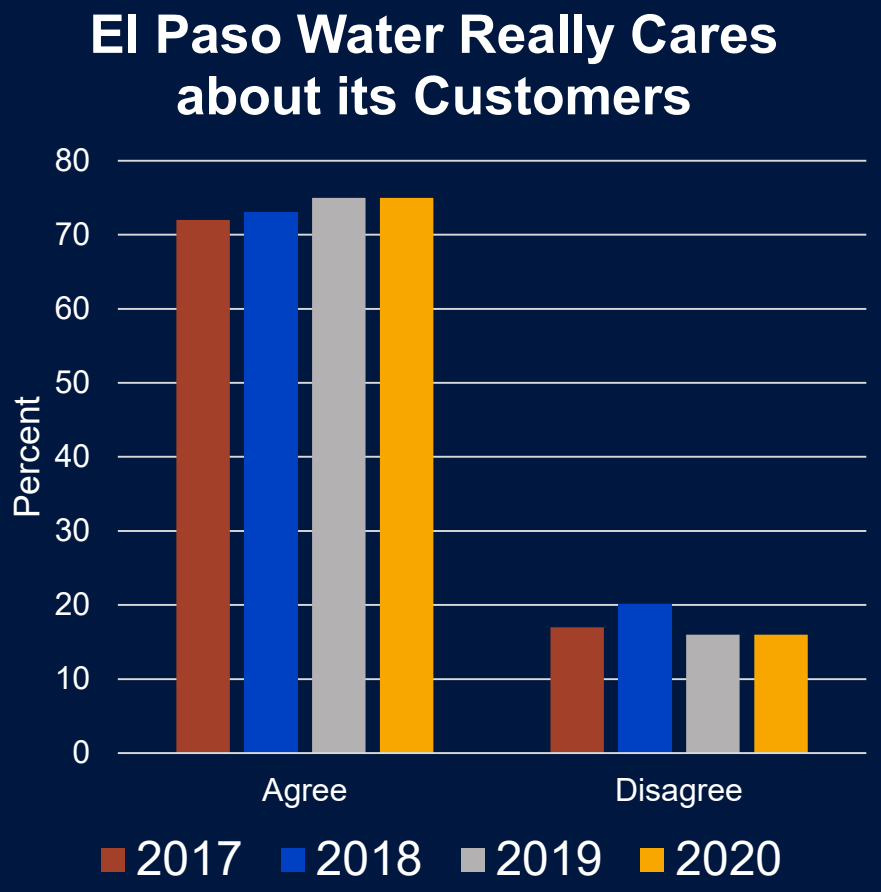
Satisfaction & Quality Indicators

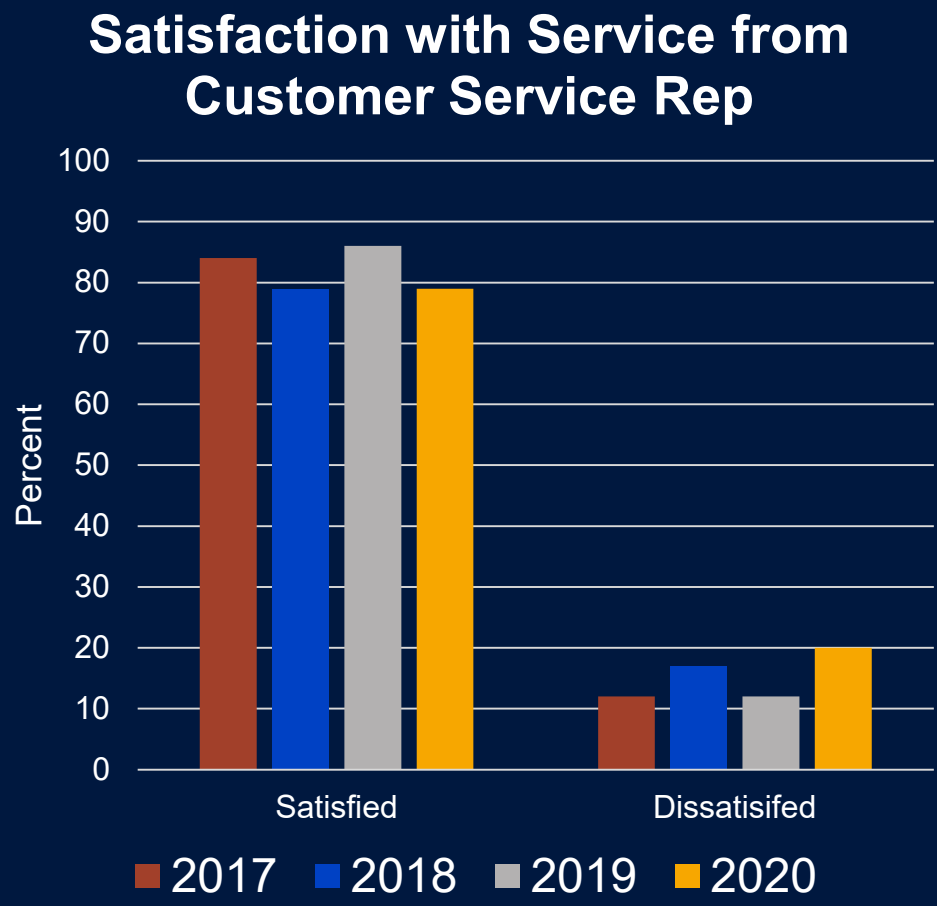




Continuous improvement is always our objective of customer surveys.

Customer Service Indicators





Based on those who indicated they had interacted with customer service in the last two years.

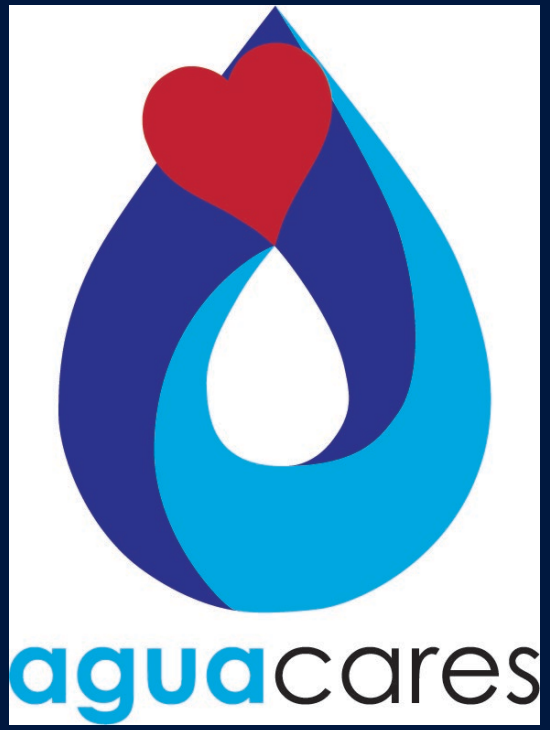
Customer service improvements
Last 5 years

- Improved website
- Improved IVR phone system with self-service options
- In-person payment options at all Walmarts, other locations

Coming soon: More improvements

- New Call Center facility will accommodate more customer representatives.
- Launch of new CIS System expected in March 2022 after a 3-Year implementation
  - New: No fee to pay online and more user-friendly online payment system
  - More self-service options
  - Eliminating manual processes for employees in the field and in the call center, increasing efficiency

Customer assistance programs



For low-income seniors;
Managed by Amistad.

CARES Act Funding – Water Bills/Env Services

Organization	Customers Assisted	Total Amounts (2020/2021)
EPWater /City	1901	473,817
EPWater employees	10	3,700
Amistad	4039	1,649,356
Project Bravo	1331	291,506
Totals	**7,281**	**$2,418,379**

Coming soon: Low Income Housing Water Assistance Program, a federally funded program. (Project Bravo)

Chronic staffing shortages in customer service

EPWater receives more than 380,000 customer calls each year but struggles with volume.

- Salaries cannot compete with private call centers. EPWater becomes training ground for many customer service call-takers, and then they move on.
- EPWater has 34 customer relations positions; currently 79% staffed.
  - Nearly year-around postings, hiring and training
  - 16 departures and 25 new hires this year

Challenge: retention of customer service staff

As El Paso has become a bilingual call center hub, EPWater has found it more and more challenging to retain Customer Relations Clerks.

Hiring Organization (in El Paso)	Hourly Pay (advertised)
El Paso Water – starting wage	$11.17
Amazon (starting wage – full time employee)	$15.00
ADP (Online Client Support)	$17.00
DISH	$17.27
Spectrum (Call Center)	$18.00
Lincoln Heritage Life Insurance Company	$18.50

Land Sales and Partnerships for Preservation

History of EPWater land acquisition

- Ratepayer money was used to purchase the lands in which EPWater is a trustee.
- Land was purchased specifically for groundwater rights and spacing of wells. Money generated from land sales was/is applied to the CIP.
- Under the rules, only the lands not needed for the water, wastewater and stormwater system can be sold.

Partnerships to preserve lands

EPWater transferred 12,000 acres (half the park's total acreage) to Texas Parks and Wildlife.

EPWater acquired the 372-acre Rio Bosque Wetlands Park. Managed by UTEP-CERM with help from Friends for the Rio Bosque.

OSAB and open space priorities

Ordinance specifies that 10 percent of stormwater system's annual utility fee be allocated for green projects with stormwater benefit.

- Total open space acreage purchased: **515.7 acres**
- EPWater uses the 10% set-aside from stormwater fees to purchase and preserve open space to improve flood protection.
- Open Space Advisory Board (OSAB) is charged by Council to prioritize open space acquisitions, and we strictly follow OSAB priorities.
  - Per ordinance, park ponds are also prioritized
  - Council/constituent feedback on open space priorities should go to OSAB.
- EPWater is supportive of preservation and conservation easements, but there are occasions when it's not an option.
  - Example: If state owns mineral rights, state must sign off

Management of open space

- Ordinance Language: “…. the Board shall take into account the use of open space as natural drainage and to extent reasonably possible preserve the City’s open spaces, greenways, arroyos and wilderness areas in their natural state as a means to assist in the management of stormwater and in accordance with the City’s Open Space Master Plan.”

- El Paso Water’s operation and maintenance activities ensure that stormwater infrastructure, whether natural or manmade, continues to function properly and yield expected water quality and environmental benefits, protect public safety, and meet legal standards.

Non-profit partnership on Lost Dog Trail

EPWater is collaborating with Frontera Land Alliance on plans to monitor and maintain the Lost Dog Trail open space land.

Coordination with the City

Longstanding coordination with City

- Water and wastewater line installation and replacement
- Proposed subdivisions and development projects
- Floodplain administrator support
- Environmental Services – EPWater provides billing for ESD
- OEM – Emergency Response

EPWater staff working with the City

Adriana Castillo, P.E.
Engineering Division Manager

Coordinates with Development Coordinating Committee, City Plan Commission since 2005

Amy Castner, P.E.
Engineering Division Manager

Coordinates with Capital Improvements, Streets and Maintenance since 2001

Corina Ledesma
Performance Systems Administrator

LSS Project to Streamline Paving Process; Strategic Planning

Streets and Capital Improvement coordination

- We have an engineering manager who meets with Streets monthly to discuss street resurfacing projects and EPWater replacement projects within Streets projects.
- We have meetings with Capital Improvement team and their consultants at 30%, 60%, 95% design.
- On projects in construction, we have weekly Capital Improvement meetings.
- Water and wastewater plans are submitted to the City for the City's Bid package for streets projects

OEM and emergency coordination

- EPWater has an employee who sits at the EOC during emergencies, who is linked into the alert bulletins put out by OEM and has access to OEM information systems.
- EPWater's representative provides briefings to OEM via email, phone, or in person, as required by individual situations or requested by EPWater management.
- EPWater participates in OEM exercises.

Partnership with Fort Bliss

- Collaboration with Public Works Department on joint priorities to preserve health and resilience of the installation.
- Recently signed an Intergovernmental Services Agreement, enabling the utility to provide a range of water engineering and water planning services for Fort Bliss.
- KBH Desalination Plant is on Fort Bliss property and helps meet water resiliency needs of the base.
- EPWater provides 25% of water needs to installation; Fort Bliss Water (private) provides 75%.
- EPWater provides 100% of wastewater needs to installation.

Planned topics for future quarterly presentations

- Rate and budget update
- Conservation
- Water supply planning (in more detail)
- Stormwater system investments
- Customer service update
- Water quality
- Safety, Security and Emergency Response

el paso WATER

Thank You!

We look forward to continuing to work together.