

El Paso County

Water and Sewer Systems

County Water and Sewer Financial Plan and Rate Review

June 16, 2022

Presented by Andrew Rheem, Senior Manager



Agenda

- Current water and sewer rates
- Financial plan overview and rate setting criteria
- Projected Fiscal Year (FY) 2023 through FY 2027 results
- Projected typical Residential customer monthly bills
- 10/1/22 water and sewer rate recommendations



Current Rate Structure

Description	Water	Sewer
Monthly Base Rate / Minimum Charge (1)	\$32.40	\$28.33
Water Volume Rate per 1,000 gallons		
0 – 3,000 gallons	\$0.00	
3,001 – 6,000 gallons	2.52	
6,001 – 10,000 gallons	4.75	
Over 10,000 gallons	6.21	
Sewer Volume Rate per 1,000 gallons (2)		
0 – 2,000 gallons		\$0.00
Over 2,000 gallons		3.61

(1) Monthly base rate and minimum charge with 3,000 gallons included (water) and 2,000 gallons included (sewer)

(2) Volume based on 90% of the average winter consumption (AWC) or monthly water use in December through February updated annually. Customers without an established AWC will default to the average AWC for the customer type and meter size.

Rate Increase Drivers

- EPW costs increases are also projected to be higher in FY 2024 through FY 2027 than previously projected
 - › Increased capital plan
 - › Higher inflation of operating costs and capital
- Water volumes projected to be lower
- Treated sewer volumes higher as customers are added
- Sewer fund is more sensitive to changes as it's smaller



Financial Plan



Prudent Utility Financial Planning

- Revenue sufficient to maintain the financial stability of the separate water and sewer funds and:
 - › Fund annual O&M expenses, debt service payments and capital improvements and other requirements
 - › Exceed annual debt service coverage (DSC) ratio targets with adequate revenues
 - Proposed target is 1.50 times annual debt service for outstanding loans
 - › Exceed proposed annual cash reserve targets with adequate reserves

Cash Reserves Targets

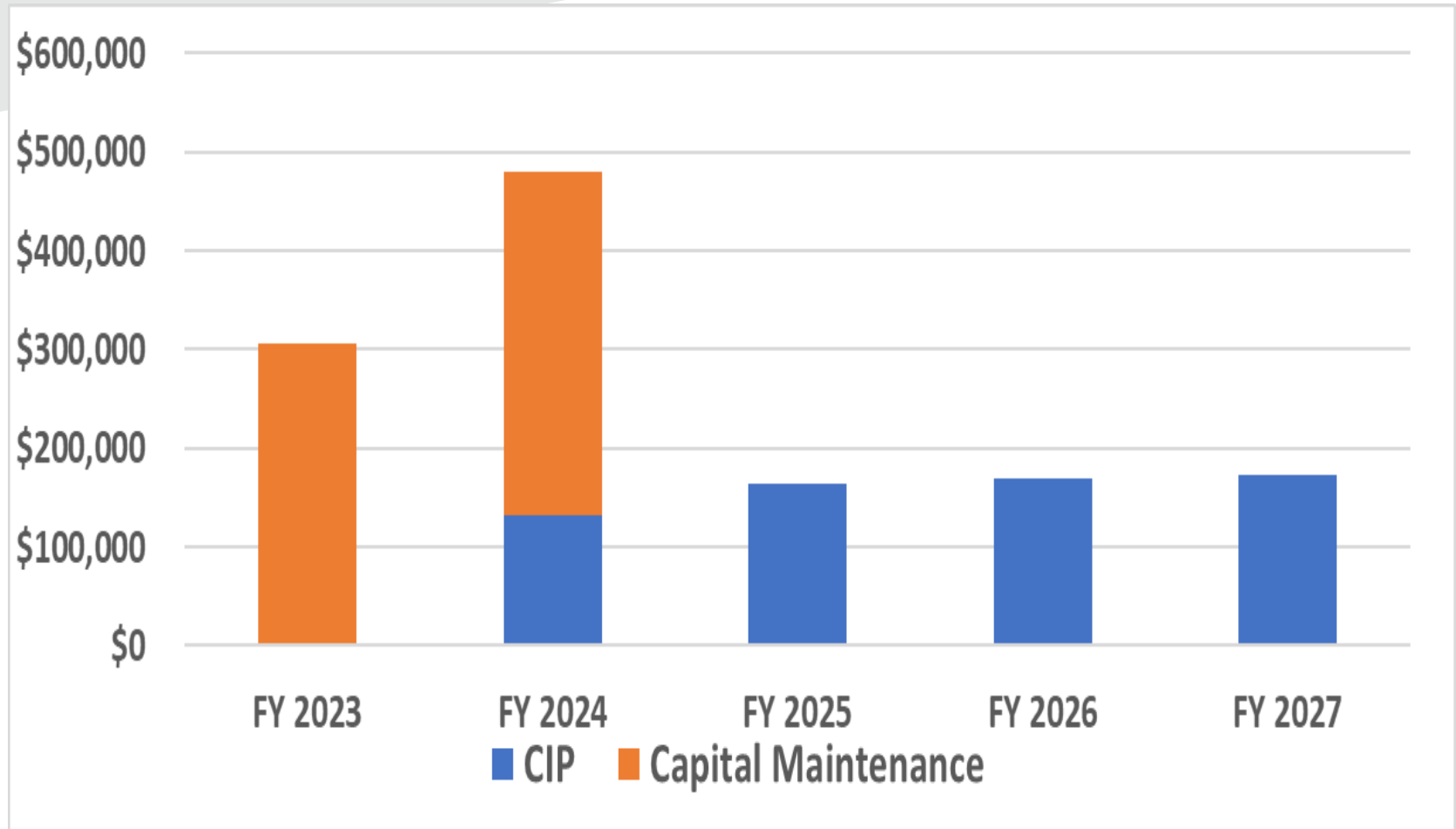
- Proposed working capital reserve
 - › 90-days or 25% of annual O&M
 - › 90-days or 25% of annual EPW charges
- Proposed capital reserve of \$50,000 (sewer only)
- Existing loan requires Maintenance and Repair reserve of \$19,500
 - › Fully funded in FY2023
- Debt service reserves are fully funded
 - › Existing water debt service reserves are set equal to one annual debt service payment
 - › Existing sewer debt service reserves are set equal to 2% of the \$1.33 million issuance



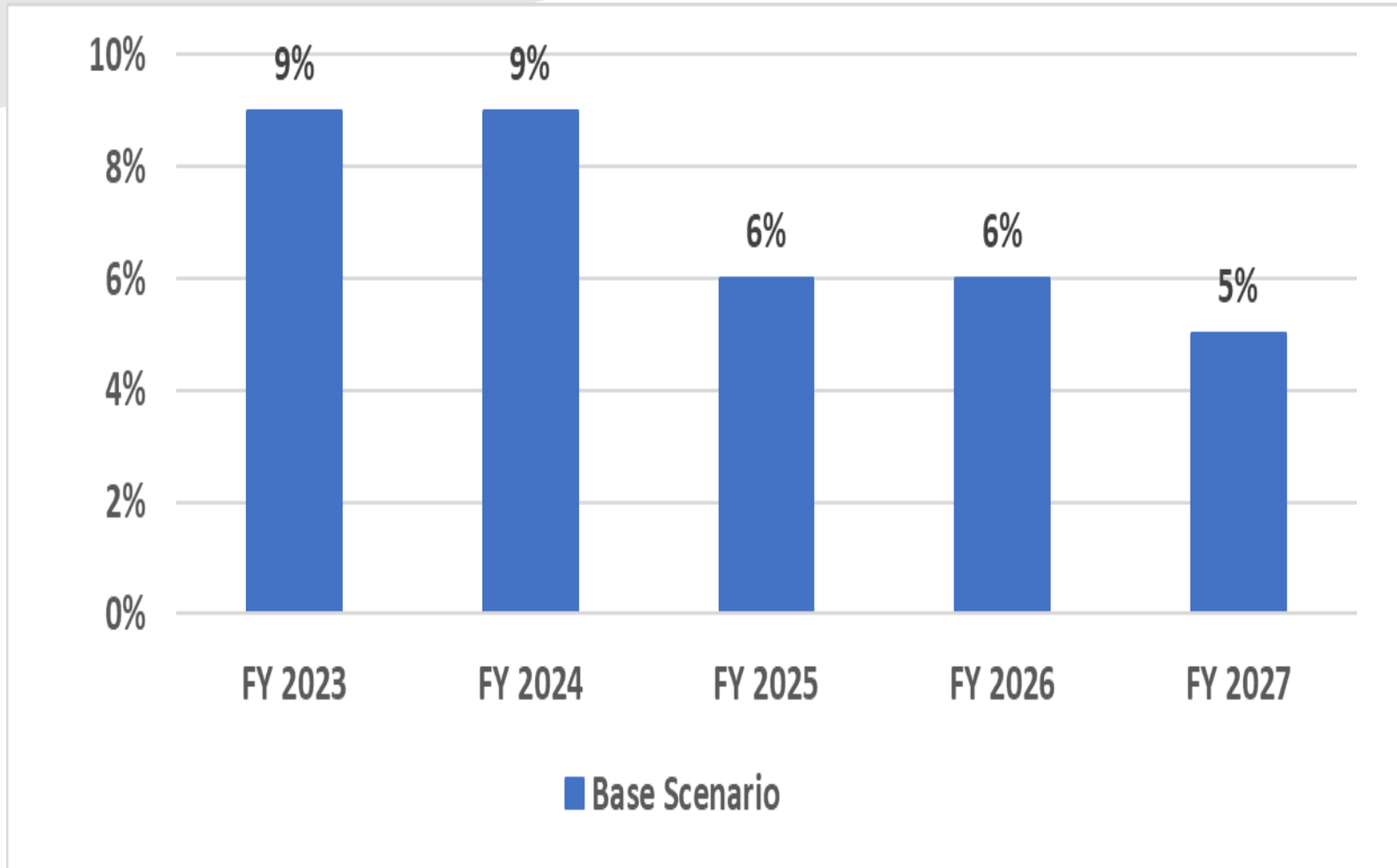
Water Fund Financial Plan and Rates



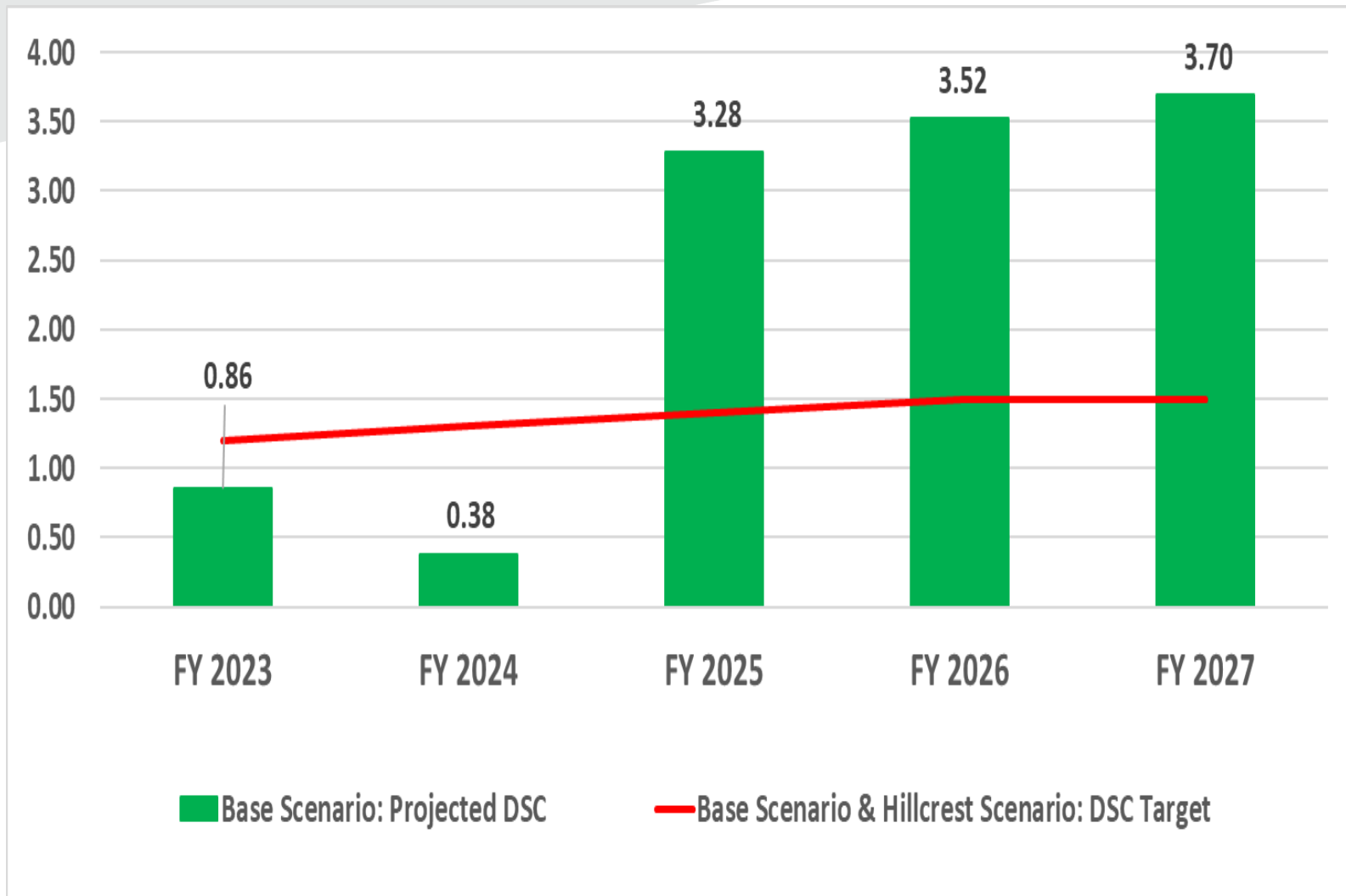
Water Fund Capital Maintenance and CIP by Fiscal Year (Inflated \$'s)



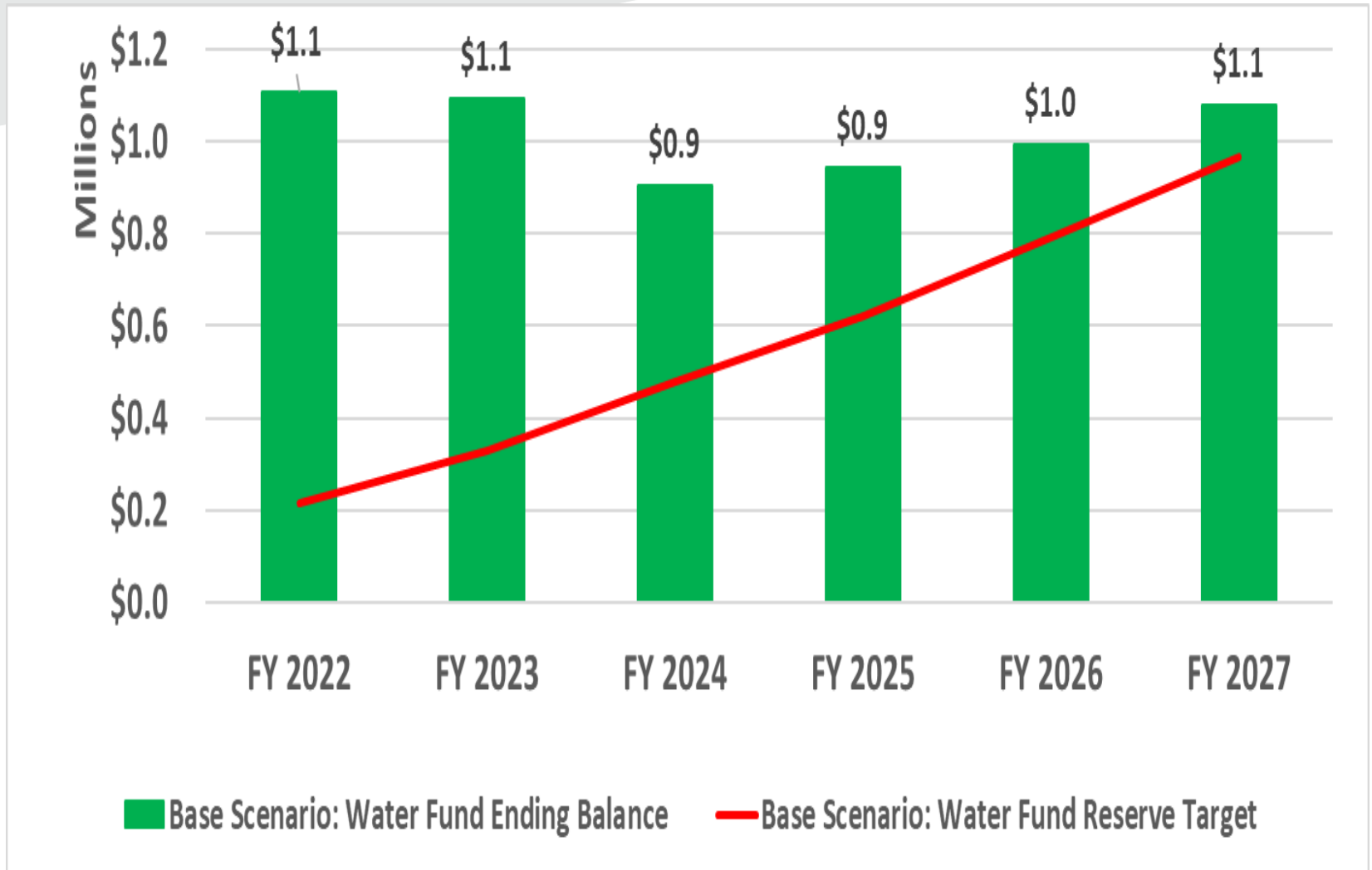
Water Rate Revenue Increases



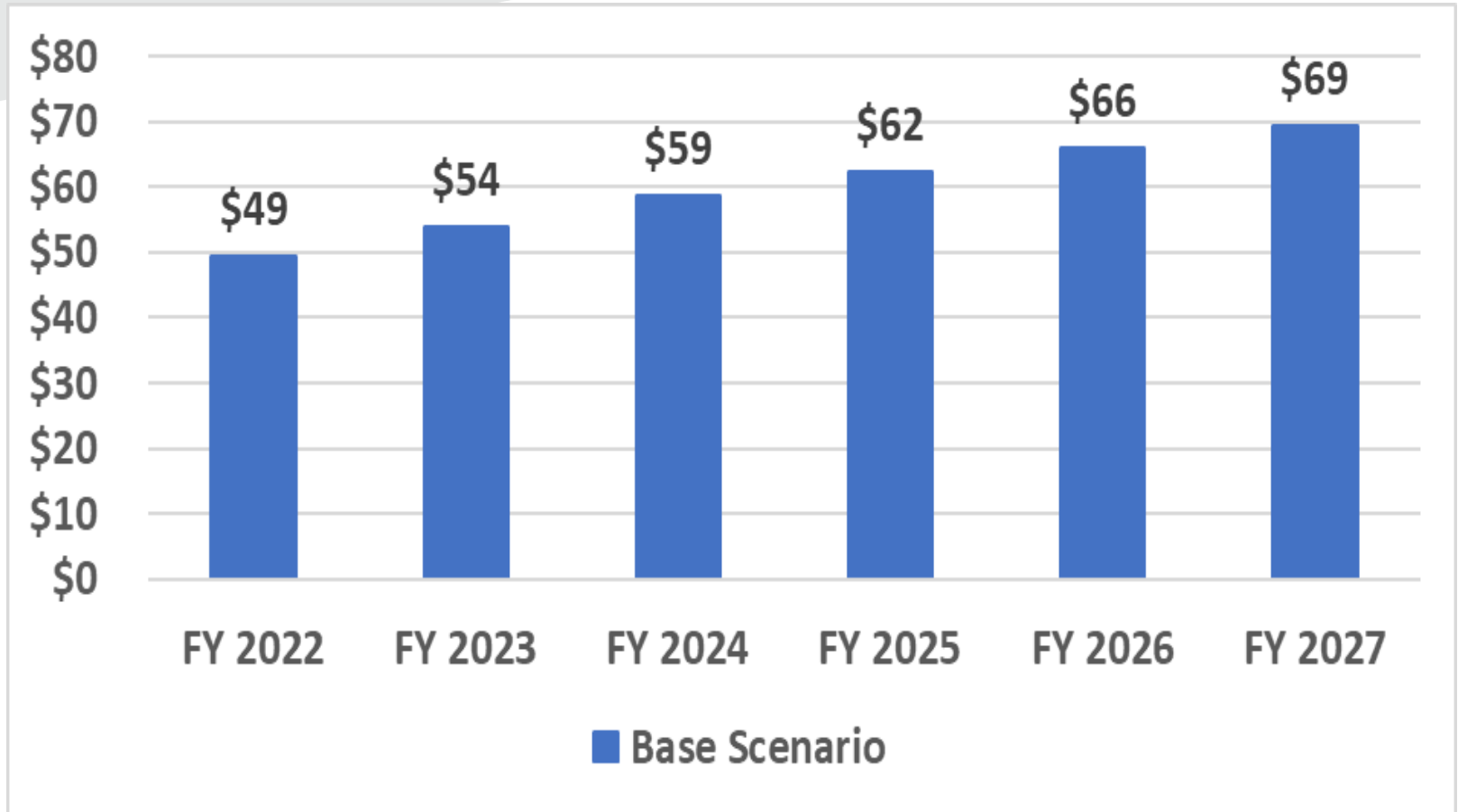
Water Fund Debt Service Coverage



Water Fund Reserves



Typical Residential Monthly Water Bills (1)

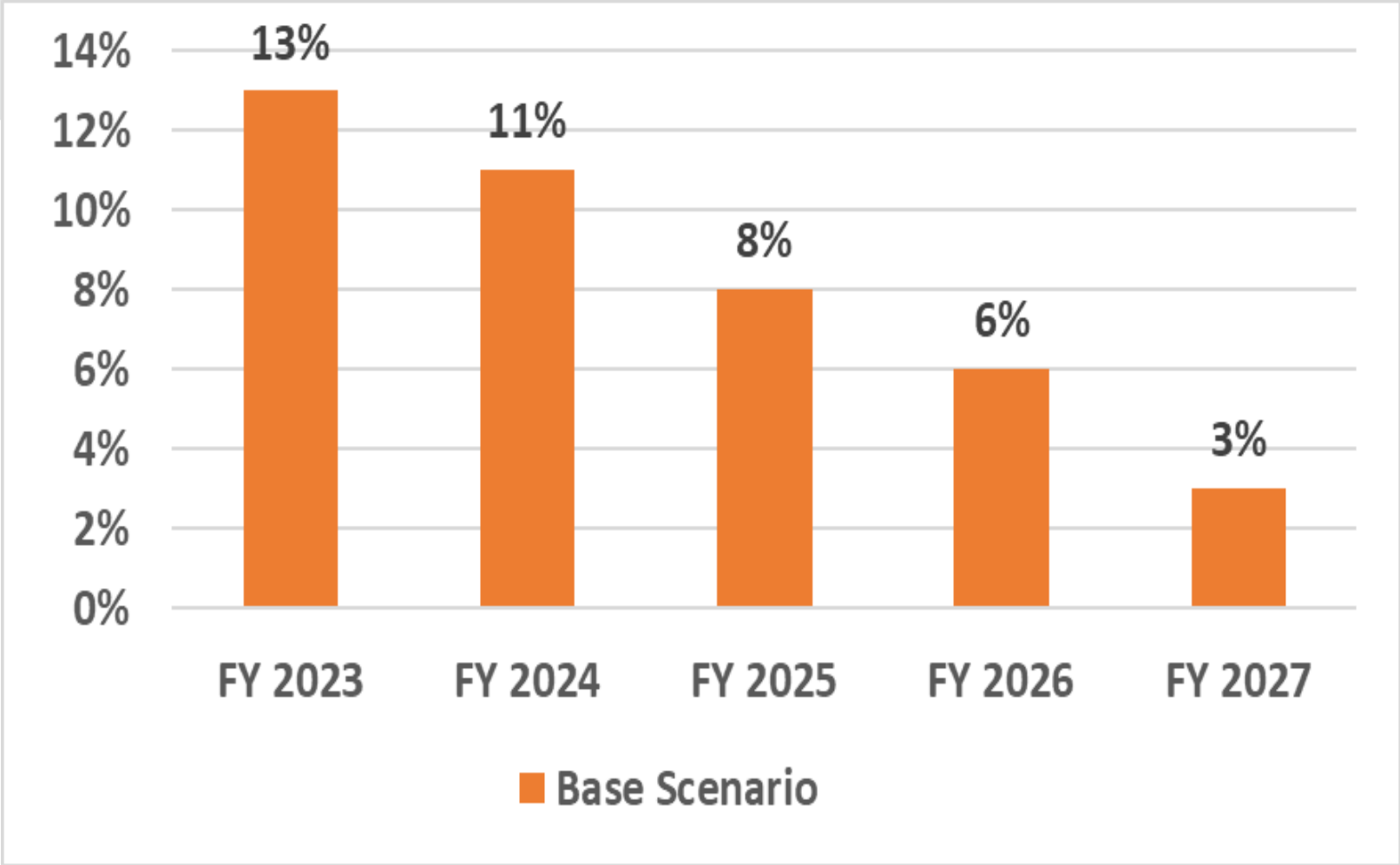


(1) Monthly residential customer bill using 8,000 gallons with a 3/4-inch meter.

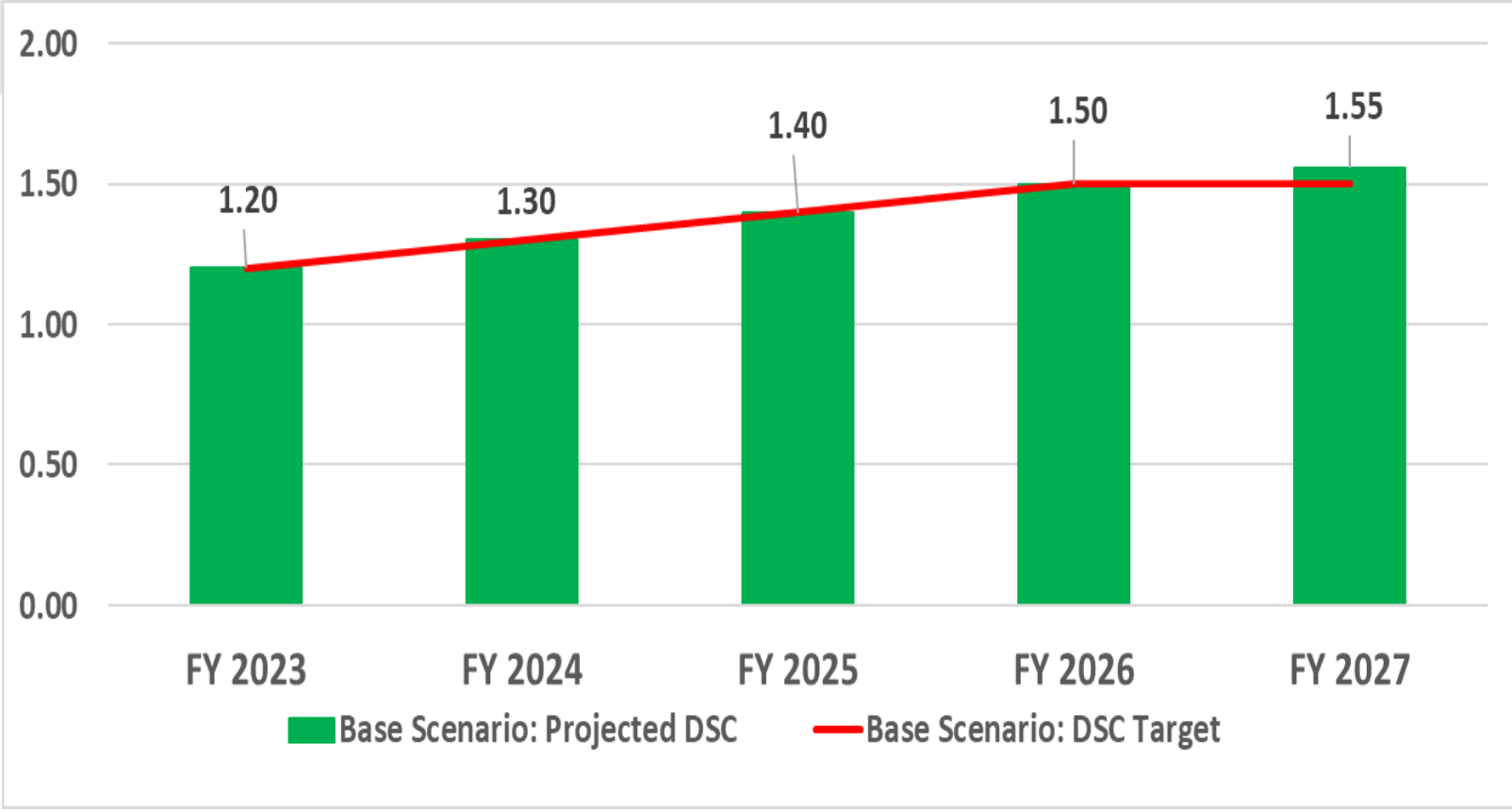
Sewer Fund Financial Plan and Rates



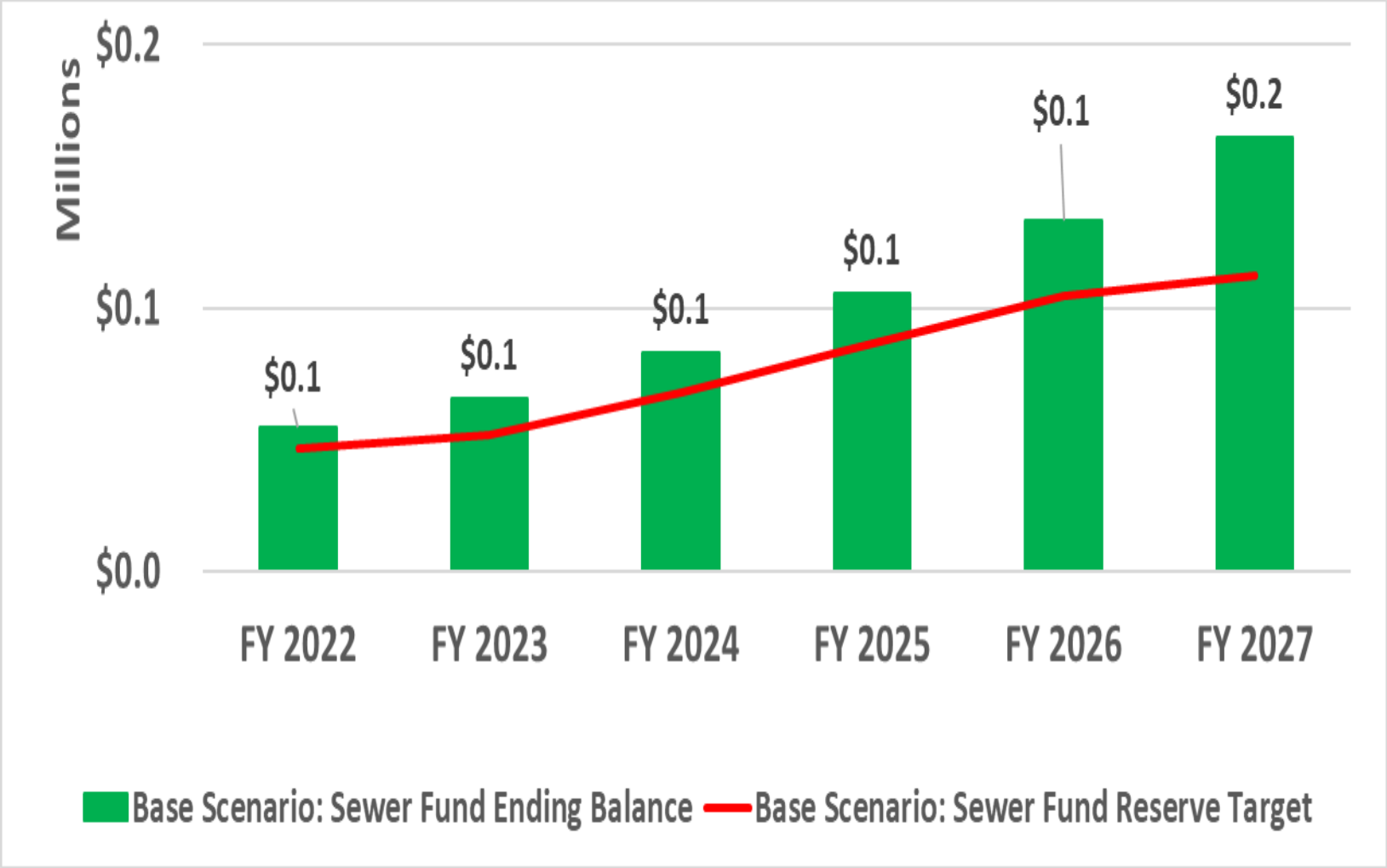
Sewer Rate Revenue Increases



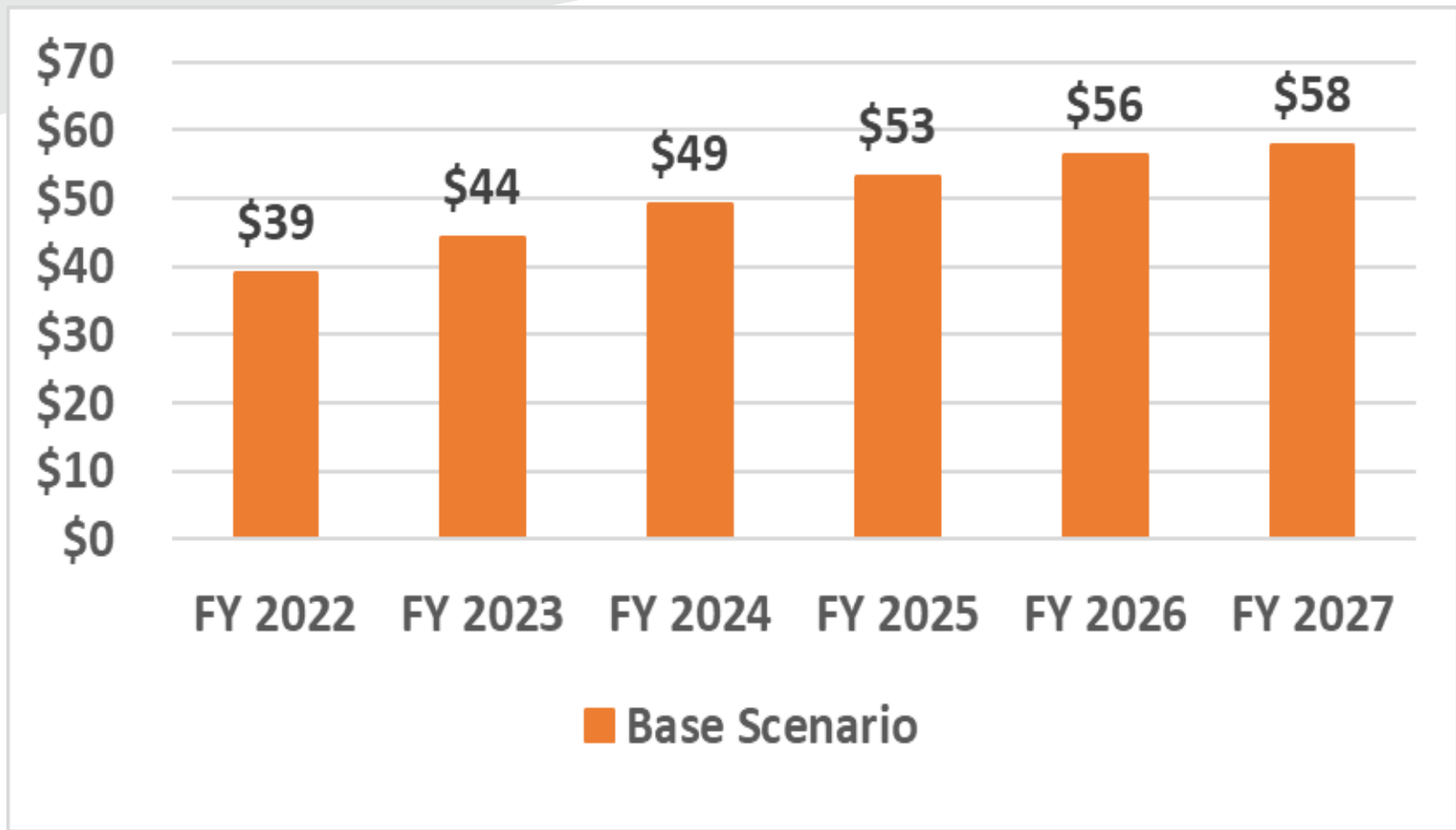
Sewer Fund Debt Service Coverage



Sewer Fund Reserves

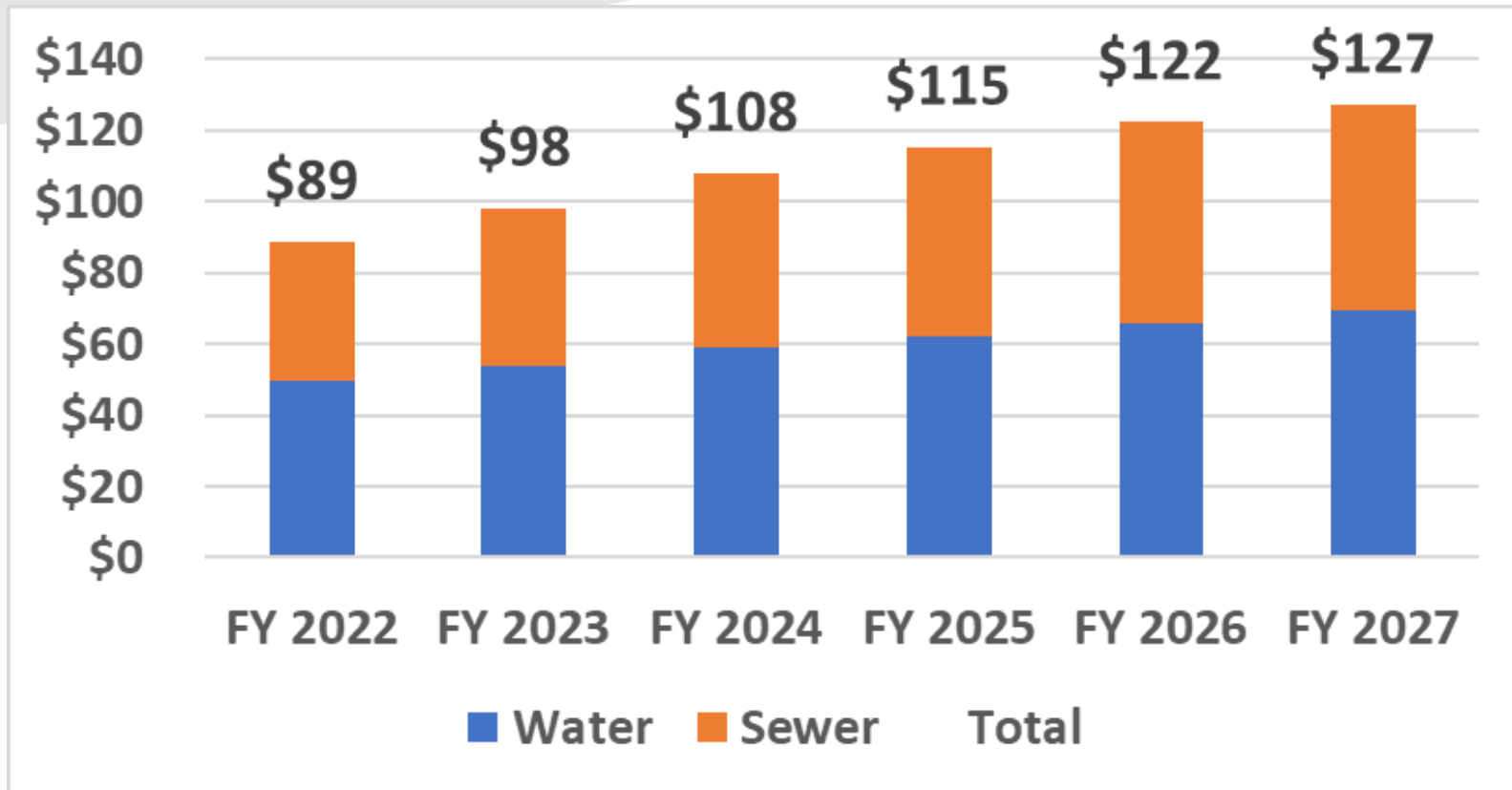


Typical Residential Monthly Sewer Bills (1)



(1) Monthly residential customer bill with 5,000 gallons sewer volume and a 3/4-inch meter.

Typical Residential Monthly Water and Sewer Bills (1) (2)



- (1) Monthly customer water bill using 8,000 gallons with a 3/4-inch meter.
- (2) Monthly customer sewer bill using 5,000 gallons wastewater volume with a 3/4-inch meter.



Proposed FY 2023 Rates



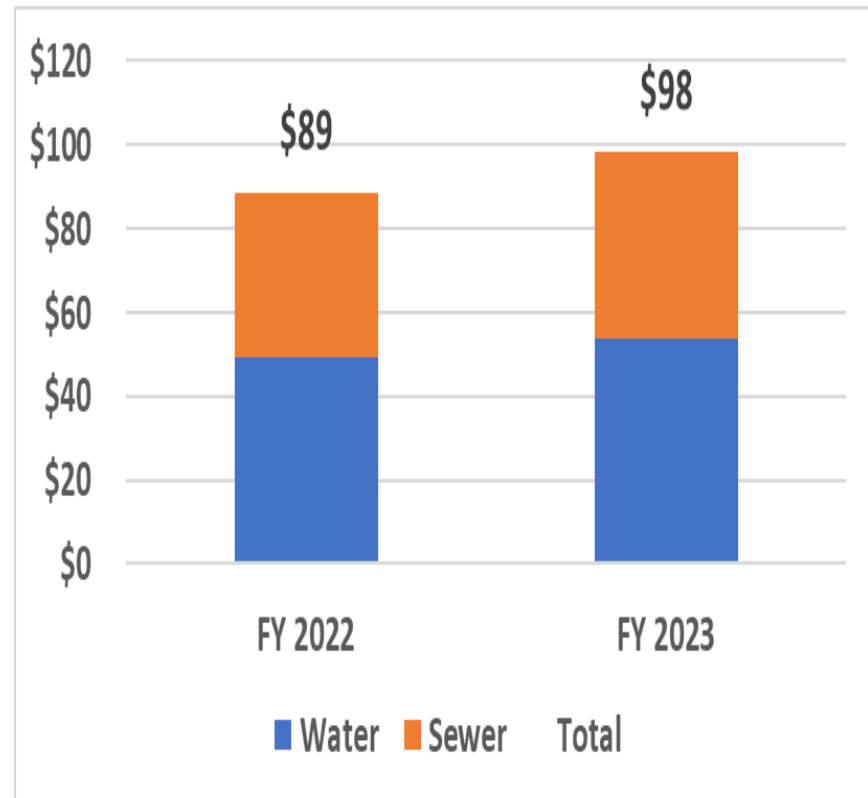
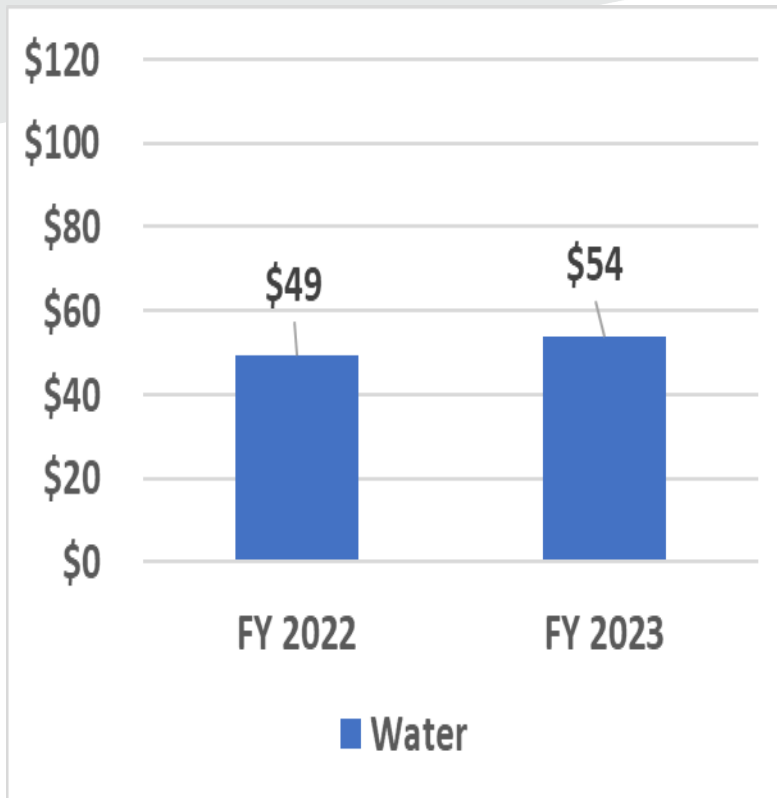
Proposed Rates October 1, 2022

Description	Water	Sewer
Monthly Base Rate / Minimum Charge (1)	\$35.32	\$32.01
Water Volume Rate per 1,000 gallons		
0 – 3,000 gallons	\$0.00	
3,001 – 6,000 gallons	2.75	
6,001 – 10,000 gallons	5.17	
Over 10,000 gallons	6.77	
Sewer Volume Rate per 1,000 gallons (2)		
0 – 2,000 gallons		\$0.00
Over 2,000 gallons		4.08

(1) Monthly base rate and minimum charge with 3,000 gallons included (water) and 2,000 gallons included (sewer)

(2) Volume based on 90% of the average winter consumption (AWC) or monthly water use in December through February updated annually. Customers without an established AWC will default to the average AWC for the customer type and meter size.

Typical Residential Water and Wastewater Bills - FY 2022 and FY 2023 (1) (2)



(1) Monthly customer water bill using 8,000 gallons with a 3/4-inch meter.

(2) Monthly customer sewer bill using 5,000 gallons wastewater volume with a 3/4-inch meter.

Recommendation

- Approve an 8% rate increase for water and a 13% rate increase for sewer effective October 1, 2022



Thank you!

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Additional Slides



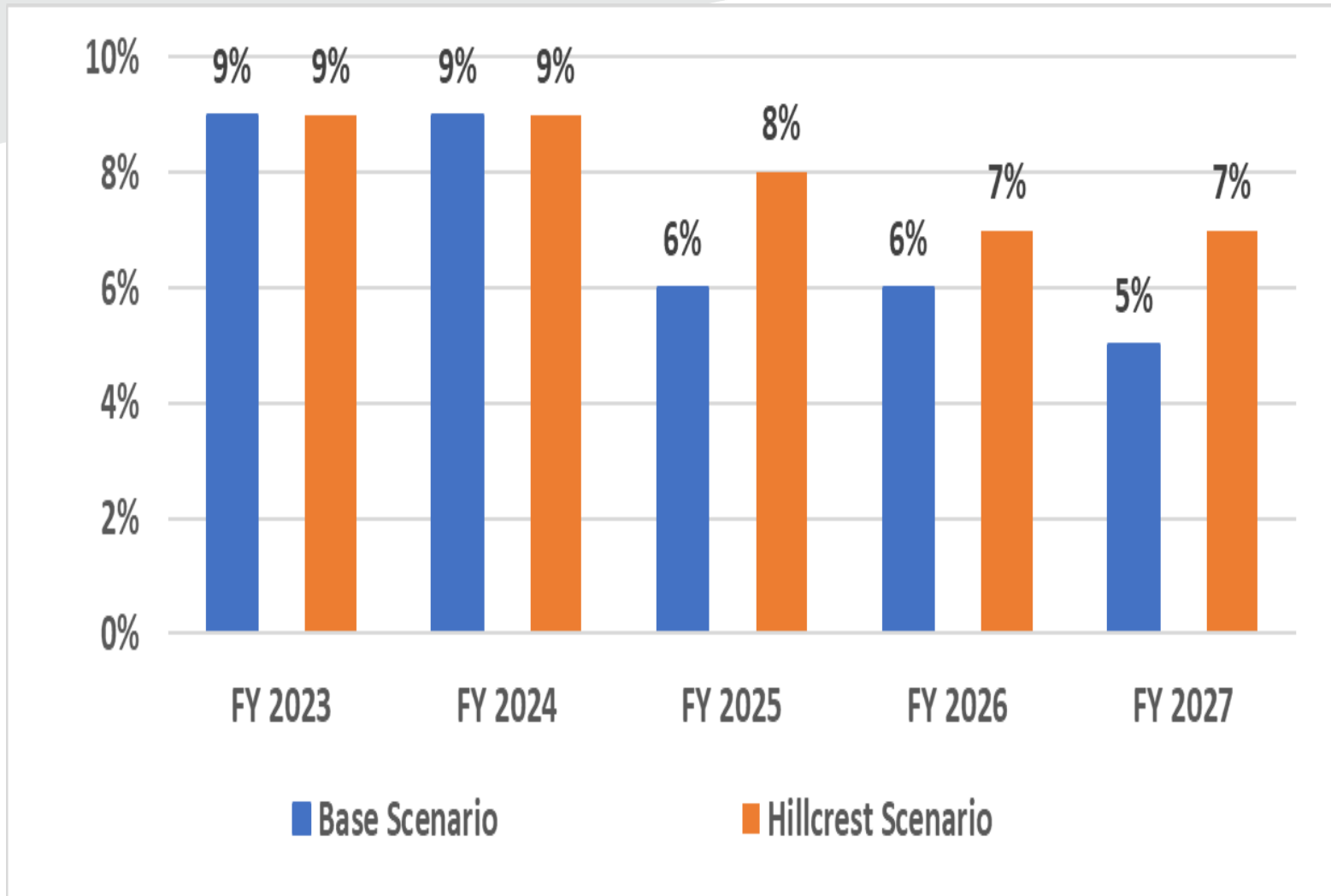
Water Fund Financial Plan and Rates Scenario Results



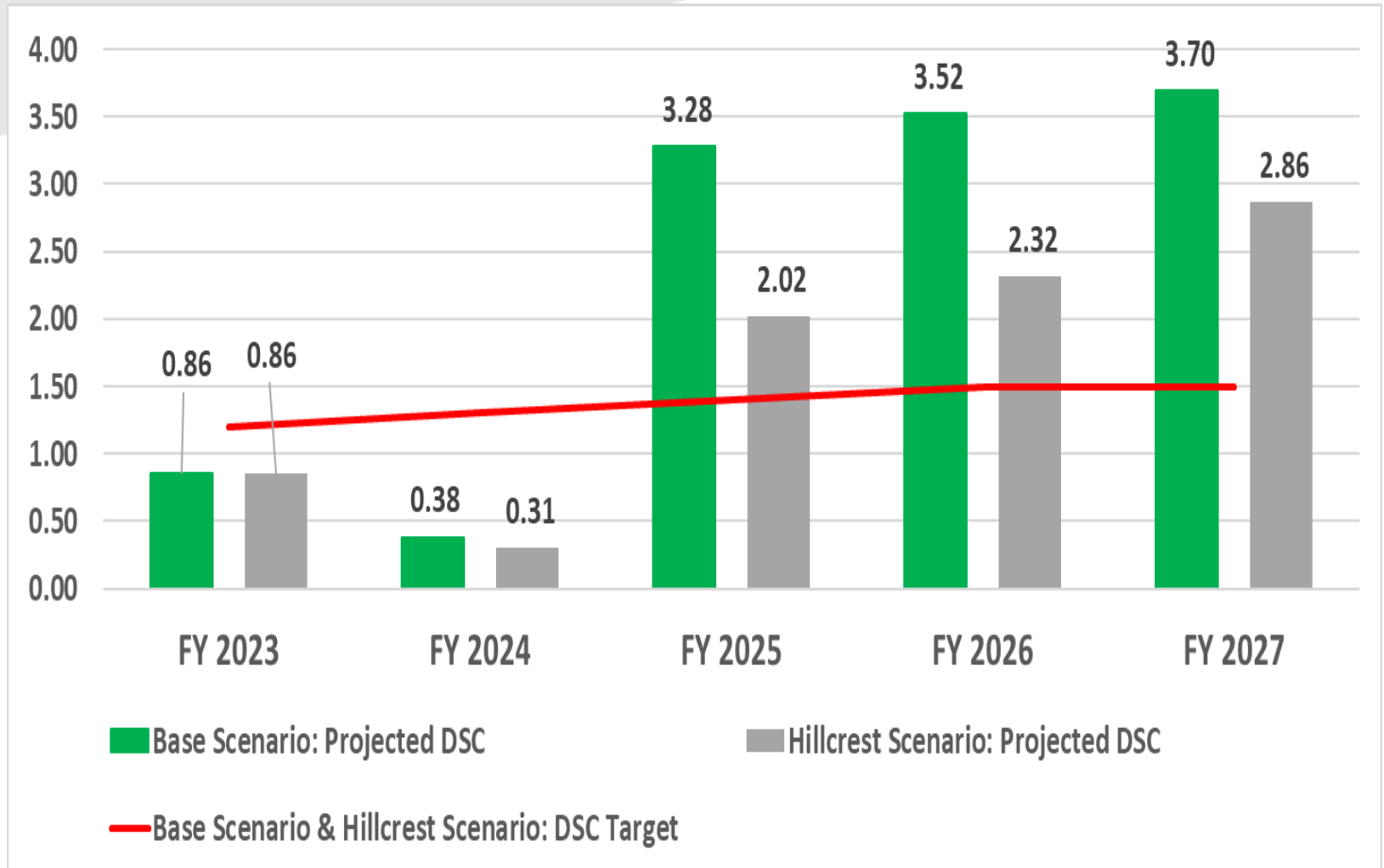
Water Fund Capital Maintenance and CIP by Year (Inflated \$'S)



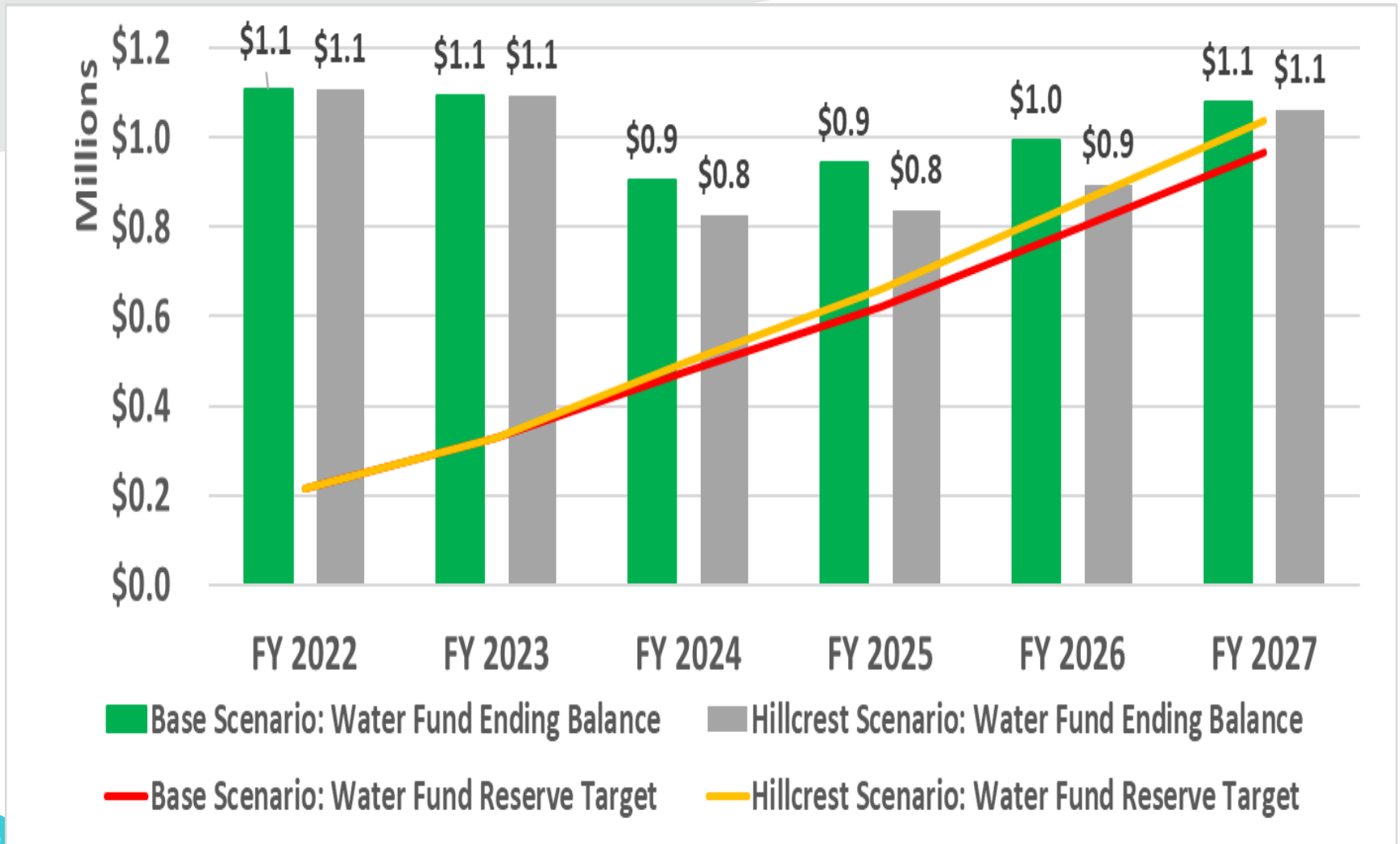
Water Rate Revenue Increases



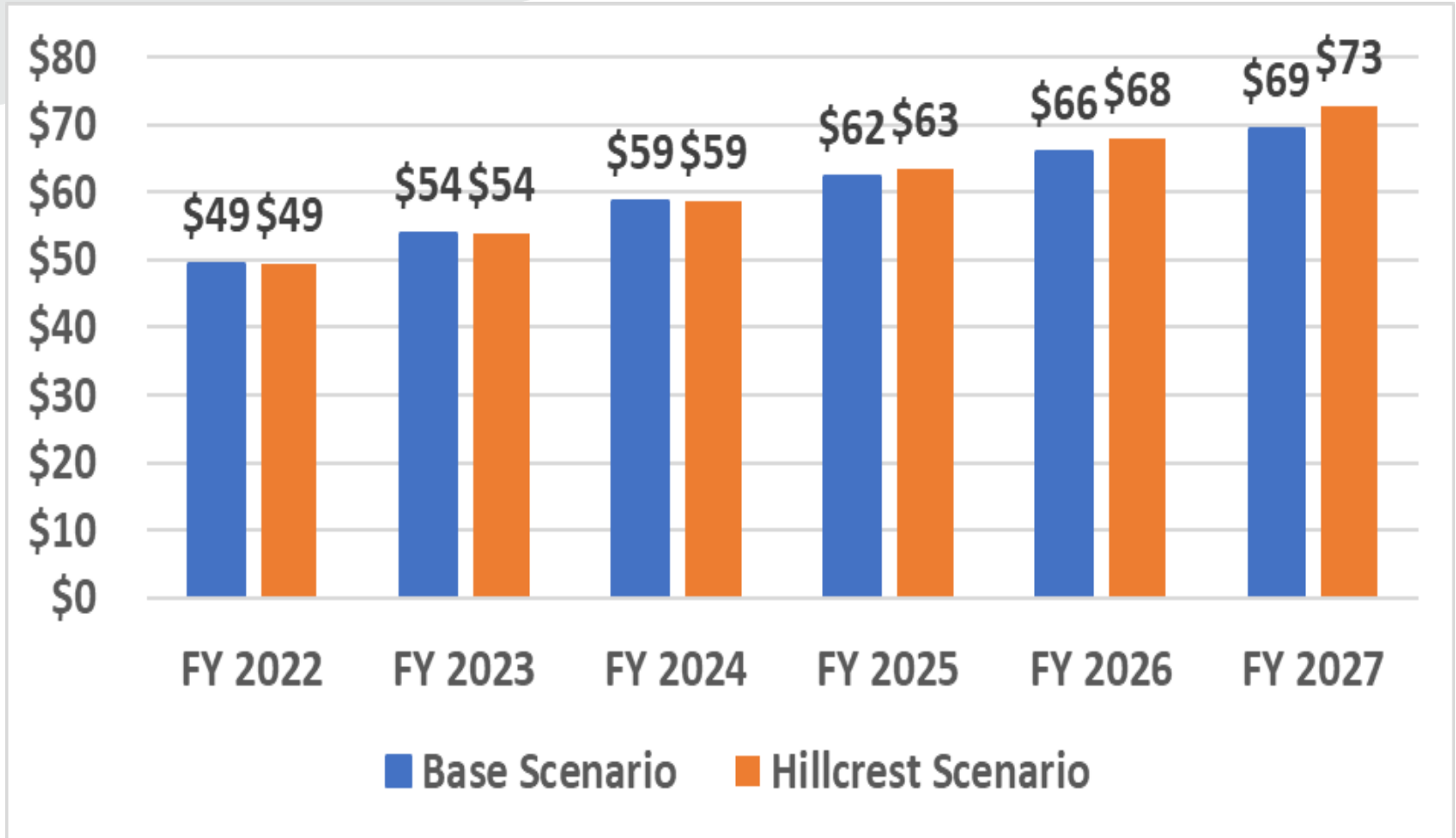
Water Fund Debt Service Coverage



Water Fund Reserves



Typical Residential Monthly Water Bills (1)



(1) Monthly residential customer bill using 8,000 gallons with a 3/4-inch meter.

Forecast Assumptions Revenues

- County customer rate adjustments effective October 1st annually
- Water annual growth rates
 - › 1.0% or 24 new accounts annually
- Sewer annual growth rates
 - › 1.0% or 3 new accounts annually
- Interest income with interest rate of 0.60% annually



Forecast Assumptions Expenses

- EPWCharges Projected
 - › Water
 - Water: 11% (April 2023), 14% (April 2024), 10% (April 2025), and 4% (April 2026)
 - Sewer: 15% (April 2023), 12% (April 2024), 9% (April 2025), and 3% (April 2026)
 - Estimated water amount reflects water sales in October through March of 45% and April through September of 55%
 - Estimated sewer amount reflects sewer volume in October through March of 49% and April through September of 51%
- 2% increase in EPW admin fee (water only)
- Capital maintenance and capital projects funded by the County
 - › 3% inflation assumption applied to County provided project amounts and anticipated timing

Water Capital Maintenance and CIP (Inflation -adjusted)

Capital Maintenance

- Meter replacement \$100,000 annually (FY 2022)
- Greg Storage Roofing \$65,000 (FY 2022)
- Meter replacement \$100,000 (FY 2023)
- Far East Elevated Tank \$135,000 (FY 2023)
- Loop projects (FY 2023– FY 2024)
 - › Bradley \$264,000
 - › Truscot \$79,000
 - › Peggy \$79,000

CIP

- O’Leary Canopy of \$95,000 (FY2022)
- Backup Generator System of \$80,000 (FY 2022)
- Average of FY 2024 through FY 2027
 - › \$133,000 (FY 2024)
 - › \$164,000 (FY2025)
 - › \$169,000 (FY2026)
 - › \$174,000 (FY2027)



Rate Setting Process



STEP 5: ASSESS EFFECTIVENESS IN ADDRESSING PRICING OBJECTIVES

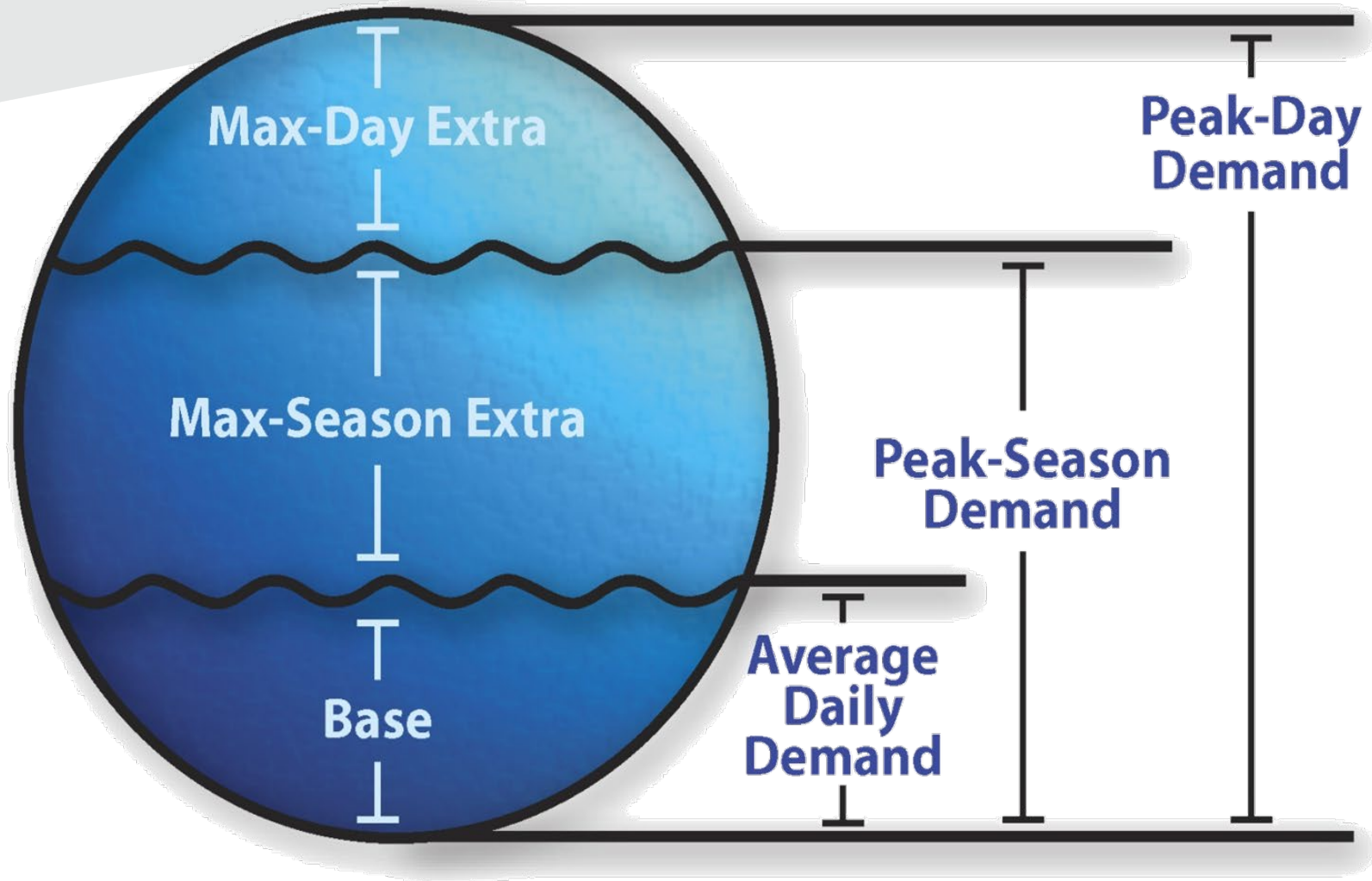
STEP 4: DESIGN RATE STRUCTURE

STEP 3: ALLOCATE COSTS

STEP 2: IDENTIFY REVENUE REQUIREMENTS & DEMAND PROJECTIONS

STEP 1: IDENTIFY FINANCIAL & PRICING OBJECTIVES

Peak Demands Drive Facility Sizing and Capital Costs



Capital Funding Considerations

- Low-interest rate loans through the USDA-RD and/or the Texas Water Development Board (TWDB) loans to minimize borrowing costs of future debt
 - › USDA loans allow for 40-year repayment
 - › Requires costs to be utility funded and reimbursed at the completion of the project
- Grants to maximize external funding of the CIP





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