

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



PRELIMINARY OFFICIAL STATEMENT

Dated: March 10, 2025

Ratings:
S&P: "AA+"
(see "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

\$31,565,000*
CITY OF EL PASO, TEXAS
(El Paso County)

MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2025

Dated Date: April 15, 2025

Due: March 1, as shown on Page 2

Interest to Accrue From Date of Delivery

PAYMENT TERMS . . . Interest on the \$31,565,000* City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2025 (the "Bonds") will accrue from the Date of Delivery (defined below) of the Bonds, will be payable March 1 and September 1 of each year, commencing September 1, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Texas Government Code, Chapter 1207, as amended ("Chapter 1207"), Texas Government Code, Chapter 1371, as amended ("Chapter 1371"), Texas Government Code, Chapter 1502, as amended ("Chapter 1502"), the City of El Paso, Texas (the "City") home rule charter, and an ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") adopted by the City Council of the City on May 7, 2024. In the Bond Ordinance, the City Council delegated to certain officers of the El Paso Water Utilities (the "El Paso Water Utilities"), pursuant to Chapter 1207 and Chapter 1371, authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). The Bonds are special obligations of the City payable, both as to principal and interest, solely from and, together with the outstanding Previously Issued Bonds (as defined herein) and any Additional Bonds (as defined herein), secured by a first lien on and pledge of the Net Revenues (hereinafter defined) of the City's municipal drainage utility system (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance" and - "Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund all of the City's presently outstanding Municipal Drainage Utility System Extendable Commercial Paper Notes, Series A (Tax-Exempt) (the "Refunded ECP Notes"), (ii) refund all or a portion of the City's presently outstanding Municipal Drainage Utility System Revenue Bonds, Series 2015 (the "Refunded Bonds" and, together with the Refunded ECP Notes, the "Refunded Obligations"), and (iii) pay costs of issuance of the Bonds. The Refunded ECP Notes were issued to provide interim financing for the construction of System projects. Such projects are completed or in the design or construction phases (see "PLAN OF FINANCING - Purpose" and "Schedule I - Schedule of Refunded Bonds" for more information regarding the Refunded Bonds.)

CUSIP PREFIX: 283791- MATURITY SCHEDULE & 9 Digit CUSIP - SEE SCHEDULE ON PAGE 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters listed below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. The opinion of Bond Counsel will be printed on or attached to the Bonds (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Winstead PC, San Antonio, Texas, counsel for the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the services of DTC on or about April 16, 2025 (the "Date of Delivery").

RAYMOND JAMES

UMB BANK, N.A.

*Preliminary; subject to change.

MATURITY SCHEDULE*

CUSIP Prefix: 283791 ⁽¹⁾

Principal Amount	March 1 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Principal Amount	March 1 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 1,430,000	2026				\$ 765,000	2039			
1,455,000	2027				805,000	2040			
1,530,000	2028				845,000	2041			
1,605,000	2029				885,000	2042			
1,690,000	2030				930,000	2043			
1,775,000	2031				975,000	2044			
1,860,000	2032				1,015,000	2045			
1,955,000	2033				1,055,000	2046			
2,055,000	2034				1,100,000	2047			
2,155,000	2035				1,150,000	2048			
660,000	2036				1,195,000	2049			
695,000	2037				1,250,000	2050			
730,000	2038								

(Interest accrues from Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services which is managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. The City, the Financial Advisor (as defined herein) and the Underwriters take no responsibility for the accuracy of such numbers.

REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds will be subject to mandatory sinking fund redemption if the Underwriters elect to combine two or more consecutive maturities identified above into one or more term bonds (see "THE BONDS - Optional Redemption").

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date hereof ("Rule 15c2-12"), this document constitutes an "official statement" of the City with respect to the Bonds that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page, maturity schedule, Schedule I, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide, or cause to be provided, certain information on a continuing basis.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

None of the City, the Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information has been provided by DTC.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The information contained in this Official Statement has been furnished by the City, DTC and other sources that are believed to be reliable. No dealer, broker, salesperson, or other person has been authorized by the City or the Underwriters to give any information or to make any representations other than those made herein. Any such other information or representations must not be relied upon as having been authorized. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this document nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

The Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the United States Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

All inquiries relating to this Official Statement and the offering contemplated herein should be directed to the Underwriters. Prospective investors may obtain additional information from the Underwriters or the City which they may reasonably require in connection with the decision to purchase any of the Bonds from the Underwriters.

The yields at which the Bonds are offered to the public may vary from the initial reoffering yields on the inside cover page of this Official Statement. In addition, the Underwriters may allow concessions of discounts from the initial offering prices of the Bonds to dealers and others.

This Official Statement contains "forward-looking" statements within the meaning of section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer" herein).

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The cover page hereof, maturity schedule, this page, Schedule I, and the appendices included herein and any addendum, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds (defined herein) to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE ISSUER**..... The City of El Paso, Texas (the “City”), is a political subdivision and municipal corporation of the State of Texas (the “State”), located in El Paso County. The City covers approximately 256 square miles.
- THE PUBLIC SERVICE BOARD**..... The City’s municipal drainage utility system (the “System”) is managed by a seven-member Board of Trustees (the “Public Service Board”) appointed by the City Council. The Public Service Board has complete authority for the management and operation of the System but has no authority to issue obligations such as the Bonds (see “THE PUBLIC SERVICE BOARD”). The Bonds are issued by the City upon the request of the Public Service Board.
- THE BONDS** The \$31,565,000* City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2025 (the “Bonds”) are being issued as serial Bonds maturing March 1 in each of the years 2026 through 2050, inclusive, unless the underwriters listed on the cover page hereof (the "Underwriters") designate two or more consecutive maturities as one or more term bonds (see “THE BONDS - Description of the Bonds” and “The Bonds - Optional Redemption”).
- PAYMENT OF INTEREST** Interest on the Bonds will accrue from the date of delivery of the Bonds to the Underwriters, and is payable September 1, 2025, and each March 1 and September 1 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS - Optional Redemption”).
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapter 1207, as amended (“Chapter 1207”), Texas Government Code, Chapter 1371, as amended (“Chapter 1371”), Texas Government Code, Chapter 1502, as amended (“Chapter 1502”), the City’s home rule charter, and an ordinance (the “Bond Ordinance”) adopted by the City Council of the City on May 7, 2024. In the Bond Ordinance, the City Council delegated to certain officers of El Paso Water Utilities, pursuant to Chapter 1207 and Chapter 1371, authority to complete the sale of the Bonds. The terms of the sale will be included in a “Pricing Certificate,” which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the “Ordinance”) (see “THE BONDS - Authority for Issuance”).
- SECURITY FOR THE BONDS** The Bonds constitute special obligations of the City, payable, both as to principal and interest, solely from and, together with the outstanding Previously Issued Bonds and any Additional Bonds (each hereinafter defined), secured by a first lien on and pledge of the Net Revenues (hereinafter defined) of the System. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see “THE BONDS - Security and Source of Payment”).
- OPTIONAL REDEMPTION** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”).
- TAX EXEMPTION** In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS” herein.
- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be used to (i) refund all of the City’s presently outstanding Municipal Drainage Utility System Extendable Commercial Paper Notes, Series A (Tax-Exempt) (the "Refunded ECP Notes"), (ii) refund all or a portion of the City's presently outstanding Municipal Drainage Utility System Revenue Bonds, Series 2015 (the "Refunded Bonds" and, together with the Refunded ECP Notes, the "Refunded Obligations"), and (iii) pay costs of issuance of the Bonds. The Refunded ECP Notes were issued to provide interim financing for the construction of System projects. Such projects are completed or in the design or construction phases (see “PLAN OF FINANCING – Purpose” and “Schedule I - Schedule of Refunded Bonds” for more information regarding the Refunded Bonds.)

* Preliminary; subject to change.

RATINGS The Bonds and certain of the presently outstanding Previously Issued Bonds are rated “AA+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”), without regard to credit enhancement. (see “OTHER INFORMATION – Ratings”).

BOOK-ENTRY-ONLY

SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter identified) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

PAYING AGENT/REGISTRAR..... The initial paying agent/registrar is Zions Bancorporation, National Association, Houston, Texas.

PAYMENT RECORD The City has never defaulted in payment of its System revenue bonds.

Fiscal Year Ending 2/28	Estimated City Population ⁽¹⁾	Net Revenue Available For Debt Service	Annual Debt Service Requirements	Coverage of Debt Service
2021	694,033	17,557,961	9,265,931	1.89 x
2022	678,415	19,474,100 ⁽²⁾	9,421,926	2.07 x
2023	677,456	21,565,906	10,522,426	2.05 x
2024	678,958	25,640,481	11,658,959	2.20 x
2025	678,958	24,922,773 ⁽³⁾	14,352,770	1.74 x

⁽¹⁾ Information provided by the City.

⁽²⁾ Restated due to the implementation of GASB 87.

⁽³⁾ Unaudited for period March 1, 2024, through December 31, 2024.

For additional information regarding the El Paso Water Utilities, please contact:

Mr. Arturo Duran Chief Financial Officer El Paso Water Utilities 1154 Hawkins Blvd. El Paso, Texas 79925 (915) 594-5549	or	Ms. Maria Fernanda Urbina Managing Director Hilltop Securities Inc. 221 N. Kansas, Suite 600 El Paso, Texas 79901 (915) 351-7228
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CITY ADMINISTRATION

CITY COUNCIL

Renard Johnson, Mayor
Alejandra Chavez
Josh Acevedo
Deanna Maldonado-Rocha
Cynthia Boyar Trejo
Ivan Niño
Art Fierro
Lily Limón
Chris Canales

THE PUBLIC SERVICE BOARD

Bryan Morris, Chair
Charlie Intebi, Vice-Chair
Renard Johnson, Mayor – City of El Paso ⁽¹⁾
Stefanie Block Uribarri, Secretary/Treasurer
Anna Gitter, Member
Hector Ocaranza, Member
Vacant, Member

⁽²⁾ Ex-officio member.

CERTAIN CITY ADMINISTRATIVE STAFF

Dionne MackCity Manager
Robert Cortinas.....Deputy City Manager and CFO
Laura D. Prine..... City Clerk
Karla Nieman.....City Attorney
Maria Pasillas Tax Assessor/Collector
Margarita MarinDeputy CFO - Comptroller

**CERTAIN EL PASO WATER UTILITIES
ADMINISTRATIVE STAFF**

John Balliew, P.E..... President & CEO
Ana Sanchez,..... Vice President
Gilbert Trejo..... Vice President
Adam Wickersham Vice President
Arturo DuranChief Financial Officer
Daniel Ortiz..... General Counsel

CONSULTANTS AND ADVISORS (EL PASO WATER UTILITIES)

Auditors Gibson Ruddock Patterson LLC
El Paso, Texas

Bond CounselNorton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor..... Hilltop Securities Inc.
El Paso, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$31,565,000*

CITY OF EL PASO, TEXAS

MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of \$31,565,000* City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance (defined herein), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE BOND ORDINANCE - Definitions").

The City of El Paso, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including its duly adopted home rule charter (the "Charter") and is authorized by the Charter and by Chapter 1502, Texas Government Code, as amended ("Chapter 1502"), to own, operate and maintain a municipal drainage utility system. The City operates under a City Manager form of government. City Council Members serve staggered four-year terms. The Mayor also serves a four-year term. Each elected official may serve no more than two consecutive terms. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 678,815, an increase of 4.6% over the 2010 Census population of 649,121, while the estimated population for 2025 is 678,958. The City covers approximately 256 square miles.

The City Council has previously established a board of trustees, known as the "Public Service Board" (the "Board" or "PSB"). The PSB is a seven-member board consisting of the Mayor of the City, as an ex-officio, voting member, and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council and serve staggered four-year terms. The Board has no authority to issue obligations such as the Bonds, but, on April 10, 2024, the Board adopted two resolutions requesting the City to issue the Bonds. The City Council adopted the Bond Ordinance on May 7, 2024.

In June 2007, City Ordinance No. 016668 established a municipal drainage utility system (the "System") for the City. The PSB was given complete management and control of the System, effective March 1, 2008.

There follow in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., El Paso, Texas.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the final Official Statement will be filed with the Municipal Securities Rulemaking Board at www.emma.msrb.org, 1300 I St NW Ste 1000, Washington, DC 20005. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund all of the City's presently outstanding Municipal Drainage Utility System Extendable Commercial Paper Notes, Series A (Tax-Exempt) (the "Refunded ECP Notes"), (ii) refund all or a portion of the City's presently outstanding Municipal Drainage Utility System Revenue Bonds, Series 2015 (the "Refunded Bonds" and, together with the Refunded ECP Notes, the "Refunded Obligations"), and (iii) pay costs of issuance of the Bonds. The Refunded ECP Notes were issued to provide interim financing for the construction of System projects. Such projects are completed or in the design or construction phases. See "Schedule I - Schedule of Refunded Bonds" for more information regarding the Refunded Bonds.

REFUNDED ECP NOTES . . . The principal and interest due on the Refunded ECP Notes are to be paid on their scheduled maturity date from funds to be deposited with Zions Bancorporation, National Association, as issuing and paying agent for the Refunded ECP Notes (the "Refunded ECP Notes Paying Agent") pursuant to a deposit agreement (the "Refunded ECP Notes Agreement") between the City and the Refunded ECP Notes Paying Agent. The Ordinance (defined herein) provides that a portion of the proceeds of the sale of the Bonds received from the underwriters listed on the cover page hereof (the "Underwriters"), together with funds contributed by the City, if necessary, will be deposited with the Refunded ECP Notes Paying Agent in an amount sufficient to accomplish the discharge and final payment of the Refunded ECP Notes on their scheduled maturity date. Such funds will be invested by the Refunded ECP Notes Paying Agent pending payment of the Refunded ECP Notes on their maturity date. The Refunded ECP Notes Paying Agent will certify as to the sufficiency of cash deposited with the Refunded ECP Notes Paying Agent pursuant to the Refunded ECP Notes Agreement for the purpose of paying the outstanding principal of and interest on the Refunded ECP Notes.

Upon the refunding of the Refunded ECP Notes, the City will not have any Municipal Drainage Utility System Extendable Commercial Paper Notes, Series A (Tax-Exempt) (the "ECP Notes") outstanding, and the City will have \$60,000,000 in available authority to issue ECP Notes (see "DEBT INFORMATION - Anticipated Issuance of ECP Notes").

* Preliminary; subject to change

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds are to be paid on the redemption date shown on Schedule I hereto (the “Redemption Date”) from funds to be deposited with Computershare Trust Company, N.A., the paying agent for the Refunded Bonds (the “Refunded Bonds Paying Agent”), pursuant to a deposit agreement (the "Refunded Bonds Agreement") between the City and the Refunded Bonds Paying Agent. The Ordinance provides that from a portion of the proceeds of the sale of the Bonds received from the Underwriters, and other available funds of the City, if necessary, the City will deposit with the Refunded Bonds Paying Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their Redemption Date. The Financial Advisor or the Refunded Bonds Paying Agent will certify as to the sufficiency of the amounts initially deposited under the Refunded Bonds Agreement to pay the principal of and interest on the Refunded Bonds on their Redemption Date.

By the deposit of the proceeds from the sale of the Bonds and cash, if necessary, with the Refunded Bonds Paying Agent, the City will have effected the defeasance of the Refunded Bonds in accordance with State law, and as a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payment from the Refunded Bonds Paying Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the City payable from System revenues nor for the purpose of applying any limitation on the issuance of debt.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds, together with funds contributed by the City, if necessary, will be applied approximately as follows:

Sources of Funds:	
Par Amount of Bonds	
Net Reoffering Premium	
[City Contribution]	-
Total Sources of Funds	<u>\$ -</u>
Uses of Funds:	
Deposit with Refunded ECP Notes Paying Agent ⁽¹⁾	
Deposit with Refunded Bonds Paying Agent	
Underwriters' Discount	
Costs of Issuance/Rounding Amount	
Total Uses of Funds	<u>\$ -</u>

⁽¹⁾ Interest on the Refunded ECP Notes will be paid from System revenues, not Bond proceeds.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated April 15, 2025 and mature on March 1 in each of the respective years and in the respective amounts shown on page two hereof unless redeemed prior to maturity as described herein (see “THE BONDS – Optional Redemption”). Interest on the Bonds will accrue from the date of their delivery to the Underwriters, anticipated to be April 16, 2025, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing September 1, 2025, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas, the initial paying agent/registrant (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System” herein).

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “THE BONDS - Book-Entry-Only System” herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapter 1207, as amended (“Chapter 1207”), Texas Government Code, Chapter 1371, as amended (“Chapter 1371”), Texas Government Code, Chapter 1502, as amended (“Chapter 1502”), the Charter, and an ordinance adopted by the City Council of the City on May 7, 2024, authorizing the issuance of the Bonds (the “Bond Ordinance”). In the Bond Ordinance, the City Council delegated to certain officers of El Paso Water Utilities, pursuant to Chapter 1207 and Chapter 1371, authority to complete the sale of the Bonds. The terms of the sale will be included in a “Pricing Certificate,” which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the “Ordinance”).

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the City payable, both as to principal and interest, solely from and, together with certain outstanding System revenue bonds of the City (the “Previously Issued Bonds”) and any Additional Bonds (hereinafter defined) which may be issued in the future, secured by a first lien on and pledge of the Net Revenues of the System. “Net Revenues” includes all revenues of every nature received through the operation of the System (except as otherwise provided in the Ordinance), less operation and maintenance expenses. Operation and maintenance expenses means all current expenses of operating and maintaining the System not paid from the proceeds of debt, including contractual payments which under State laws and their provisions are established as operating expenses (see "SELECTED PROVISIONS OF THE BOND ORDINANCE" for a complete definition of "Net Revenues" and "Operating and Maintenance Expenses"). The City has outstanding Previously Issued Bonds secured by and payable from Net Revenues on a parity with the Bonds, as follows:

Dated Date	Outstanding Debt ⁽¹⁾⁽²⁾	Issue Description
11/15/2009	\$ 642,000	Municipal Drainage Utility System Revenue Bonds, Series 2009A
3/1/2015	13,490,000 ⁽³⁾	Municipal Drainage Utility System Revenue Bonds, Series 2015
3/15/2016	13,595,000	Municipal Drainage Utility System Revenue Bonds, Series 2016
10/15/2017	27,460,000	Municipal Drainage Utility System Revenue Improvement & Refunding Bonds, Series 2017
3/15/2021	6,680,000	Municipal Drainage Utility System Revenue Refunding Bonds, Taxable Series 2021
4/1/2021	11,480,000	Municipal Drainage Utility System Revenue Refunding Bonds, Series 2021A
4/1/2022	8,530,000	Municipal Drainage Utility System Revenue Bonds, Series 2022
5/15/2022	23,000,000	Municipal Drainage Utility System Revenue Refunding Bonds, Series 2022A
6/1/2023	22,120,000	Municipal Drainage Utility System Revenue Refunding Bonds, Series 2023
4/1/2024	53,895,000	Municipal Drainage Utility System Revenue Refunding Bonds, Series 2024
	<u>\$ 180,892,000</u>	

- (1) As of March 1, 2025. Reflects the principal payments made by the City on the Previously Issued Bonds on March 1, 2025.
- (2) Excludes the up to \$60,000,000, from time-to-time outstanding ECP Notes, which are subordinate to the Previously Issued Bonds. The City currently has \$20,000,000 in principal amount of outstanding ECP Notes, which will be refunded with proceeds of the Bonds (see “DEBT INFORMATION – Anticipated Issuance of ECP Notes”).
- (3) Includes the Refunded Bonds.

The Bonds are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City.** The Ordinance does not create a lien or mortgage on the System, except for the pledge of the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

RESERVE FUND . . . As additional security, a Reserve Fund is required to be maintained in an amount equal to the lesser of (i) the Average Annual Debt Service (calculated on a Fiscal Year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Bonds are delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (see “SELECTED PROVISIONS OF THE BOND ORDINANCE”).

PLEGGED REVENUES . . . The Net Revenues of the System are irrevocably pledged to the payment of the Bonds, the Previously Issued Bonds and any Additional Bonds. Net Revenues in excess of the amounts described in the immediately preceding sentence shall be transferred in the order of priority, in the manner, and in the amounts set forth in the Ordinance (see “SELECTED PROVISIONS OF THE BOND ORDINANCE”).

FEES . . . The City has covenanted in the Ordinance to establish and maintain fees for services supplied by the System which shall produce or yield Net Revenues equal to 1.25 times the Average Annual Debt Service requirements of all Bonds Similarly Secured (see “SELECTED PROVISIONS OF THE BOND ORDINANCE”).

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

The Bonds may be subject to mandatory sinking fund redemption if the Underwriters elect to combine two or more consecutive maturities as one or more term bonds.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. **If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.**

DEFEASANCE . . . The Ordinance provides that Bonds or any principal amount(s) thereof shall be deemed to have been defeased and discharged when (i) money sufficient to pay in full such Bonds at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) "Government Obligations" (defined below) shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations shall mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the Bonds on the stated maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. In the event of a defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Obligations to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The City covenants that no deposit of moneys or Government Obligations will be made under the terms of the Ordinance and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto. As used in the Ordinance, the term "Government Obligations" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State. Certain officers of El Paso Water Utilities may further limit the permitted Government Obligations in connection with the sale of the Bonds. In the event the City restricts such eligible Government Obligations, the final Official Statement will reflect the new authorized Government Obligations. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds which have been defeased to maturity for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call Bonds defeased to maturity for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

ADDITIONAL BONDS . . . The City may issue additional revenue obligations payable from the Net Revenues of the System which, together with the Previously Issued Bonds and the Bonds, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System (the “Additional Bonds”), subject, however, to complying with certain conditions in the Ordinance. See “SELECTED PROVISIONS OF THE BOND ORDINANCE – Additional Bonds” for terms and conditions to be satisfied for the issuance of Additional Bonds.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tender defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, the Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, physical Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Underwriters.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event use of the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the registered owners thereof, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the month preceding such interest payment date.

In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new Record Date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . The City may amend the Ordinance without notice to or the consent of any owner of the Bonds or any other Previously Issued Bonds solely for any one or more of the following purposes: (1) to add to the covenants and agreements of the City contained in the Ordinance, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in the Ordinance; (2) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Ordinance, upon receipt by the City of an opinion of nationally recognized bond counsel, that the same is needed for such purpose, and will more clearly express the intent of the Ordinance; (3) to supplement the security for the Bonds, replace or provide additional credit facilities, or change the form of the Bonds or make such other changes in the provisions of the Ordinance as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Bonds; (4) to make any changes or amendments requested by any bond rating agency then rating or requested to rate Bonds Similarly Secured, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Bonds Similarly Secured; or (5) to make such other changes in the provisions of the Ordinance as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of outstanding Previously Issued Bonds.

In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance which may be deemed necessary or desirable by the City; except that, without consent of the registered owners of all of the outstanding Bonds, no such amendment, addition or rescission may (1) make any change in the maturity of the outstanding Bonds, (2) reduce the rate of interest borne by outstanding Bonds, (3) reduce the amount of the principal payable on outstanding Bonds, (4) modify the terms of payment of principal or of interest on the outstanding Bonds, or impose any conditions with respect to such payment, (5) affect the rights of the owners of less than all Bonds then outstanding; or (6) change the minimum percentage of the outstanding principal amount of Bonds necessary for consent to such amendment.

BONDHOLDERS’ REMEDIES . . . In addition to all the rights and remedies provided by the laws of the State, the City covenants and agrees in the Ordinance that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the Owner or Owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Ordinance. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. The enforcement of such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and financed by, the registered owners.

The Texas Supreme Court ruled in Wasson Interests, Ltd. V. City of Jacksonville, 489 S.W. 3d 427 (Tex. 2016) (“Wasson”) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its obligations. The City has relied upon Chapter 1371 in connection with the issuance of the Bonds, but the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

The enforcement of a claim for payment of principal of or interest on the Bonds and the City's other obligations with respect to the Bonds are subject to the applicable provisions of the federal bankruptcy laws and to any other similar laws affecting the rights of creditors of political subdivisions generally. The City may seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Should the City become a debtor in a Chapter 9 bankruptcy proceeding, the owners of the Bonds would continue to have a lien on Net Revenues after the commencement of the bankruptcy case so long as the Net Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide utility services. While the Net Revenues appear to be "special revenues," no assurance can be given that a court would not determine otherwise. Bankruptcy courts are courts of equity and as such have broad discretionary powers. If Net Revenues do not constitute "special revenues," there could be delays or reductions in payments by the City with respect to the Bonds.

If the City were to become a debtor in a proceeding under Chapter 9, the automatic stay of section 362 of the Bankruptcy Code would be applicable to the City's proceedings, subject to certain possible exceptions. For example, the proceeding should not operate to stay application of pledged "special revenues" to the payment of indebtedness secured by such revenue. However, although the automatic stay has historically been understood not to stay the collection and application of such "special revenues" to payment of bonds secured by such special revenues, the bankruptcy court could possibly decide that (i) post-bankruptcy Bond payments by the City are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement actions by the owners of the Bonds) or is limited to amounts then in the possession of the owners of the Bonds. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceeding may thus be prohibited from taking any action to collect the Net Revenues, or to enforce any related obligation connected with the Bonds, without the bankruptcy court's permission.

Regardless of any specific determinations by a bankruptcy court in a City bankruptcy proceeding, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Bonds. In addition, there may be delays or reductions in payments on the Bonds in a Chapter 9 proceeding, especially if the City does not voluntarily pay debt service on the Bonds as and when required by the Ordinance.

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THE PUBLIC SERVICE BOARD

In the ordinances authorizing the outstanding Previously Issued Bonds and the Bonds, the City has delegated the complete authority and control of the management and operation of the System, during such time as any of such bonds are outstanding and unpaid, to the Board.

MEMBERSHIP . . . The Board consists of seven citizens of the United States of America residing in El Paso County, Texas. The Mayor of the City is an ex-officio, voting member of the Board. The remaining six members of the Board are named by the City Council for four-year terms.

TERM OF OFFICE AND FILLING OF VACANCIES . . . Each member of the Board serves for a term of four years, with such terms beginning as specified by the City Council Resolution appointing the member. Board members serve no more than two consecutive terms. A Board member whose term has expired serves until his or her successor qualifies and is appointed or until thirty days have passed, whichever occurs first. All vacancies in membership, whether occasioned by expiration of office or otherwise, are filled by appointment of the majority vote of the City Council from a slate of three persons eligible to serve as Board members and presented to the City Council by the Chair of the PSB Nominating Committee (the "Committee"). The Committee is chaired by the Mayor of the City and is comprised of the Board and such additional members as appointed by the City Council. If the City Council rejects all three names, three others are submitted in like manner, and so on until an appointment is made.

ORGANIZATION OF THE BOARD . . . The Board shall elect one of its own members as Chairman and one as Vice-Chairman and appoint a Secretary and a Treasurer or a Secretary-Treasurer, who may, but need not, be a member or members of the Board. The Board makes such regulations and by-laws for the orderly handling of its affairs as it sees fit.

POWERS AND DUTIES . . . The Board has complete authority and control of the management and operation of the System and the expenditure and application of its revenues and operates and manages the System with the same freedom and in the same manner as a board of directors of a private corporation operating properties of a similar nature. The Board elects or appoints all officers and employees which it may consider desirable. The Board has no authority to issue obligations such as the Bonds, or to convey real property; those rights are reserved to the City and the City Council.

Effective March 1, 2008, the PSB was given complete management and control of the System. The PSB's drainage functions are funded by a fee that appears on its customers' monthly water and wastewater bills. **Such fees are accounted for separately from revenues generated from the operation of the City's water and wastewater utility system. Revenues from the City's water and wastewater utility system which is also managed by the PSB are not revenues of the System and are not pledged to pay debt service on the Bonds, the Previously Issued Bonds or any Additional Bonds.**

THE MUNICIPAL DRAINAGE UTILITY SYSTEM

HISTORY OF THE STORMWATER UTILITY . . The City experienced extreme flooding in 2006, during a violent rainstorm ("Storm 2006"). The City was not prepared and the stormwater system had not been well maintained. Some storm drainage trunk lines, pump stations, channels and culverts were undersized, and some were in need of major maintenance or repair. As a result, stormwater runoff damaged much of the City's infrastructure. Estimates are that the damage to public and private property totaled more than \$250 million.

The City conducted an assessment of stormwater management and organization following Storm 2006. The assessment found that City stormwater needs had not been adequately funded, and stormwater management, currently shared by several departments, would be better served by a centralized organization. Previously, stormwater services were funded by the City's general fund. However, the assessment report recommended establishing a separate user fee to fund stormwater management functions and the City Council agreed. As a result, the City decided that it would create the System as a stand-alone and self-sufficient utility.

On June 19, 2007, the City of El Paso adopted Ordinance #016668 establishing the System. The ordinance states that the Public Service Board – El Paso Water Utilities shall have complete authority and control of the management and operation of the System on behalf of the City. The System is necessary and essential to ensure that the management and control of the stormwater runoff adequately protects the health, safety, and welfare of the citizens of the City. El Paso Water Utilities ("EPWater") assumed full responsibility and control of the System, and began billing drainage fees to fund the operating and capital expenses of the System, as of March 1, 2008. City personnel, equipment, and all assets of the System including infrastructure and land were transferred to EPWater.

Ordinance #016668 further stated that the Board prepare a Master Stormwater Management Plan (the "Stormwater Plan") which was approved by the City Council and took effect in March of 2009. In developing the Stormwater Plan, the Board considered the use of open space as natural drainage and to the extent reasonably possible to preserve the City's open spaces, greenways, arroyos, and wilderness areas in their natural state. The Board shall also allocate an amount equal to 10% of the System's annual drainage utility fee revenues for Green Projects which have the potential dual purposes of stormwater management and preservation of the City's open spaces, greenways, arroyos, and wilderness areas. Since March 1, 2008 through December, 2024, \$36,662,157 has been set aside from 10% of revenues for Green Projects and as of December 31, 2024, \$32,916,598 has been spent including the following purchases:

- 202.658 acres for \$2,465,000 on March 31, 2010,
- 140.799 acres for \$2,949,000 on July 14, 2015,
- 69.63 acres for \$1,669,000 on November 6, 2015,
- 152.66 acres for \$2 million in May 2018,
- 1,107 acres for \$11,300,000 on July 23, 2019,
- 1,056 acres for \$14,044,800 on July 3, 2021, of which three payments totaling \$6 million have been made and the remainder to be paid back within five years,
- 68.8 acres for \$2,255,658 in August 2024 and,
- Eight Park-Pond Conversions throughout the City for \$1,800,000

Ordinance #016668 also requires that a drainage utility fee be imposed on each improved parcel within the City for services and facilities provided by the System, except as to exemptions provided for by law or by the ordinance. At least once a year the Board shall present to the City Council a report on the status of the System.

Ordinance #016668 also requires that the revenues collected from drainage utility fees must be segregated and completely identifiable from other City or Board accounts. The Board has adopted a debt service coverage ratio of 1.25 times the Average Annual Debt Service (as defined in the Bond Ordinance) for all bonds secured by a first lien on and pledge of the Net Revenues of the System which is included in the bond ordinances for such bonds.

FACILITIES . . . Following Storm 2006, an evaluation identified extensive damage to the stormwater system. The City began repairing the most severely damaged items and EPWater is responsible for the remaining projects, as well as the operation and maintenance of the System and the construction projects needed to reach an adequate level of service.

The facilities EPWater is responsible for operating and maintaining include:

- 22 stormwater pump stations
- 482 ponds comprising 1,820 acres
- 37 dams and basins comprising 1,875 acres
- 75 miles of channels
- 19 miles of agricultural drains
- 365 miles of storm drain conduits
- 8,039 storm drain drop inlets

TABLE 1 – CURRENT DRAINAGE FEES (EFFECTIVE MARCH 1, 2025)

RESIDENTIAL PROPERTIES (INCLUDING DUPLEXES AND TRIPLEXES)⁽¹⁾:

<u>Residential Category</u>	<u>Impervious Area (Square Feet)</u>	<u>Stormwater Monthly Charge</u>
Small	0 - 1,200	\$ 3.71
Typical	1,201 - 3,000	\$ 7.42
Large	3,001 +	\$ 14.81

⁽¹⁾ On January 8, 2025, the Board approved an increase in the stormwater fee, effective March 1, 2025.

Residential properties may be assigned to the Small, Typical, or Large category using data obtained from the El Paso Central Appraisal District, the Board’s GIS database, or any other source deemed reasonable by the Board.

STORMWATER CHARGE FOR NON-RESIDENTIAL

Non-residential properties shall include apartments, quadruplexes, commercial, industrial customers, and any other customer class not designated as residential but excluding those subject to mandatory exemption. Non-residential properties shall be charged for their estimated impervious square footage on a per Equivalent Residential Unit (“ERU”) basis. The ERUs shall be determined by dividing the property’s estimated impervious square footage by 2,000 square feet. The monthly charge per non-residential ERU is \$7.55.

<u>Non-Residential Properties</u>	<u>Units of Measurement</u>	<u>Monthly Fee</u>
All	Each 2,000 sq. ft. of impervious area	\$ 7.55

An example of the monthly stormwater bill for a non-residential property is shown below:

Non-residential impervious square footage	20,000 sq. ft.
Equivalent residential unit value	<u>2,000 sq. ft.</u>
Equals calculated ERUs	10 ERUs
Monthly charge (10 ERUs x \$7.55/ERU/Mo.)	\$75.50

DEBT INFORMATION

TABLE 2 – PRO-FORMA MUNICIPAL DRAINAGE REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt Service ⁽¹⁾⁽²⁾			The Bonds ⁽²⁾			Grand Total Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
	2/28							
2026	\$ 8,462,000	\$ 7,780,244	\$ 16,242,244	\$ -	\$ 568,209	\$ 568,209	\$ 16,810,453	
2027	8,252,000	7,073,269	15,325,269	1,430,000	1,479,475	2,909,475	18,234,744	
2028	8,617,000	6,704,089	15,321,089	1,455,000	1,407,350	2,862,350	18,183,439	
2029	8,987,000	6,316,959	15,303,959	1,530,000	1,332,725	2,862,725	18,166,684	
2030	9,387,000	5,932,789	15,319,789	1,605,000	1,254,350	2,859,350	18,179,139	23.97%
2031	8,617,000	5,562,564	14,179,564	1,690,000	1,171,975	2,861,975	17,041,539	
2032	8,982,000	5,185,399	14,167,399	1,775,000	1,085,350	2,860,350	17,027,749	
2033	9,260,000	4,790,194	14,050,194	1,860,000	994,475	2,854,475	16,904,669	
2034	8,655,000	4,387,669	13,042,669	1,955,000	899,100	2,854,100	15,896,769	
2035	9,055,000	3,972,569	13,027,569	2,055,000	798,850	2,853,850	15,881,419	49.96%
2036	9,495,000	3,535,994	13,030,994	2,155,000	693,600	2,848,600	15,879,594	
2037	9,925,000	3,087,169	13,012,169	660,000	623,225	1,283,225	14,295,394	
2038	8,745,000	2,657,594	11,402,594	695,000	589,350	1,284,350	12,686,944	
2039	9,145,000	2,252,894	11,397,894	730,000	553,725	1,283,725	12,681,619	
2040	9,555,000	1,843,394	11,398,394	765,000	516,350	1,281,350	12,679,744	74.96%
2041	8,715,000	1,444,119	10,159,119	805,000	477,100	1,282,100	11,441,219	
2042	9,105,000	1,061,791	10,166,791	845,000	435,850	1,280,850	11,447,641	
2043	8,560,000	682,269	9,242,269	885,000	392,600	1,277,600	10,519,869	
2044	6,750,000	341,775	7,091,775	930,000	347,225	1,277,225	8,369,000	
2045	5,075,000	95,200	5,170,200	975,000	304,475	1,279,475	6,449,675	95.52%
2046	315,000	-	315,000	1,015,000	264,675	1,279,675	1,594,675	
2047	315,000	-	315,000	1,055,000	221,956	1,276,956	1,591,956	
2048	315,000	-	315,000	1,100,000	176,163	1,276,163	1,591,163	
2049	315,000	-	315,000	1,150,000	128,350	1,278,350	1,593,350	
2050	315,000	-	315,000	1,195,000	78,519	1,273,519	1,588,519	98.94%
2051	315,000	-	315,000	1,250,000	26,563	1,276,563	1,591,563	
2052	315,000	-	315,000	-	-	-	315,000	
2053	315,000	-	315,000	-	-	-	315,000	100.00%
	<u>\$ 175,864,000</u>	<u>\$ 74,707,940</u>	<u>\$ 250,571,940</u>	<u>\$ 31,565,000</u>	<u>\$ 16,821,584</u>	<u>\$ 48,386,584</u>	<u>\$ 298,958,524</u>	

(1) "Outstanding Debt Service" includes all Previously Issued Bonds but does not include the Refunded Bonds or the ECP Notes which are authorized to be outstanding from time to time in a principal amount up to \$60,000,000. The City currently has \$20,000,000 in principal amount of outstanding ECP Notes which will be refunded with proceeds of the Bonds.

(2) Preliminary, subject to change.

AUTHORIZED BUT UNISSUED REVENUE BONDS

Pursuant to State law, the City is not required to obtain voter approval of the issuance of its revenue bonds through an election. The City may issue Additional Bonds secured by the Net Revenues of the System in accordance with the terms of the Bond Ordinance, as described herein. See “SELECTED PROVISIONS OF THE BOND ORDINANCE.” Additionally, the City may issue ECP Notes secured by a subordinate lien on the Net Revenues of the System as described below. The City may issue Additional Bonds to refund ECP Notes issued during the fiscal year ending on February 28, 2026, to the extent necessary. The City anticipates issuing an additional \$30,000,000 ECP Notes during the fiscal year ending on February 28, 2026, as described below.

ANTICIPATED ISSUANCE OF ECP NOTES. . . The City Council of the City authorized the “City of El Paso, Texas Municipal Drainage Utility System Extendable Commercial Paper Program” (the “Program”) through an ordinance adopted on May 9, 2023 (the “ECP Ordinance”). Pursuant to the Program, the City issues tax-exempt ECP Notes from time to time, in an aggregate principal amount not to exceed \$60,000,000, to finance, on an interim basis, capital improvements to the System.

The ECP Ordinance provides that the ECP Notes are secured by and payable only from a lien on and pledge of (i) Net Revenues, subordinate to the lien on and pledge of Net Revenues securing the Previously Issued Bonds, the Bonds, and any Additional Bonds hereafter issued, (ii) the proceeds from the sale of (a) ECP Notes issued to refinance maturing ECP Notes (i.e., “roll”) and (b) Additional Bonds issued to refund, retire or defease ECP Notes, and (iii) all amounts in the funds and accounts created or maintained pursuant to the ECP Ordinance and the issuing and paying agent agreement between the City and Zions Bancorporation, National Association. The ECP Ordinance also provides that the ECP Notes are intended to be bond anticipation notes and that the City will undertake its best efforts to issue and deliver Additional Bonds at the times and in the amounts necessary to refinance the ECP Notes at their extended maturity date and apply the proceeds of such bonds to retire the maturing ECP Notes. The City does not reasonably expect to pay principal of the ECP Notes from Net Revenues; however, the Board covenanted in the ECP Ordinance that it will establish and maintain rates for the services supplied by the System which shall produce Gross Revenues sufficient (1) to pay all current operating and maintenance expenses of the System, (2) to produce an additional amount equal to 1.25 times the Average Annual Debt Service (as defined in the ordinances authorizing the Bonds Similarly Secured) requirements of all Outstanding Bonds Similarly Secured for that Fiscal Year, and (3) to make all payments and deposits required to be made into the payment fund for the ECP Notes and produce amounts required to pay all other obligations of the System reasonably anticipated to be paid from Net Revenues during the current fiscal year. The City’s debt management policy provides that any ECP Notes will be refunded by issuing Additional Bonds when dictated by economic and business conditions. It is anticipated that an ordinance authorizing Additional Bonds to refinance maturing ECP Notes will be adopted on an annual basis.

The City reserved the right in the ECP Ordinance to enter into a credit agreement to provide liquidity for the ECP Notes; however, as of the date of this Official Statement, the City has not entered into a credit agreement and the ECP Notes are not secured by a liquidity facility.

As of the date of this Official Statement, ECP Notes in the aggregate principal amount of \$20,000,000 are outstanding, all of which is expected to be refunded with a portion of the proceeds of the Bonds. The City currently anticipates issuing an additional \$30,000,000 in principal amount of ECP Notes during the PSB’s fiscal year ending on February 28, 2026.

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EMPLOYEE BENEFIT OBLIGATIONS

PENSION PLANS

The employees of the City and EPWater participate in one of two single-employer defined benefit pension plans: the City Employees Retirement Trust (CERT) and the Firemen and Policemen's Pension Funds (FPPF), which consists of separate divisions for firemen (FPPF-Firemen Division) and policemen (FPPF-Policemen Division). Separate boards of trustees administer these pension plans as described in Note 1 (CERT Board and FPPF Board, respectively) of the City's Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2024, which can be accessed at <https://www.elpasotexas.gov/office-of-the-comptroller/>

The CERT was established in accordance with authority granted by Chapter 2.64 of the El Paso City Code and is a component unit (fiduciary fund type) of the City. The FPPF was established in accordance with authority granted by Article 6243b of Vernon's Annotated Texas Statutes and is a component unit (fiduciary fund type) of the City. Each pension plan issues stand-alone financial statements that may be obtained from the respective funds' administrative offices.

The total for the City's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are as follows:

	CERT	FPPF		Total	Total Pension Trust Funds
		Firemen Division	Policemen Division		
Net Pension Liability	\$ 225,189,417	\$ 204,007,150	\$ 307,340,736	\$ 511,347,886	\$ 736,537,303
Deferred Outflows of Resources					
Subsequent Contributions	27,370,591	10,562,996	15,005,936	25,568,932	52,939,523
Change in Experience	38,668,763	8,562,811	17,803,485	26,366,296	65,035,059
Change in Assumptions	8,597	2,846,484	5,459,055	8,305,539	8,314,136
Investment Earnings	42,613,469	41,114,477	57,123,051	98,237,528	140,850,997
Deferred Inflows of Resources					
Change in Experience	-	364,668	514,789	879,457	879,457
Pension Expense	35,536,850	12,122,588	20,154,694	32,277,282	67,814,132

The CERT amounts exclude an allocated portion for EPWater (19.9%).

MEMBERSHIP

Membership of each plan as of the measurement date consisted of the following:

	August 31, 2023	December 31, 2023		Total FPPF
	CERT	Firemen Division	Policemen Division	
Retirees and Beneficiaries Receiving Benefits	3,657	848	1,199	2,047
Inactive Plan Members Entitled but not yet receiving benefits	173	6	12	18
Active Plan Members	4,128	912	1,113	2,025
Total	7,958	1,766	2,324	4,090

CITY EMPLOYEES RETIREMENT TRUST

PLAN DESCRIPTION

Substantially, all full-time employees of the City are eligible to participate in the retirement plan, except for uniformed firefighters and police officers who are covered under separate plans. Non-employer contributions are limited to participating employees of the CERT.

The designated purpose of the CERT is to provide retirement, death, and disability benefits to participants or their beneficiaries. The CERT is administered by the CERT Board, which is comprised of two citizens, nominated by the Mayor and approved by city council, who are not officers or employees of the City, four elected City employees, a retiree, and two district representatives as designated by city council. The CERT Board contracts with an independent pension custodian, investment managers, an investment consultant, an actuary and an attorney to assist in managing the CERT.

The City is the only contributing employer. The CERT pays direct administrative costs. The City provides indirect administrative support such as IT services and payroll processing at no charge to the CERT. The CERT reimburses the City for various direct costs of processing pension checks, such as postage and supplies.

The CERT is not required to maintain any legally required reserves.

Participation is mandatory for classified employees (except permanent part-time employees). For non-classified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the CERT.

Members who were first participants prior to September 1, 2011, accrue benefits based on Tier I provisions as follows:

- Participants who leave the Plan before completion of 5 years of service receive a refund of their contributions. Participants leaving the Plan with more than 5 years but less than 10 years of service may receive a refund of their contributions plus interest at 5.5% compounded annually. Participants become fully vested after reaching 40 years of age and 10 years of service or 45 years of age and 7 years of service. Normal retirement is the earlier of: (i) 55 years of age with 10 years of service, or (ii) 60 years of age with 7 years of service or (iii) 30 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarial reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, or 2.5% of the average monthly base salary received by the employee during the year immediately prior to retirement, or 2.5% of the monthly base salary pay for the month immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus 0.2083 of 1% of such average for each additional completed or fractional part of a month of service.

Members who were first participants on or after September 1, 2011, accrue benefits based on Tier II provisions as follows:

- Participants who leave the Plan before completion of 7 years of service receive a refund of their contributions. Participants leaving the Plan with more than 7 years but less than 10 years of service may receive a refund of their contributions plus interest at 3% compounded annually. Participants become fully vested after reaching 45 years of age and 7 years of service. Normal retirement is the earlier of: (i) 60 years of age with 7 years of service, or (ii) 35 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.25% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, multiplied by the number of completed years of service, plus .1875 of 1% of such average for each additional completed or fractional part of a month of service, limited to 90% of the three-year average final pay. A pension benefit is available to surviving spouses and dependents. The Plan includes no automatic increase in retirement benefits. However, the Board, at its discretion after consideration of a recent actuarial review of the funding status, may provide ad-hoc cost of living or other increases in retirement benefits.

BASIS OF ACCOUNTING

The accounting policies of the CERT have been established to conform to GAAP for state and local governments as promulgated by authoritative pronouncements issued by the GASB. The CERT is accounted for using an economic resources measurement focus and the accrual basis of accounting.

The preparation of financial statements in conformity with GAAP requires the CERT's management to make estimates and assumptions that affect the reported amounts in assets and liabilities, and disclosure of contingent assets and liabilities and the actuarial valuation of the CERT's benefits at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

VALUATION OF INVESTMENTS

Investments are stated at fair value in the accompanying statement of fiduciary net position. The fair value of marketable investments, including U.S. government securities, corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at statements of fiduciary net position dates. The fair value of investments in bank collective investment funds, commingled funds, real estate investment funds and private equity limited partnerships are determined by the investment managers based on the fair values of the underlying securities in the funds. In general, the fair value of the underlying securities held in the real estate investment funds are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter.

In general, the fair value of the underlying securities held in the private equity limited partnerships are based on GASB Statement No. 72 - Fair Value Measurement, and limited partnership financial statements are audited by independent certified public accountants. Bank collective investment funds are governed by Section 9.18 of Regulation 9 issued by the Office of Comptroller of the Currency and by other applicable regulations as defined by the Mellon Bank, N.A. Employee Benefit Collective Investment Fund Plan.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation in fair value of investments reflected in the accompanying statements of changes in fiduciary net position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. The change in net unrealized gains or losses on investments represents the change in the difference between the cost and fair value of investments at the beginning versus the end of the fiscal year.

CONCENTRATION OF INVESTMENTS

Concentration of credit risk is the risk of loss attributed to the magnitude of the CERT's investment in a single issuer. The CERT's investment policy does not allow for the investment portfolio to hold more than 10% in any one company. The following table represents the fair value of investments that represents 5% or more of the CERT's net position at August 31, 2024. These investments were in bank collective investment and commingled funds, which consist of diversified portfolios of investments as described above, and none of these investments consist of any one company holding 5% or more of the total investment.

<u>August 31, 2024</u>	<u>Shares</u>	<u>Fair Value</u>
BNYMM DB SL SCWI_EX US IMI		
Mellon Capital Management Corporation	7,798,922	\$ 82,453,499
Mellon DB SL Stock Index Fund		
Mellon Capital Management Corporation	15,082	135,346,516
EB MCM Aggregate Bond Index Fund		
Mellon Capital Management Corporation	132,348	73,623,137
Blackrock Total Return Bond Fund		
Blackrock Capital Management	5,937,046	68,513,315
Wellington Fund		
Wellington Capital Management	5,995,046	68,823,133
Arrowstreet International Equity ACWI EX US CIT Class A		
Arrowstreet CIT	324,068	67,438,971
BNYM Newton NSL Dynamic US Equity Fund		
Mellon Capital Management Corporation	101,558	69,391,075
AB US Small and Mid Cap Core		
Alliance and Bernstein	2,669,661	54,277,961
CIF II SMID CAP Research (SER1)		
Wellington Capital Management	2,048,246	56,859,318
Heitman American Real Estate Trust LP		
Heitman	40,558	50,530,096
Lazard Intl Strategic EQ		
Lazard Asset Management	2,569,466	64,056,780

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Contribution rates for the CERT are based upon local statutes as enacted by the El Paso City Council and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial accrued liability (using entry-age-normal cost method) over thirty years. As of the most recent actuarial valuation, the contribution rate was 23.00% of annual covered payroll.

Contributions to CERT for the year ended August 31, 2024, were made as follows:

	<u>Amount</u>	<u>Stated Percentage of Covered Payroll</u>
Employer contribution	\$ 34,170,525	14.05%
Employee contributions	21,776,219	8.95%
Total contributions	<u>\$ 55,946,744</u>	<u>23.00%</u>

ACTUARIAL ASSUMPTIONS:

The total pension liability as of August 31, 2024 was measured as of August 31, 2023 and determined based on September 1, 2022 valuation using the following assumptions:

Cost of living benefits increases	Inflation	None
Inflation		2.5%
Salary increases		2.5%, average, including inflation
Investment rate of return		7.25%, compounded annually, net of expenses
Actuarial cost method		Entry-age-normal-level percentage of pay
Asset valuation method		Plan invested assets are reported at fair value

Mortality rates for active and deferred vested participants are based on the RP-2014 employee tables with Blue Collar adjustment projected with Scale MP-2019 on a fully generational basis. Mortality rates for healthy retirees and survivors are based on RP-2014 healthy annuitant tables with Blue Collar adjustment (92% of male rates and 100% of female rates) projected with Scale MP-2019 on a fully generational basis. Mortality rates for disabled participants are based on the RP-2014 disabled annuitant table projected with Scale MP-2014 on a fully generational basis. Five percent of deaths among active participants are assumed to be job-related deaths. The remaining 95% of deaths are assumed not to be job-related.

The actuarial assumptions used in the September 1, 2022 valuation was based on the results of an actuarial experience study performed for the period September 1, 2014 through August 31, 2018, and the funding policy that was formalized in 2019.

The long-term expected rate of return on pension fund investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the CERT's target asset allocation as of August 31, 2024 (measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	5.34%
International equity	7.02%
Fixed income	2.19%
Real estate	3.87%
Private Equity	8.59%

DISCOUNT RATE: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be based on the rates established by Ordinance. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB Statement No. 67.

In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Y ear High Grade Index rate was 4.30% as of August 31, 2024.

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Changes in the total pension liability, plan fiduciary net position and the net pension liability through the respective fiscal years ended, are as follows for CERT and as apportioned to the City and EPWater, as determined by the City at August 31, 2024:

Changes in Net Pension Liability - City Employees Retirement Trust			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 1,118,495,801	\$ 908,273,911	\$ 210,221,890
Changes for the year:			
Service Cost	21,447,197	-	21,447,197
Interest on Total Pension Liability	79,707,205	-	79,707,205
Benefit Payments	(81,066,555)	(81,066,555)	-
Employer Contributions	-	33,055,632	(33,055,632)
Difference in Expected and Actual Experience	56,863,598	-	56,863,598
Plan Member Contributions	-	18,582,860	(18,582,860)
Net Investment Income (loss)	-	37,732,148	(37,732,148)
Administrative Expense	-	(2,266,105)	2,266,105
Net Changes	<u>76,951,445</u>	<u>6,037,980</u>	<u>70,913,465</u>
Balances as of August 31, 2024	<u>\$ 1,195,447,246</u>	<u>\$ 914,311,891</u>	<u>\$ 281,135,355</u>

Changes in Net Pension Liability - City			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 895,915,135	\$ 727,527,402	\$ 168,387,733
Changes for the year:			
Service Cost	17,179,204	-	17,179,204
Interest on Total Pension Liability	63,845,471	-	63,845,471
Difference in Expected and Actual Experience	45,547,742	-	45,547,742
Benefit Payments	(64,934,311)	(64,934,311)	-
Employer Contributions	-	26,477,561	(26,477,561)
Plan Member Contributions	-	14,884,871	(14,884,871)
Net Investment Income (loss)	-	30,223,451	(30,223,451)
Administrative Expense	-	(1,815,150)	1,815,150
Net Changes	<u>61,638,106</u>	<u>4,836,422</u>	<u>56,801,684</u>
Balances as of August 31, 2024	<u>\$ 957,553,241</u>	<u>\$ 732,363,824</u>	<u>\$ 225,189,417</u>

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Changes in Net Pension Liability - EPWater

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 222,580,666	\$ 180,746,509	\$ 41,834,157
Changes for the year:			
Service Cost	4,267,993	-	4,267,993
Interest on Total Pension Liability	15,861,734	-	15,861,734
Diff in expected and actual experience	11,315,856	-	11,315,856
Benefit Payments	(16,132,244)	(16,132,244)	-
Employer Contributions	-	6,578,071	(6,578,071)
Plan Member Contributions	-	3,697,989	(3,697,989)
Net Investment Income (loss)	-	7,508,697	(7,508,697)
Administrative Expense	-	(450,955)	450,955
Net Changes	<u>15,313,339</u>	<u>1,201,558</u>	<u>14,111,781</u>
Balances as of August 31, 2024	<u>\$ 237,894,005</u>	<u>\$ 181,948,067</u>	<u>\$ 55,945,938</u>

SENSITIVITY TO INTEREST RATE CHANGES: The following presents the resulting net pension liability as of August 31, 2023 (measurement date) calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's Net Pension Liability (asset)	\$ 415,718,563	\$ 281,135,355	\$ 168,485,761

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended August 31, 2024, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$35,536,850 for the City and \$8,828,755 for EPWater. The reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the City Employees Retirement Trust in total and as apportioned to the City and EPWater, as determined by the City at August 31, 2024:

City Employees Retirement Trust	Deferred Outflows of of Resources	Deferred Inflows of Resources
Difference in Expected and Actual Experience	\$ 48,275,611	\$ -
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	53,200,336	-
Change in Assumptions for Pensions	10,731	-
Contributions Subsequent to the Measurement Date	34,170,525	-
Total City Employees Retirement Trust	<u>\$ 135,657,203</u>	<u>\$ -</u>
	Deferred	Deferred
	Outflows of	Inflows of
	of Resources	Resources
City		
Difference in Expected and Actual Experience	\$ 38,668,763	\$ -
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	42,613,469	-
Change in Assumptions for Pensions	8,597	-
Contributions Subsequent to the Measurement Date	27,370,591	-
Total City	<u>\$ 108,661,420</u>	<u>\$ -</u>
	Deferred	Deferred
	Outflows of	Inflows of
	of Resources	Resources
EPWater		
Difference in Expected and Actual Experience	\$ 9,606,848	\$ -
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	10,586,867	-
Change in Assumptions for Pensions	2,134	-
Contributions Subsequent to the Measurement Date	6,799,934	-
Total EPWater	<u>\$ 26,995,783</u>	<u>\$ -</u>

An amount of \$27.4 million reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's fiscal year ended, will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

Other amounts reported as deferred outflows and inflows of resources to the plan will be recognized in pension expense as follows:

Ending August 31	Total	City	EPWater
2024	\$ 12,398,365	\$ 9,931,090	\$ 2,467,275
2025	19,962,026	15,989,583	3,972,443
2026	47,776,875	38,269,277	9,507,598
2027	15,622,145	12,513,334	3,108,811
2028	5,727,267	4,587,545	1,139,722
Total	<u>\$ 101,486,678</u>	<u>\$ 81,290,829</u>	<u>\$ 20,195,849</u>

FIREMEN AND POLICEMEN’S PENSION FUND

PLAN DESCRIPTION

The designated purpose of the FPPF is to provide retirement, death and disability benefits to participants or their beneficiaries. The Fund is established by state statute and administered by a Board of Trustees comprised of eleven trustees as follows: three citizens of the City appointed by the Mayor; two citizens of the City appointed by the City Manager; three member firemen of the Fire Department, to be elected by the firemen members of the Fund; and three member policemen of the Police Department, to be elected by the policemen members of the Fund. The Board contracts with an independent custodian bank, investment managers, investment consultants, and an actuary to assist in managing the Fund.

The FPPF is a defined benefit pension plan covering uniformed firefighters and police officers employed by the City of El Paso. Non-employer contributions are limited to participating employees. The City of El Paso is the only participating employer. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of the legal funding limitations.

The FPPF - Firemen Division is a defined benefit, contributory retirement plan covering uniformed employees of the Fire Department. Participants are required to contribute 18% of their compensation to the FPPF.

The FPPF – Policemen Division is a defined benefit, contributory retirement plan covering uniformed employees of the Police Department. Participants are required to contribute 18% of their compensation to the FPPF.

Under both divisions, membership is mandatory and effective upon commencement of the probationary period. Participant contributions are not refunded if a participant terminates with less than five years of service and all benefits under the FPPF are terminated. Participant contributions (without interest) are refunded upon request if a participant terminates with five or more years of service but less than twenty years of service. All benefits under the FPPF are terminated if contributions are refunded.

The FPPF is maintained under the provisions of Article 6243b of Vernon's Annotated Texas Statutes. All current FPPF provisions are set forth in the City of El Paso Firemen and Policemen's Pension Fund Plan Document. Benefit provisions, contribution obligations and funding policy of the Fund are established and amended by the Board of Trustees in accordance with authority granted by Article 6243b of Vernon's Annotated Texas Statutes. The costs of administering the Fund are paid out of the Fund's assets.

Benefits are calculated as follows for the Base Plan and Second Tier Plan. Any member originally enrolled on July 1, 2007 or thereafter is automatically enrolled in the Second Tier Plan.

a. Base Plan

Retirement benefits for members with at least 20 years of vested service and the attainment of age 45 or more are calculated at 2.75% of the member's final wages multiplied by years of credited service. Retirement benefits for members with at least 20 years of vested service, under the age of 45 are calculated at 2.75% of the member's final wages multiplied by years of credited service reduced by a factor proportionate to the number of months and years below the age 45. Retirement benefits for members with at least 10 years of vested service and at least 50 years of age are calculated at 2.75% of the member's final wages multiplied by the member's years of credited service.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.75% of the member's final wages multiplied by years of credited service.

Death benefits are calculated as the greater of 50% of the member's final wages or the calculation of a retiree as mentioned in the preceding paragraph.

A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit.

Cost-of-living adjustment (COLA) is provided upon the earlier of the retiree having attained age 60 or the fifth anniversary for firemen or second anniversary for policemen of the pension commencement date and on each January 1st thereafter.

b. Second Tier Plan

Retirement benefits for members with at least 20 years of vesting service and the attainment of age 45 or more are calculated at 2.50% of the member's final wages multiplied by years of credited service. Retirement benefits for members with at least 10 years of vesting service, but less than 20 years of vesting service, and attainment of age 50 or more are calculated at 2.50% of the member's final wages multiplied by the member's years of credited service.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.50% of the member's final wages multiplied by years of credited service. Death benefits are calculated as the greater of 50% of the member's final wages or 75% of the calculation of a retiree as mentioned in the preceding paragraph. A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit. COLAs are not provided to retirees under the Second Tier Plan.

c. Deferred Retirement Option Program (DROP)

Base Plan and Second Tier Plan members who are at least 45 years old with at least 20 years of credited service are eligible to participate in a Forward DROP by an irrevocable written election. At the date participation in the Forward DROP begins, the participant's years of credited service and average final compensation become frozen for purposes of determining pension benefits. The participant is considered retired related to the Fund and does not accrue additional retirement benefits, except for annual benefit cost-of-living adjustments, if applicable. Upon retirement, the participant receives the lump sum of the total of the monthly retirement benefits between the benefit computation date and the retirement date and then begins receiving the monthly benefit.

Each Forward DROP participant's monthly pension is tracked by an individual DROP account between the date participation in the Forward DROP begins and the retirement date and accrued as a liability on the statement of fiduciary net position. Forward DROP balances are not credited with investment gains and losses. As of December 31, 2023 the DROP payable totaled \$84,818,130.

BASIS OF ACCOUNTING

The accounting policies of the Fund have been established to conform to GAAP for state and local governments as promulgated by authoritative pronouncements issued by GASB. The Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting.

VALUATION OF INVESTMENTS

Investments are stated at fair value in the accompanying statements of fiduciary net position. The fair value of marketable investments is determined by the latest bid price, closing exchange price at year end, institutional bid evaluation or NAV as considered appropriate for each investment type by the Custodian. The estimated fair value of alternative investments is based on the most recent valuations provided by the external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Third-party investment managers administer substantially all marketable securities of the Fund. Gains and losses resulting from securities transactions are recorded in investment income.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net change in fair value of investments reflected in the accompanying statements of changes in fiduciary net position available for benefits represents the net realized and unrealized gains or losses on investments, which equals the difference between the cost and market value of investments at the beginning versus the end of the year, plus or minus gains or losses realized during the year.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Employee contributions are established by the Board of Trustees and a vote of active participants in accordance with Article 6243b (Act) of Vernon's Annotated Texas Statutes. The City's funding policies provide for periodic employer contributions.

In the event, based upon the results of the actuarial valuations, a qualified actuary determines that the total contribution rate is insufficient to amortize an unfunded actuarial accrued liability, the City's governing body may increase its contribution rate.

The sum of the City's contribution rate and the member contribution rate, after an increase, may not exceed the total contribution rate determined by the actuary necessary to amortize the unfunded actuarial liability over a forty (40) year period.

SECURITIES LENDING TRANSACTIONS

The Fund is authorized to enter into securities lending transactions under Texas State Statutes Section 2256.0015. The Fund has a securities lending agreement with the Custodian under which Fund-owned investments are lent to one or more approved borrowers for a fee. The Custodian, as lending agent, is responsible for collecting required collateral in the form of cash, securities issued or guaranteed by the U.S. Government or its agencies, or irrevocable letters of credit issued by banks independent of the borrowers. The lending agent is authorized to enter into securities lending transactions of U.S. and non-U.S. securities in accordance with the terms of a securities lending authorization agreement.

The lending agent has indemnified the Fund harmless from any losses, damages, costs or expenses the Fund may incur if the lending agent is unable to recover borrowed securities or distributions made during the term of the loans with respect to those securities as a result of the lending agent's failure to make a reasonable determinations of the creditworthiness of a borrower, demand adequate and appropriate collateral on a timely basis or to perform its duties under the agreement with the Fund. The agreement states that collateral must have a market value equal to no less than 100% of the market value of the borrowed securities. Non-cash collateral must have a market value equal to no less than 102% of the market value of the borrowed securities, or 105% of the borrowed securities if the collateral are denominated in different currencies.

Each business day, the lending agent and the Fund determine the market value of the collateral and the borrowed securities. The Fund's security lending policy requires investment grade securities. Cash collateral received from the borrower is subsequently reinvested in a securities lending collateral investment pool. As of December 31, 2022, the Fund's securities lending obligation exceeded the fair value of the underlying securities.

The following tables summarize the fair value measurements of lent securities, cash collateral received, and the fair value of the reinvested cash collateral:

	December 31, 2023		
	Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
Securities Lent			
Domestic Equities	\$25,357,042	\$26,212,516	\$26,614,780 ^(a)

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

As of December 31, 2023, the Fund also holds securities collateral that cannot be pledged or sold absent a borrower's default totaling \$22,342,556. The securities collateral consists of U.S. Treasury Bills, U.S. Treasury Notes, and U.S. Treasury Bonds. There were no losses from securities lending transactions during the year ended December 31, 2023 resulting from a default of a borrower or the lending agent.

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total pension liability was measured as of December 31, 2023 based on actuarial valuation as of that date. The actuarial assumptions included a 7.75% investment rate of return; projected salary increases of 2.75% plus promotion, step and longevity increases that vary by service for fire and policy; and an inflation rate of 2.75% per year. Mortality rates were based on the PubS-2010 (public safety) total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using scale MP-2020.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan administrative and investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2023 are summarized in the following table (rates shown exclude inflation).

	Target Allocation	Long-term Expected Real Rate of Return
Equities		
Large Cap Domestic	16%	6.19%
Mid Cap Domestic	5%	6.45%
Small Cap Domestic	6%	6.06%
International Developed	21%	6.42%
Emerging markets	5%	7.19%
Real estate/Assets	10%	3.90%
Private Equity	15%	6.75%
Fixed Income		
Domestic Core	10%	2.11%
Bank Loans	4%	2.45%
Emerging Markets	3%	2.54%
Multi-Sector	3%	1.65%
Cash	2%	0.00%

DISCOUNT RATE: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the Fund's contributions will continue to follow the current funding policy. Based on the actuarial assumptions applied, the Fund's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.75%. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended August 31, 2024 were as follows:

	Firemen Division		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 902,694,383	\$ 683,895,052	\$ 218,799,331
Changes for the Year:			
Service Cost	12,441,095	-	12,441,095
Interest (On the Total Pension Liability)	68,966,764	-	68,966,764
Differences Between Expected and Actual Experience	10,671,878	-	10,671,878
Contributions by the City	-	14,844,489	(14,844,489)
Contributions by the Firefighters	-	14,645,760	(14,645,760)
Net Investment Income	-	78,455,685	(78,455,685)
Benefit Payments	(50,483,492)	(50,483,492)	-
Assumption Changes	-	-	-
Administrative Expenses	-	(1,074,016)	1,074,016
Net Changes	41,596,245	56,388,426	(14,792,181)
Amounts as of December 31, 2023	\$ 944,290,628	\$ 740,283,478	\$ 204,007,150

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Policemen Division			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 1,301,904,807	\$ 978,777,574	\$ 323,127,233
Changes for the Year:			
Service Cost	13,918,774	-	13,918,774
Interest (On the Total Pension Liability)	99,022,276	-	99,022,276
Differences Between Expected and Actual Experience	23,659,894	-	23,659,894
Contributions by the City	-	19,688,617	(19,688,617)
Contributions by the Policemen	-	19,678,167	(19,678,167)
Net Investment Income	-	114,095,380	(114,095,380)
Benefit Payments	(76,233,594)	(76,233,594)	-
Assumption Changes	-	-	-
Administrative Expenses	-	(1,074,723)	1,074,723
Net Changes	<u>60,367,350</u>	<u>76,153,847</u>	<u>(15,786,497)</u>
Amounts as of December 31, 2023	<u>\$ 1,362,272,157</u>	<u>\$ 1,054,931,421</u>	<u>\$ 307,340,736</u>

FPPF			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 2,204,599,190	\$ 1,662,672,626	\$ 541,926,564
Changes for the Year:			
Service Cost	26,359,869	-	26,359,869
Interest (On the Total Pension Liability)	167,989,040	-	167,989,040
Differences Between Expected and Actual Experience	34,331,772	-	34,331,772
Contributions by the City	-	34,533,106	(34,533,106)
Contributions by the Policemen and Firefighters	-	34,323,927	(34,323,927)
Net Investment Income	-	192,551,065	(192,551,065)
Benefit Payments	(126,717,086)	(126,717,086)	-
Administrative Expenses	-	(2,148,739)	2,148,739
Net Changes	<u>101,963,595</u>	<u>132,542,273</u>	<u>(30,578,678)</u>
Amounts as of December 31, 2023	<u>\$ 2,306,562,785</u>	<u>\$ 1,795,214,899</u>	<u>\$ 511,347,886</u>

SENSITIVITY TO INTEREST RATE CHANGES: The following table presents the resulting net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percent lower or one-percent point higher than the current rate:

Firemen Division		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$330,100,338	\$204,007,150	\$101,016,322
Policemen Division		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$487,422,809	\$307,340,736	\$160,051,794
FPPF		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$817,523,147	\$511,347,886	\$261,068,116

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE PLAN:
For the fiscal year ended August 31, 2024, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$12,122,588 for firemen division and \$20,154,694 for policemen division, and reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Firemen Division		
	Deferred Outflows of of Resources	Deferred Inflows of Resources
Net difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 41,114,477	\$ -
Change in Assumptions	2,846,484	-
Differences Between Expected and Actual Experience	8,562,811	364,688
Contributions Subsequent to Measurement Date	10,562,996	-
	<u>\$ 63,086,768</u>	<u>\$ 364,688</u>

Policemen Division		
	Deferred Outflows of of Resources	Deferred Inflows of Resources
Net difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 57,123,051	\$ -
Change in Assumptions	5,459,055	-
Differences Between Expected and Actual Experience	17,803,485	514,789
Contributions Subsequent to Measurement Date	15,005,936	-
	<u>\$ 95,391,527</u>	<u>\$ 514,789</u>

FPPF		
	Deferred Outflows of of Resources	Deferred Inflows of Resources
Net difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 98,237,528	\$ -
Change in Assumptions	8,305,539	-
Differences Between Expected and Actual Experience	26,366,296	879,457
Contributions Subsequent to Measurement Date	25,568,932	-
	<u>\$ 158,478,295</u>	<u>\$ 879,457</u>

Contributions of \$25,568,932 were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's reporting period will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

Other amounts reported as deferred outflows or deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Fiscal Year Ending August 31,	Policemen Division	Firemen Division	FPPF Total
2025	\$ 20,728,824	\$ 11,341,849	\$ 32,070,673
2026	25,165,500	16,770,028	41,935,528
2027	41,684,290	27,073,401	68,757,691
2028	(7,707,812)	(3,152,718)	(10,860,530)
2029	-	126,544	126,544
Total	<u>\$ 79,870,802</u>	<u>\$ 52,159,104</u>	<u>\$ 132,029,906</u>

For more information concerning the City's pension plans for fiscal year ended August 31, 2024, see the City's Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2024, particularly Note 13, which can be accessed at <https://www.elpasotexas.gov/office-of-the-comptroller/>

OTHER POST EMPLOYMENT BENEFITS

Plan Description: Texas statute provides that retirees from a municipality with a population of 25,000 or more and who receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents unless the retiree is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. The City provides certain healthcare benefits for retired employees. The postemployment Aetna Choice POS II Medical Plan is a single-employer plan administered by Aetna.

Benefits Provided: The City offers medical, dental and vision benefits for retired employees and their dependents. There are three medical plan options for retirees under age 65. Upon Medicare eligibility, retirees move to a Medicare Advantage plan. All plans are fully insured and are not pooled with active employees. Retirees are also eligible to continue fully insured dental and vision benefits.

To be eligible to continue coverage under the City's plan, employees must satisfy the retirement eligibility requirements of the pension plan to which they belong. In addition, they must be enrolled in the City's active employee health benefit plan at the time of retirement. Prior to January 1, 2019, election to continue coverage could only be made at retirement. Retirees were not eligible to rejoin at any other time. Effective with employees who retire on or after January 1, 2019, an employee must have been covered by the City prior to retirement to be eligible for coverage. The retiree has the option to continue coverage or to drop medical coverage but rejoin upon Medicare eligibility.

Retirees are required to contribute a portion of the medical and Medicare Advantage premium rates. To continue with dental and vision, retirees must pay the full premium amount. Retirees pay a premium ranging from \$144.18 to \$2,899.71 per month depending on the coverage elected. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms: At August 31, 2024, the following employees were covered by the benefit terms of the OPEB plan:

Inactive employees currently receiving benefits payments	863
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	4,268
Total	<u>5,131</u>

Total OPEB Liability: The City's total OPEB liability of \$138.7 million was measured as of August 31, 2024, and was determined by an actuarial valuation as of August 31, 2024.

Actuarial Assumptions and Other Inputs: Projections of benefits for financial reporting purposes are based on assumptions regarding the survival of plan members, the average per-capita claims cost, when current employees are expected to retire, and so forth. The assumptions were derived from a combination of plan experience, actuarial judgement, and the City's pension plans' valuations.

The City's total OPEB liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation:	2.40 percent
Salary Increases:	3.25 percent, including inflation
Discount Rate:	3.99 percent
Prior Year Discount Rate	4.13
Healthcare Cost Trend Rates:	Initial rates are based on actual changes in the fully-insured premiums

The discount rate was based on the August 31, 2024 Fidelity Municipal General Obligation AA 20- Year Yield.

Mortality rates for active employees were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee and Retiree Mortality Tables for males or females, Generational with Projection Scale MP-2021.

The following table shows the changes in the City's total OPEB liability.

	Total OPEB Liability
Balance at 08/31/2023	\$ 113,927,493
Changes for the Year:	
Service Cost	4,329,820
Interest	4,793,299
Differences Between Expected and Actual Experience	(5,451,080)
Change in Assumptions/Inputs	25,584,138
Benefit Payments	(4,477,893)
Net Changes	<u>24,778,284</u>
Balance at 08/31/2024	<u>\$ 138,705,777</u>

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using discount rates that are one-percent lower or one-percent higher than the current discount rate.

	1% Decrease (2.99%)	Discount Rate (3.99%)	1% Increase (4.99%)
Total OPEB liability	\$ 150,209,843	\$ 138,705,777	\$ 116,215,298

The following presents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are one-percent lower or one-percent higher than the median current healthcare cost trend baseline of 4.64%.

	1% Decrease (3.64%)	Healthcare Cost Trend Baseline (4.64%)	1% Increase (5.54%)
Total OPEB liability	\$ 113,337,730	\$ 138,705,777	\$ 150,209,843

For the fiscal year ended August 31, 2024, the City recognized OPEB income in the amount of \$360.8 thousand. As of August 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as presented below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 7,948,284	\$ 5,820,337
Changes of Assumptions or Other Inputs	23,656,701	45,334,545
	<u>\$ 31,604,985</u>	<u>\$ 51,154,882</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense as follows:

<u>Year Ended August 31,</u>	<u>Amount</u>
2025	\$ (4,619,347)
2026	(6,299,072)
2027	(6,299,072)
2028	(6,299,072)
2029	1,090,514
Thereafter	2,876,152
Total	<u>\$ (19,549,897)</u>

COMPENSATED ABSENCE LIABILITY . . . City employees, excluding uniformed Police Department and Fire Department employees, earn vacation leave, which may either be taken or accumulated (up to a maximum of 400 hours) until paid upon termination or retirement. For uniformed Police Department and Fire Department employees only, special provisions apply based on the most current Articles of Agreement between the City and the local associations of Fire and Police unions. Leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through paid time off or cash payments, conditioned on the employee's termination or retirement. For governmental funds, a liability for these amounts is reported only if they have matured as a result of termination or retirement. For the government-wide and proprietary fund financial statements, all of the outstanding compensated absences are recorded as a liability.

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**PUBLIC SERVICE BOARD – EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

PENSION AND RETIREMENT PLAN

General - The Public Service Board - El Paso Water Utilities contributes to the City of El Paso Employees Retirement Trust (CERT) which is a single-employer Public Employee Retirement System defined benefit pension plan. However, in accordance with GASB Statement No. 68, as a component unit of the City, EPWater reports its proportionate share of the collective net pension liability as if it was a cost-sharing employer.

Plan Description - The CERT was established in accordance with authority granted by Chapter 2.64 of the El Paso City Code and is a component unit (fiduciary fund type) of the City. It is the responsibility of the CERT to function as an investment and administrative agent for the City of El Paso and EPWater with respect to the pension plan. The CERT is not required to maintain any legally required reserves.

Basis of Accounting - The accounting policies of the CERT have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The CERT is accounted for on an economic resources measurement focus using the accrual basis of accounting.

Pension Plan Fiduciary Net Position - Detailed information about the City of El Paso Employees Retirement Trust fiduciary net position is available in separately issued audited plan financial statements, including required supplementary information (RSI). That report may be obtained from the City of El Paso Employees Retirement Trust Administrative Office at 1039 Chelsea St., El Paso, Texas 79903, or online at <http://epension.org/fund-overview.php>.

The collective net pension liability was measured as of August 31, 2023 and August 31, 2022. The total pension liability is based on the actuarial valuation as of September 1, 2022 and September 1, 2020, respectively, and update procedures were used to roll forward the total pension liability to the measurement dates of August 31, 2023 and August 31, 2022.

	2023	2022
Total Pension Liability	\$ 1,195,447,246	\$ 1,118,495,801
Less: Fiduciary Net Position	(914,311,891)	(908,273,911)
Net Pension Liability	\$ 281,135,355	\$ 210,221,890
Fiduciary Net Position as percentage of Total Pension Liability	76.48%	81.20%

Benefits Provided: Substantially all full-time employees of the City (including EPWater) are eligible to participate in the Plan. Non-employer contributions are limited to participating employees. Participation is mandatory for classified employees (except permanent part-time employees). For non-classified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the CERT. The designated purpose of the CERT is to provide retirement, death, and disability benefits to participants or their beneficiaries. The CERT is administered by the CERT Board of Trustees, which is comprised of two members of the City Council, two citizens of the City who are not officers or employees of the City, four city employees who are qualified to participate in the trust, and one retired city employee receiving pension benefits from the trust. The CERT Board contracts with an independent pension custodian, investment managers, an investment consultant, an actuary and an attorney to assist in managing the CERT.

Members who were first participants prior to September 1, 2011, accrue benefits based on Tier I provisions as follows:

- Participants who leave the Plan before completion of five years of service receive a refund of their contributions. Participants leaving the Plan with more than five years but less than ten years of service may receive a refund of their contributions plus interest at 5.5%, compounded annually, provided they are not eligible for normal retirement. Participants become fully vested after reaching forty years of age and ten years of service or forty-five years of age and seven years of service. Normal retirement is the earlier of (i) fifty-five years of age with ten years of service, (ii) sixty years of age with seven years of service or (iii) thirty years of service, regardless of age. Participants who have met the minimum vesting requirements may retire but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, or 2.5% of the average monthly base salary received by the employee during the year immediately prior to retirement, or 2.5% of the monthly base salary pay for the month immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus .2083 of 1% of such average for each additional completed or fractional part of a month of service.

Members who were first participants on or after September 1, 2011, accrue benefits based on Tier II provisions as follows:

- Participants who leave the plan before completion of seven years of service receive a refund of their contributions. Participants leaving the plan with more than seven years but less than ten years of service may receive a refund of their contributions plus interest at 3%, compounded annually, provided they are not eligible for normal retirement. Participants become fully vested after reaching forty-five years of age and seven years of service. Normal retirement is the earlier of (i) sixty years of age with seven years of service or (ii) thirty-five years of service, regardless of age. Participants who have met the minimum vesting requirements may retire but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.25% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, multiplied by the number of completed years of service, plus .1875 of 1% of such average for each additional completed or fractional part of a month of service, limited to 90% of the three year average final pay.

A pension benefit is available to surviving spouses and dependents. The plan includes no automatic increase in retirement benefits, including automatic COLAs. However, the Board, at its discretion after consideration of a recent actuarial review of the funding status, may provide ad hoc cost of living or other increases in retirement benefits. There were no ad-hoc payments issued for the plan years ended August 31, 2023 and August 31, 2022.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the September 1, 2022 and September 1, 2020 actuarial valuations, rolled forward to the measurement dates of August 31, 2023 and August 31, 2022, respectively, the entry-age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the fair value of investments over a five-year period. The actuarial assumptions at September 1, 2022 and at September 1, 2020 included a 7.25% investment rate of return (net of expenses), projected salary increases of 2.5%, which is solely due to the effect of inflation on salaries, with no allowance for future membership growth. The remaining amortization period at September 1, 2022 and at September 1, 2020 was 25 years using closed periods ("layers"). For the September 1, 2022 and September 1, 2020 actuarial valuations, rolled forward to August 31, 2023 and August 31, 2022, respectively, mortality rates for active and deferred participants were based on the RP-2014 employee tables with Blue Collar adjustment projected with Scale MP-2019 on a fully generational basis. Mortality rates for healthy retirees and survivors were based on the 2014 healthy annuitant tables with Blue Collar adjustment (92% of male rates and 100% of female rates) projected with Scale MP-2019 on a fully generational basis. Mortality rates for disabled participants were based on the RP-2014 disabled annuitant table projected with Scale MP-2019 on a fully generational basis. The actuarial assumptions and methods used in the September 1, 2022 and the September 1, 2020 valuations were based on the experience study for the period September 1, 2014 through August 31, 2018, and the funding policy that was formalized in 2019.

Changes of Assumptions since August 31, 2022 - There were no changes in the actuarial assumptions or other reports that affected measurement of the total pension liability since the prior measurement date.

There were no changes of benefit terms that affected the measurement of the total pension liability since the prior measurement date.

There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the EPWater's proportionate share of the collective net pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of returns by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the CERT's asset allocations as of August 31, 2023 and August 31, 2022 are summarized in the following table:

Asset Class	2023 Target Allocation	2022 Target Allocation	2023 Long-term Expected Real Rate of Return	2022 Long-term Expected Real Rate of Return
Domestic equity	31%	31%	6.34%	7.26%
International equity	21%	21%	6.77%	6.24%
Fixed income	24%	24%	1.74%	0.78%
Real estate	10%	10%	5.11%	4.17%
Private Equity	13%	13%	11.86%	10.72%
Cash	1%	1%	-	-

Discount Rate: The discount rate used to measure the total pension liability was 7.25 percent for plan years ended August 31, 2023 and August 31, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be based on the rates established by Ordinance. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Contributions Required and Contributions Made - Contribution rates for the CERT are based upon local statutes as enacted by the El Paso City Council and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial accrued liability (using entry-age-normal cost method) over twenty-five years. As of the most recent actuarial valuation, the contribution rate was 23 percent of annual covered payroll with employer contributions of 14.05 percent and employee contributions of 8.95 percent.

EPWater Contributions for the years ended February 29, 2024 and February 28, 2023 were as follows:

	2024 Contributions Required and Made		2023 - Contributions Required and Made	
	Water and Wastewater Utility	Municipal Drainage Utility	Water and Wastewater Utility	Municipal Drainage Utility
Employer contribution	\$ 7,614,139	\$ 338,838	\$ 5,969,988	\$ 278,167
Employee contributions	4,850,322	216,293	3,802,477	177,258
Total contributions	<u>\$ 12,464,461</u>	<u>\$ 555,131</u>	<u>\$ 9,772,465</u>	<u>\$ 455,425</u>

Sensitivity to Changes in the Discount Rate: The following presents EPWater's proportionate share for the Water and Wastewater Utility and Municipal Drainage Utility of the resulting net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

8/31/2023 - Water and Wastewater Utility's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Water and Wastewater Utility	<u>\$78,611,335</u>	<u>\$53,560,388</u>	<u>\$34,125,027</u>

8/31/2023 - Municipal Drainage Utility's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Municipal Drainage Utility	<u>\$3,501,302</u>	<u>\$2,385,548</u>	<u>\$1,519,908</u>

8/31/2022 - Water and Wastewater Utility's proportionate share of the net pension liability	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Water and Wastewater Utility	<u>\$64,114,725</u>	<u>\$39,970,941</u>	<u>\$19,880,393</u>

8/31/2022 - Municipal Drainage Utility's proportionate share of the net pension liability	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Municipal Drainage Utility	<u>\$2,988,661</u>	<u>\$1,863,216</u>	<u>\$926,710</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At February 29, 2024, EPWater reported a net pension liability for its proportionate share of the CERT's net pension liability of \$53,560,388 for the Water and Wastewater Utility and \$2,385,548 for the Municipal Drainage Utility. At February 28, 2023, EPWater reported a net pension liability for its proportionate share of the CERT's net pension liability of \$39,970,941 for the Water and Wastewater Utility and \$1,863,216 for the Municipal Drainage Utility. EPWater's net pension liability reported at February 29, 2024 was measured at August 31, 2023. EPWater's net pension liability reported at February 28, 2023 was measured at August 31, 2022.

EPWater's proportion of the net pension liability was based on EPWater's contributions to the pension plan relative to the contributions of the City to the plan for the periods from September 1, 2022 through August 31, 2023 and September 1, 2021 to August 31, 2022. At August 31, 2023 and August 31, 2022, EPWater's proportion of the collective net pension liability was 19.90 percent.

For the years ended February 29, 2024 and February 28, 2023, EPWater recognized pension expense as measured in accordance with GASB Statement No. 68, of \$8,840,741 and \$3,099,599, respectively, for the Water and Wastewater Utility, and \$294,691 and \$8,524, respectively, for the Municipal Drainage Utility.

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At February 29, 2024 and February 28, 2023, EPWater reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to the CERT from the following sources:

	Wastewater Utility		Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 9,219,296	\$ -	\$ 413,898	\$ -
Changes in assumptions	2,036	-	98	-
Net difference between projected and actual earnings on pension assets	10,422,650	-	446,258	-
Changes in proportionate share	678,927	317,254	21,960	214,570
Employer contributions subsequent to the measurement date	4,260,330	-	191,276	-
Total	<u>\$ 24,583,239</u>	<u>\$ 317,254</u>	<u>\$ 1,073,490</u>	<u>\$ 214,570</u>

	2023 - Water and Wastewater Utility		2023 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 879,002	\$ -	\$ 49,371	\$ -
Changes in assumptions	2,644	-	128	-
Net difference between projected and actual earnings on pension assets	7,652,589	-	318,628	-
Changes in proportionate share	400,136	412,606	9,192	241,568
Employer contributions subsequent to the measurement date	3,381,375	-	156,690	-
Total	<u>\$ 12,315,746</u>	<u>\$ 412,606</u>	<u>\$ 534,009</u>	<u>\$ 241,568</u>

For the year ended February 29, 2024, EPWater reported \$4,260,330 for the Water and Wastewater Utility and \$191,276 for the Municipal Drainage Utility as deferred outflows of resources related to pensions resulting from EPWater contributions subsequent to the measurement date and prior to year-end. These amounts will be recognized as a reduction of the net pension liability for the year ending February 28, 2025.

For the year ended February 28, 2023, EPWater reported \$3,381,375 for the Water and Wastewater Utility and \$156,690 for the Municipal Drainage Utility as deferred outflows of resources related to pensions resulting from EPWater contributions subsequent to the measurement date and prior to year-end. These amounts were recognized as a reduction of the net pension liability for the year ending February 29, 2024.

For the year ended February 29, 2024, the amount recognized as pension expense for the deferred outflows and inflows related to pensions was \$5,007,675 for the Water and Wastewater Utility and \$123,960 for the Municipal Drainage Utility. For the year ended February 28, 2023, the amount recognized as pension (recovery)/expense for the deferred outflows and inflows related to pensions was \$1,664,461 for the Water and Wastewater Utility and (\$58,374) for the Municipal Drainage Utility.

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Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending February</u>	<u>Water and Wastewater Utility</u>	<u>Municipal Drainage Utility</u>
2025	\$ 2,714,967	\$ 29,248
2026	3,893,709	108,010
2027	9,169,560	377,963
2028	3,078,320	110,542
2029	1,149,099	41,881
Total	<u>\$ 20,005,655</u>	<u>\$ 667,644</u>

Payable to the Pension Plan: At February 29, 2024 and February 28, 2023, EPWater reported a payable, including accruals where applicable, of \$441,806 for the Water and Wastewater Utility and \$19,577 for the Municipal Drainage Utility and \$299,563 for the Water and Wastewater Utility and \$13,719 for the Municipal Drainage Utility, respectively, for the outstanding amount of contributions to the pension plan required for each fiscal year.

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - EPWater through the City of El Paso offers its employees a single employer defined healthcare plan with OPEB benefits for retirees. The City sponsors and administers the informal plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and who receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents unless the retiree is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the healthcare plan but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

Benefits Provided - The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage for health care benefits for retirees under age 65 is the same as the coverage provided to active City employees. Retirees over age 65 are covered through a Medicare Advantage Plan. Retirees pay premiums ranging from \$144 per month to \$2,900 per month depending on the coverage elected. The cost of retiree health care benefits in the form of a share of the premiums is recognized on a pay-as-you go financing method and is recorded as an expense as liabilities are incurred. Retirees contributed approximately 53% of the total current year cost.

Employees Covered by Benefit Terms - At February 29, 2024 and February 28, 2023, the following employees were covered by the benefit terms:

	<u>2024</u>		<u>2023</u>	
	<u>Water and Wastewater Utility</u>	<u>Municipal Drainage Utility</u>	<u>Water and Wastewater Utility</u>	<u>Municipal Drainage Utility</u>
Inactive employees or beneficiaries currently receiving benefits	134	1	142	1
Active employees	918	50	784	46
Total	<u>1,052</u>	<u>51</u>	<u>926</u>	<u>47</u>

Total OPEB Liability - EPWater's total OPEB liability of \$13,883,605 and \$12,917,792 reported at February 29, 2024 and February 28, 2023, respectively, is based on the actuarial valuation performed as of January 1, 2023. Update procedures were used to roll forward the total OPEB liability to the measurement dates of February 29, 2024 and February 28, 2023.

Actuarial assumptions and other inputs - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial assumptions for OPEB are based on the experience study for the period September 1, 2014 through August 31, 2018 performed for the pension plan. OPEB specific assumptions, such as healthcare trend rates and plan participation, are reviewed during each full actuarial valuation.

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The EPWater’s total OPEB liability is based on the actuarial valuation as of January 1, 2023 and was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	3.92% as of February 29, 2024 4.06% as of February 28, 2023
Inflation	2.50%
Salary Increases	2.75 to 4.50%
Demographic Assumptions	The demographic assumptions are the same as those used in the City of El Paso Employees Retirement Trust actuarial valuation as of September 1, 2022.
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Tables with Blue Collar Adjustment (92% of male rates and 100% of female rates) were used, projected using Scale MP2019 on a fully generational basis.
Health Care Trend Rates	Pre-65 - Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years. Post-65 - Initial rate of 6.10% declining to an ultimate rate of 4.25% after 11 years.
Participation Rates	35% for eligible employees retiring between the ages of 50 and 65. 40% for eligible employees retiring at the age of 65 or older. 0% for eligible employees retiring before the age of 50. 45% of retirees were assumed to elect 2-person coverage.

The discount rate at February 29, 2024 and at February 28, 2023 is based on the Fidelity 20-Year Municipal GO AA Index.

Changes in the Total OPEB Liability:

	2024	
	Water and Wastewater Utility	Municipal Drainage Utility
Balances as of March 1, 2023	\$ 12,201,866	\$ 715,926
Changes for the year:		
Service Cost	704,984	38,398
Interest	501,982	27,341
Difference between expected and actual experience	(33,363)	(1,817)
Changes in assumptions	220,224	11,995
Changes in proportionate share	48,686	(48,686)
Benefit payments	(477,902)	(26,029)
Net Changes	964,611	1,202
Balances as of February 29, 2024	\$ 13,166,477	\$ 717,128

Changes of assumptions reflect the change in the discount rate from 4.06% as of February 28, 2023 to 3.92% as of February 29, 2024. Of the total OPEB liability at February 29, 2024, \$568,654 and \$30,972 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, reflect the expected benefits to be paid within one year and are reported within the current liabilities category. The remaining amounts of \$12,597,823 and \$686,156 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, are reported within noncurrent liabilities.

	2023	
	Water and Wastewater Utility	Municipal Drainage Utility
Balances as of March 1, 2022	\$ 16,939,348	\$ 954,970
Changes for the year:		
Service Cost	1,008,192	59,154
Interest	406,285	23,838
Difference between expected and actual experience	(3,005,779)	(176,360)
Changes in assumptions	(2,581,663)	(151,475)
Changes in proportionate share	(36,764)	36,764
Benefit payments	(527,753)	(30,965)
Net Changes	<u>(4,737,482)</u>	<u>(239,044)</u>
Balances as of February 28, 2023	<u>\$ 12,201,866</u>	<u>\$ 715,926</u>

Changes of assumptions reflect the change in the discount rate from 2.37% as of February 28, 2022 to 4.06% as of February 28, 2023. Additionally, the health care trend rates were reset to better reflect the plan's anticipated experience. Of the total OPEB liability at February 28, 2023, \$476,002 and \$27,928 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, reflect the expected benefits to be paid within one year and are reported within the current liabilities category. The remaining amounts of \$11,725,864 and \$687,998 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, are reported within noncurrent liabilities.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of EPWater by utility, calculated using the discount rate of 3.92% as of February 29, 2024, and 4.06% as of February 28, 2023, as well as what EPWater's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the respective discount rate:

	1% Decrease (2.92%)	Discount Rate (3.92%)	1% Increase (4.92%)
2/29/2024			
Water and Wastewater Utility			
Total OPEB Liability	<u>\$14,928,832</u>	<u>\$13,166,477</u>	<u>\$11,714,028</u>
	1% Decrease (2.92%)	Discount Rate (3.92%)	1% Increase (4.92%)
2/29/2024			
Municipal Drainage Utility			
Total OPEB Liability	<u>\$813,117</u>	<u>\$717,128</u>	<u>\$638,019</u>
	1% Decrease (3.06%)	Discount Rate (4.06%)	1% Increase (5.06%)
2/28/2023			
Water and Wastewater Utility			
Total OPEB Liability	<u>\$13,816,005</u>	<u>\$12,201,866</u>	<u>\$10,867,286</u>
	1% Decrease (3.06%)	Discount Rate (4.06%)	1% Increase (5.06%)
2/28/2023			
Municipal Drainage Utility			
Total OPEB Liability	<u>\$810,633</u>	<u>\$715,926</u>	<u>\$637,621</u>

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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of EPWater by utility, calculated using the assumed trend rates, as well as what EPWater's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
2/29/2024 Water and Wastewater Utility Total OPEB Liability	<u>\$11,328,798</u>	<u>\$13,166,477</u>	<u>\$15,479,933</u>
2/29/2024 Municipal Drainage Utility Total OPEB Liability	<u>\$617,037</u>	<u>\$717,128</u>	<u>\$843,134</u>
2/28/2023 Water and Wastewater Utility Total OPEB Liability	<u>\$10,604,492</u>	<u>\$12,201,866</u>	<u>\$14,200,467</u>
2/28/2023 Municipal Drainage Utility Total OPEB Liability	<u>\$622,202</u>	<u>\$715,926</u>	<u>\$833,191</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For fiscal years ended February 29, 2024 and February 28, 2023, EPWater recognized OPEB (recovery)/ expense of (\$15,602) and \$164,923, respectively, for the Water and Wastewater Utility, and (\$51,975) and (\$30,310), respectively, for the Municipal Drainage Utility.

At February 29, 2024 and February 28, 2023, EPWater reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024 - Water and Wastewater Utility		2024 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,853,731	\$ -	\$ 412,377
Changes in assumptions	2,954,733	3,803,637	185,556	227,887
Changes in proportionate share	<u>237,565</u>	<u>28,340</u>	<u>28,340</u>	<u>237,565</u>
Total	<u>\$ 3,192,298</u>	<u>\$ 10,685,708</u>	<u>\$ 213,896</u>	<u>\$ 877,829</u>

	2023 - Water and Wastewater Utility		2023 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ -	\$ 8,086,882	\$ -
Changes in assumptions	3,392,710	4,461,133	215,135	267,406
Changes in proportionate share	236,332	32,552	32,552	236,332
Total	<u>\$ 3,629,042</u>	<u>\$ 12,580,567</u>	<u>\$ 247,687</u>	<u>\$ 990,826</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending February	Water and Wastewater Utility	Municipal Drainage Utility
2025	\$ (1,222,568)	\$ (117,714)
2026	(1,222,568)	(117,714)
2027	(1,222,568)	(117,714)
2028	(1,226,216)	(118,002)
2029	(1,516,024)	(117,212)
Thereafter	(1,083,466)	(75,577)
Total	<u>\$ (7,493,410)</u>	<u>\$ (663,933)</u>

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FINANCIAL INFORMATION

TABLE 3 – CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended February 28,				
	2025 ⁽¹⁾	2024 ⁽²⁾	2023 ⁽³⁾	2022 ⁽⁴⁾	2021
Revenues:					
Drainage Fees	\$ 31,773,189	\$ 33,517,191	\$ 28,815,723	\$ 25,903,612	\$ 24,065,071
Interest Income	2,646,108	1,766,963	942,080	13,410	160,075
Pension Recovery Credit	-	-	-	168,988	-
OPEB Recovery Credit	-	51,975	30,310	-	-
Gain on Sale of Miscellaneous Assets	-	-	-	-	-
Billing Fees - City Solid Waste Management	415,974	382,217	382,616	324,132	281,193
Other Operating Revenue	286,618	50,445	110,014	106,288	207,393
Other Nonoperating Revenue	-	60,628	88,051	78,891	-
Total Revenues	<u>\$ 35,121,889</u>	<u>\$ 35,829,419</u>	<u>\$ 30,368,794</u>	<u>\$ 26,595,321</u>	<u>\$ 24,713,732</u>
Expenses:					
Operations and Maintenance	\$ 7,885,606	\$ 7,043,588	\$ 6,568,397	\$ 5,088,786	\$ 5,268,842
Indirect Cost Allocation	1,698,333	2,385,000	1,756,000	1,678,000	1,498,000
Other Operating/Nonoperating Expenses	615,177	760,350	478,491	354,435	388,929
Total Expenses	<u>\$ 10,199,116</u>	<u>\$ 10,188,938</u>	<u>\$ 8,802,888</u>	<u>\$ 7,121,221</u>	<u>\$ 7,155,771</u>
REVENUE AVAILABLE FOR					
DEBT SERVICE	\$ 24,922,773	\$ 25,640,481	\$ 21,565,906	\$ 19,474,100	\$ 17,557,961
Drainage Customers	206,268	205,219	205,324	203,190	201,860

⁽¹⁾ Unaudited as of December 31, 2024.

⁽²⁾ February 29 of year shown.

⁽³⁾ Restated due to the implementation of GASB 96.

⁽⁴⁾ Restated due to the implementation of GASB 87.

TABLE 4 – COVERAGE AND FUND BALANCES ⁽¹⁾

Average Annual Principal and Interest Requirements (2026-2053)	\$ 10,677,090
Coverage of Average Requirements from Net Revenue Available for Debt Service	2.33 x
Maximum Principal and Interest Requirements (2027)	\$ 18,234,744
Coverage of Maximum Requirements from Net Revenue Available for Debt Service	1.37 x
Municipal Drainage Utility System Revenue Bonds Outstanding, March 1, 2025 ⁽²⁾	\$ 167,402,000
Interest and Sinking Fund, December 31, 2024	\$ 9,935,671
Reserve Fund, December 31, 2024	\$ 6,095,137

⁽¹⁾ Includes the Bonds. Excludes the ECP Notes and the Refunded Bonds. Preliminary; subject to change.

⁽²⁾ Excludes the Bonds and the Refunded Bonds.

TABLE 5 – VALUE OF THE SYSTEM

	Fiscal Year Ended February 28,				
	2025 ⁽¹⁾	2024 ⁽²⁾	2023 ⁽³⁾	2022	2021
Land and Right-of-Way	\$ 81,898,285	\$ 81,886,447	\$ 71,666,966	\$ 56,999,449	\$ 42,954,649
Right to use subscription assets	58,865	58,865	58,865	-	-
Drainage implementation costs	544,106	544,106	544,106	544,106	544,106
Buildings and Shops	979,849	979,849	895,357	765,655	101,432
Vehicles	6,700,906	6,700,906	6,307,633	6,266,377	6,513,056
Equipment and Tools	1,239,788	1,239,788	1,247,298	1,211,175	1,198,969
Drainage System	215,550,073	209,671,921	189,199,439	169,906,354	160,251,580
Construction In Progress	88,499,043	72,255,689	43,105,943	47,945,387	33,275,250
Total Value	\$ 395,470,915	\$ 373,337,571	\$ 313,025,607	\$ 283,638,503	\$ 244,839,042
Less: Depreciation	(42,727,183)	(38,560,516)	(34,427,681)	(30,789,925)	(27,398,094)
Net System Value	\$ 352,743,732	\$ 334,777,055	\$ 278,597,926	\$ 252,848,578	\$ 217,440,948

(1) Unaudited as of December 31, 2024.

(2) February 29 of year shown.

(3) Restated due to the implementation of GASB 96.

Source: El Paso Water Utilities Annual Comprehensive Financial Report for fiscal years 2021 through 2024. Information for fiscal year ended February 28, 2025 is unaudited information, as of December 31, 2024, provided by the City.

TABLE 6 – CITY'S EQUITY IN SYSTEM

Resources	Fiscal Year Ended February 28,				
	2025 ⁽¹⁾	2024 ⁽²⁾	2023 ⁽³⁾	2022 ⁽⁴⁾	2021
Net System Value	\$ 352,743,732	\$ 334,777,055	\$ 278,597,926	\$ 252,848,578	\$ 217,440,948
Cash and Investments	57,145,892	80,664,597	54,995,019	37,372,868	39,322,925
Other Resources	7,636,858	4,660,403	4,442,933	4,649,765	2,702,993
Total Resources	\$ 417,526,482	\$ 420,102,055	\$ 338,035,878	\$ 294,871,211	\$ 259,466,866
Obligations					
Revenue Bonds Payable	\$ 210,607,122	\$ 157,423,243	\$ 139,763,007	\$ 111,880,600	\$ 102,807,591
Other Obligations	22,855,260	92,341,850	43,739,646	42,058,342	28,439,527
Total Obligations	\$ 233,462,382	\$ 249,765,093	\$ 183,502,653	\$ 153,938,942	\$ 131,247,118
City's Equity in System	\$ 184,064,100	\$ 170,336,962	\$ 154,533,225	\$ 140,932,269	\$ 128,219,748
Percentage City's Equity in System	44.08%	40.55%	45.72%	47.79%	49.42%

(1) Unaudited as of December 31, 2024.

(2) February 29 of year shown.

(3) Restated due to the implementation of GASB 96.

(4) Restated due to the implementation of GASB 87.

Source: El Paso Water Utilities Annual Comprehensive Financial Report for fiscal years 2021 through 2024.

CAPITAL IMPROVEMENT PLANS . . . The FY 2025-2026 capital budget focuses on the construction of projects identified in the revised Master Plan as the highest priority and funded with the bonds issued in prior years. The following list describes the major projects included in the FY 2025-2026 budget:

- \$53 million for improvements to stormwater storage capacity, which includes \$28.1 million for the Will Ruth Pond and \$10.7 million for the Palisades Stormwater system, and;
- \$9.5 million in conveyance improvements, which includes \$3.2 million for Hondo Pass Drive Drainage, and;
- \$4.6 million for the acquisition of open space, preservation of arroyos and development of park/ponds funded with 10% of revenue dedicated for open space

Additionally, over the next ten years, the Utility plans include \$496 million of improvements to the stormwater infrastructure.

Table 7 – CAPITAL IMPROVEMENT PLAN SUMMARY

	Budget Year 2025-26	Budget Year 2026-27	Budget Year 2027-28	Budget Year 2028-29	Budget Year 2029-30
<u>MUNICIPAL DRAINAGE</u>					
Conveyance	\$ 9,513,000	\$ 11,397,000	\$ 5,300,000	\$ 6,650,000	\$ 5,211,000
Storage	53,041,630	31,075,600	22,136,000	21,712,000	20,457,000
Pumping Systems	50,000	-	5,160,000	2,650,000	-
Information Technology and Automation	300,000	240,000	240,000	240,000	240,000
Other Major Capital Projects	1,091,000	2,834,000	350,000	550,000	350,000
Total Drainage Capital Programs	<u>\$63,995,630</u>	<u>\$45,546,600</u>	<u>\$33,186,000</u>	<u>\$31,802,000</u>	<u>\$26,258,000</u>
Project Overhead (OH)	<u>\$ 1,280,000</u>	<u>\$ 910,932</u>	<u>\$ 663,720</u>	<u>\$ 636,040</u>	<u>\$ 525,160</u>
Total Drainage Capital Programs Including OH	<u>\$ 65,276,000</u>	<u>\$ 46,458,000</u>	<u>\$ 33,850,000</u>	<u>\$ 32,438,000</u>	<u>\$ 26,783,000</u>

FINANCIAL POLICIES . . . In developing and evaluating the PSB’s accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding safeguarding assets against loss from unauthorized use or disposition and reliable financial records for preparing financial statements and maintaining accountability for assets.

As a recipient of federal and state assistance, the PSB is responsible for ensuring that an adequate internal control structure is in place to guarantee compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

The internal audit function was outsourced in October 2018 to Porch & Associates LLC. The internal auditor’s responsibilities include (1) measuring and evaluating the effectiveness of the accounting and administrative controls, (2) assisting management in achieving the most efficient administration of the PSB’s operations, and (3) maintaining budgetary controls to ensure compliance with legal provisions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Board’s enterprise fund are charges to customers for sales and services. The Board also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the PSB’s policy to use restricted resources first, then unrestricted resources as they are needed.

INVESTMENTS

The PSB invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Board. Both State law and the PSB’s investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the PSB is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the “PFIA”), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested

through: (i) a broker with a main office or branch office in this State that the PSB selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the PSB selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the PSB appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFLA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for PSB deposits, or (ii) certificates of deposits where (a) the funds are invested by the PSB through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the PSB as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the PSB, (b) the broker or the depository institution selected by the PSB arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the PSB, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the PSB appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the PSB with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the PSB or cash held by the PSB to be pledged to the PSB, held in the PSB's name, and deposited at the time the investment is made with the PSB or with a third party selected and approved by the PSB, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the PSB with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the PSB and deposited with the PSB or a third party selected and approved by the PSB.

Under the PSB's current investment policy dated April 10, 2024, authorized investments for the PSB consist of those instruments numbered (1), (2), (4), (5), (9), (10), (13) and (14) in the preceding paragraph.

The PSB is also authorized to invest its funds through an eligible investment pool if the Board of the PSB by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. To be eligible to receive funds from and invest funds on behalf of the PSB, an investment pool must furnish to the investment officer or other authorized representative of the PSB an offering circular or other similar disclosure instrument that contains, at a minimum, the following information: (1) the types of investments in which money is allowed to be invested; (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool; (3) the maximum stated maturity date any investment security within the portfolio has; (4) the objectives of the pool; (5) the size of the pool; (6) the names of the members of the advisory board of the pool and the dates their terms expire; (7) the custodian bank that will safekeep the pool's assets; (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation; (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment; (10) the name and address of the independent auditor of the pool; (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and (13) the pool's policy regarding holding deposits of cash.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (8) and

(12) through (14) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the PSB or a third party designated by the PSB; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The PSB may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “AAAm” or an equivalent by at least one nationally recognized rating service. The PSB is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the PSB is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for PSB funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All PSB funds must be invested in a manner consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

Under State law, PSB investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the PSB shall submit an investment report detailing: (1) the investment position of the PSB; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group; (4) the book value and market value of each separately listed asset at the end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest PSB funds without express written authority from the PSB.

ADDITIONAL PROVISIONS . . . Under State law, the PSB is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the PSB to disclose the relationship and file a statement with the Texas Ethics Commission and the PSB; (4) require the qualified representative of firms offering to engage in an investment transaction with the PSB to: (a) receive and review the PSB’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the PSB and the business organization that are not authorized by the PSB’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the PSB’s entire portfolio or requires an interpretation of subjective investment standards or relates to investment transactions of the PSB that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the PSB and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the PSB’s investment policy; (6) provide specific investment training for the PSB’s designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load money market mutual funds in the aggregate to no more than 15% of the PSB’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the PSB.

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TABLE 8 – CURRENT INVESTMENTS*

As of December 31, 2024, the PSB’s investable funds of the System were invested in the following categories:

<u>Investment Type</u>	<u>Market Value</u>	<u>% of Portfolio</u>
TexPool Prime	\$ 8,107,805	15.6%
TexSTAR	2,611,437	5.0%
Federal Agencies-Discount	4,211,380	8.1%
Federal Agencies-Coupon	1,588,788	3.1%
AllSpring	1,359,169	2.6%
TexPool	204,508	0.4%
Certificates of Deposit	3,000,000	5.8%
Logic	10,117,368	19.4%
Treasury-Coupon	8,125,860	15.6%
Advantage Fund	2,188,939	4.2%
Amegy Bank of TX	10,509,226	20.2%
	<u>\$ 52,024,480</u>	<u>100.0%</u>

* Unaudited.

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SELECTED PROVISIONS OF THE BOND ORDINANCE

The following is a summary of certain provisions of the Bond Ordinance. Such summary does not purport to be complete and reference should be made to the Bond Ordinance for the complete provisions and the precise wording thereof.

Section 1.01 Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in [the Bond] Ordinance, the following terms shall have the meanings specified below:

“Act” means Chapter 552 of the Texas Local Government Code, as amended.

“Additional Bonds” means the additional revenue bonds permitted to be issued on a parity with the Bonds and the Previously Issued Bonds by Section 10.03(a) of [the Bond] Ordinance.

“Average Annual Debt Service” means an amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

“Board” or “Board of Trustees” means that certain board of trustees known as the “Public Service Board” heretofore established for the purpose of managing the System and other water utilities of the City, as represented by the various persons appointed from time to time, and any successors thereto.

“Bond” means any of the Bonds.

“Bond Counsel” means a firm of nationally recognized attorneys experienced in the issuance of bonds and acceptable to the City, initially Norton Rose Fulbright US LLP.

“Bonds” means the City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds authorized by Section 3.01 of [the Bond] Ordinance, with any additional or different series or designation specified in an applicable Pricing Certificate.

“Bonds Similarly Secured” means collectively, the Previously Issued Bonds, the Bonds and Additional Bonds.

“Bullet Obligation” means all Bonds Similarly Secured of a series maturing in any single year in a principal amount that totals at least 15% of the initial aggregate principal amount of the entire series of such Bonds Similarly Secured.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located in the State of Texas are generally authorized or obligated by law or executive order to close.

“Chapter 1207” means Texas Government Code, Chapter 1207, as amended.

“Chapter 1371” means Texas Government Code, Chapter 1371, as amended.

“City” means the City of El Paso, Texas, and with respect to those matters requiring action regarding the authority and control of management and operation of the System or the expenditure and application of the System’s revenues, “City” shall mean the Board acting on behalf of the City.

“City Council” means the governing body of the City of El Paso, Texas.

“Closing Date” means the date of the initial delivery of and payment for each series of Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

“Debt Service” means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of premium if any, and interest (to the extent not capitalized) on such obligations; provided, however, that in making such calculation the following rules shall apply:

(1) For any series of Bonds Similarly Secured issued at a variable rate, that such obligations bear, or would have borne, interest at the highest rate of (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period; and

(2) For any series of Bonds Similarly Secured issued as Short Term Obligations, Demand Obligations, or Bullet Obligations, Debt Service may be computed on the assumption that the principal amount shall be refinanced at maturity (or an earlier date on which principal thereof is payable on demand) by fixed rate Bonds Similarly Secured bearing interest at (a) if the interest on such obligations is excludable from gross income of the owners thereof for federal income tax purposes, a Revenue Bond Index published by the Bond Buyer or any successor publication or (b) if the interest on such obligations is not excludable from gross income of the owners thereof for federal income tax purposes, the yield on the Treasury Constant Maturity Series as reported in Federal Reserve Statistical Release H.15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication as certified by the City's financial advisor, in both cases (a) and (b) within 30 days prior to the date of such calculation (or the gross fixed or capped rate payable by the City under an interest rate swap or cap agreement that substantially hedges the rate of interest on such Bonds Similarly Secured) and maturing in substantially equal annual payments of principal and interest over a term of 25 years (or such longer period as a nationally recognized financial advisor or investment banker certifies is then reasonably attainable) or less; and

(3) For any series of Bonds Similarly Secured for which the City is entitled to receive payments from the federal or state government in such period on account of, and substantially contemporaneously with, interest paid on such Bonds Similarly Secured, the amount to be received in such period shall be deducted from such interest in computing Debt Service.

"Demand Obligations" means any Bonds Similarly Secured the principal of which is payable by the City on demand of the owner or holder thereof.

"Depository Bank" means any financial institution duly designated by the Board to serve as a depository for funds controlled by the Board.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its designated office specified in the Pricing Certificate, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"ECP Notes" means the extendable commercial paper notes authorized to be issued in accordance with the terms of the ordinance establishing the City of El Paso, Texas, Municipal Drainage Utility System Extendable Commercial Paper Program, adopted by the City Council of the City on May 9, 2023.

"EPWU" means the El Paso Water Utilities, a component unit of the City of El Paso and any successors thereto.

"Financial Advisor" means a registered "municipal advisor" under Section 15B of the Securities Exchange Act of 1934, as amended, selected by the City to provide advice to the City in the area of municipal financial products or the issuance of municipal securities, initially Hilltop Securities Inc.

"Fiscal Year" means the twelve month financial accounting period used by the Board in connection with the operation of the System which may be any twelve consecutive month period established by the Board.

“Government Obligations” means, unless otherwise provided in the Pricing Certificate, (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

“Improvement Fund” means the fund by such name described in Section 8.01(a)(iv) [of the Bond Ordinance].

“Initial Bond” means the Initial Bond authorized by Section 3.03 of [the Bond] Ordinance.

“Interest and Sinking Fund” means the fund by that name described in Section 8.01(a) [of the Bond Ordinance].

“Interest Payment Date” means the date or dates on which interest on the principal of the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being March 1 and September 1, commencing on the date specified in the Pricing Certificate.

“Net Revenues” shall mean Revenues of the System, with respect to any period, after deducting the System’s Operating and Maintenance Expenses during such period.

“Note Payment Fund” means the fund so designated in Section 8.01(b) [of the Bond Ordinance].

“Operating and Maintenance Expenses” shall mean all current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including all salaries, labor, materials and administrative costs, allocable under generally accepted accounting principles, to the System. Depreciation charges and other costs and disbursements which may be capitalized under generally accepted accounting principles shall not be considered Operating and Maintenance Expenses.

“Outstanding” means when used in [the Bond] Ordinance with respect to Bonds or Bonds Similarly Secured, as the case may be, means, as of the date of determination, all Bonds and Bonds Similarly Secured theretofore sold, issued and delivered by the City, except:

- (1) Bonds or Bonds Similarly Secured canceled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;
- (2) Bonds or Bonds Similarly Secured paid or deemed to be paid in accordance with applicable law; and
- (3) Bonds or Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

“Owner” means the person who is the registered owner of a Bond or Bonds.

“Previously Issued Bonds” means the outstanding bonds of the following issues: (1) City of El Paso, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2009A, (2) City of El Paso, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2015, (3) City of El Paso, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2016, (4) City of El Paso, Texas, Municipal Drainage Utility System Revenue Improvement and Refunding Bonds, Series 2017, (5) City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Taxable Series 2021, (6) City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2021A, (7) City of El Paso, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2022, (8) City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2022A, (9) City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2023, and (10) City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2024.

“Pricing Certificate” means collectively one or more pricing certificates that set forth the terms of one or more series of Bonds in accordance with Section 3.02 of [the Bond] Ordinance and executed by the Pricing Officer, all in accordance with the provisions of Chapter 1207 and Chapter 1371.

“Pricing Officer” means the President/Chief Executive Officer of the EPWU, or in the absence thereof, any Vice President of the EPWU or the Chief Financial Officer of the EPWU, each acting in such capacity severally and not jointly.

“Record Date” means with respect to each interest payment date the fifteenth day of the month next preceding such interest payment date.

"Refundable Bonds" [means the City of El Paso, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2015.]

"Refunded Bonds" means those Refundable Bonds actually refunded in accordance with the terms [of the Bond Ordinance], as further described in the Pricing Certificate.

“Refunded ECP Notes” means the extendable commercial paper notes actually refunded in accordance with the terms [of the Bond Ordinance], as further described in the Pricing Certificate.

"Refunded Obligations" means the Refunded Bonds and the Refunded ECP Notes [as defined above] and further described in the Pricing Certificate.

“Register” means the Register specified in Section 3.07 of [the Bond] Ordinance.

“Reserve Fund” means the fund by that name described in Section 8.01(a)(iii) [of the Bond Ordinance].

“Reserve Fund Requirement” means the amount which is equal to the lesser of (i) the Average Annual Debt Service (calculated on a Fiscal Year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Bonds are delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

“Revenue Fund” means the Drainage Utility System Revenue Fund established in Section 8.01(a)(i) [of the Bond Ordinance].

“Revenues” shall mean all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding restricted gifts, grants in aid of construction and any amounts received from drainage charges specifically provided by ordinance for contribution to the funding of future drainage system construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds Similarly Secured and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues of the System, and excluding those amounts subject to payment to the United States of America as rebate pursuant to section 148 of the Code and any federal subsidies received pursuant to section 6431 of the Code.

“Short Term Obligations” means each series of bonds, notes and other debt obligations issued pursuant to a commercial paper or other similar financing program, the payment of principal of which is scheduled to be payable within one year from the date of issuance and is contemplated at the time of issuance to be refinanced through the issuance of Additional Bonds.

“Subordinate Lien Obligations” means each series of bonds, notes and other debt obligations payable from and secured by a lien on and pledge of the Net Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured.

“System” or “Municipal Drainage Utility System” shall mean all land, easements and interest in land, together with all structures, equipment and facilities used in draining benefitted property (within the meaning of the Act), including, but not limited to, catch basins, channels, conduits, creeks, culverts, detention ponds, ditches, draws, flumes, pipes, pumps, sloughs, treatment works, and appurtenances to those items, whether natural or artificial, or using force or gravity, that are used to draw off surface water from land, carry the water away, collect, store, or treat the water, or divert the water into natural or artificial watercourses (but excluding City parks, roads, streets and bridges in existence on June 19, 2007) and excluding the property or entities exempted from the Act pursuant to Section 552.053 of the Act.

* * *

Section 2.01 Security for the Bonds. The Bonds Similarly Secured, both principal and interest, are and shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Net Revenues.

Section 2.02 Limited Obligations. The Bonds Similarly Secured are special obligations of the City, payable solely from the Net Revenues, and do not constitute a prohibited indebtedness of the City. The Bonds Similarly Secured shall never be payable out of funds raised or to be raised by taxation.

Section 2.03 Security Interest. The City represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the City is valid and effective according to the terms of the

security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The City covenants that, if Chapter 1208.002 is amended at any time while the Bonds Similarly Secured are Outstanding, the City shall take all actions required in order to preserve for the Owners of the Previously Issued Bonds, the Bonds or Additional Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.01 [of the Bond Ordinance].

* * *

Section 7.01 Public Service Board.

(a) Pursuant to the authority contained in Texas Government Code, Section 1502.070, as amended, during such time as any of the Bonds herein authorized are outstanding and unpaid, the Board shall have complete authority and control of the management and operation of the System.

* * *

Section 8.01 Special Funds.

(a) The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the following special funds heretofore established are hereby reaffirmed and shall be maintained at the Depository Bank so long as any of the Bonds Similarly Secured are Outstanding, to-wit:

(i) “City of El Paso, Texas, Municipal Drainage Utility System Revenue Fund” (herein called the “Revenue Fund”);

(ii) “City of El Paso, Texas, Municipal Drainage Utility System Bonds Interest and Sinking Fund” (herein called the “Interest and Sinking Fund”);

(iii) “City of El Paso, Texas, Municipal Drainage Utility System Bonds Reserve Fund” (herein called the “Reserve Fund”); and

(iv) “City of El Paso, Texas, Municipal Drainage Utility System Improvement Fund” (herein called the “Improvement Fund”).

The Interest and Sinking Fund and the Reserve Fund shall be held in trust solely for the benefits of the Owners and the Owners of the Bonds Similarly Secured.

(b) The “City of El Paso, Texas Municipal Drainage Utility System ECP Note Series A Interest and Sinking Fund” (the “Note Payment Fund”) heretofore created by prior City Ordinance is hereby reaffirmed and shall be maintained for the benefit of the holders of the Subordinate Lien Obligations.

Section 8.02 Revenue Fund. All Revenues shall be deposited from day to day as collected into the Revenue Fund. Moneys on deposit in the Revenue Fund shall first be used to pay all Operating and Maintenance Expenses. The Revenues of the System not actually required to pay Operating and Maintenance Expenses (the “Net Revenues”) shall be transferred from the Revenue Fund to the other Funds in [the Bond] Ordinance, in the order of priority, in the manner, and in the amounts set forth below:

(a) Interest and Sinking Fund. In addition to the deposits required by ordinances authorizing the Previously Issued Bonds, there shall be deposited into the Interest and Sinking Fund the following:

(i) such amounts, in equal monthly installments, commencing on the first day of the month next following the Closing Date, and on the first day of each month thereafter, as will be sufficient to pay the interest scheduled to come due on the Bonds on the next interest payment date, less any amounts already on deposit therein for such purpose derived from the proceeds of the Bonds or from any other lawfully available source; and

(ii) such amounts, in equal monthly installments, commencing on the first day of the month next following the Closing Date, and on the first day of each month thereafter, as will be sufficient to pay the next maturing principal of the Bonds, including any scheduled mandatory redemption of Bonds.

The Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds Similarly Secured as such principal matures and such interest becomes due.

(b) Reserve Fund. So long as the funds on deposit in the Reserve Fund created for the benefit of the Bonds Similarly Secured are equal to the Reserve Fund Requirement, no deposits need to be made to the credit of the Reserve Fund; but should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the City shall transfer from the Net Revenues in the Revenue Fund

and deposit to the credit of the Reserve Fund, on the first day of each month, such amounts in equal monthly installments to accumulate within sixty (60) months a sum equal to the Reserve Fund Requirement. The money on deposit in the Reserve Fund may be used to pay the principal of and interest on the Bonds Similarly Secured at any time there are not sufficient funds on deposit in the Interest and Sinking Fund for such purpose.

In accordance with the procedures specified in the preceding paragraph, the City hereby directs that the deposits, if any, being made to the Reserve Fund be increased to accumulate in the Reserve Fund within sixty (60) months from the date of the Bonds an amount equal to the Reserve Fund Requirement.

Notwithstanding anything herein to the contrary, the City retains the right, with respect to the Bonds and subsequent issues of Additional Bonds to fund the Reserve Fund Requirement in whole or in part with a surety bond or insurance policy issued by an insurance company or other entity that is rated either for the long term unsecured debt of the issuer of such surety bond or for obligations insured, secured or guaranteed by such issuer have a rating in the highest letter category by two major municipal securities rating or evaluation services, and money deposited to the credit of the Reserve Fund may be used to make any payments required to satisfy the City's repayment obligation to the issuer of such surety bond or insurance policy in the same manner and with like effect as if such payments were being used to accumulate, maintain or restore the Reserve Fund Requirement in cash or with authorized investments.

(c) Note Payment Fund. In addition to the foregoing deposits, in order to provide for the payment of and security for any Subordinate Lien Obligations there shall be deposited to the Note Payment Fund amounts sufficient to pay when due the principal of and interest on the Subordinate Lien Obligations.

(d) Improvement Fund. All money remaining in the Revenue Fund at the end of each month after all payments required to be made therefrom in such month have been made and all deficiencies accumulated from prior months have been remedied shall continue to be paid to the Improvement Fund established in connection with the System, and shall be held in and paid out from such Fund for the following purposes:

(i) To pay the cost of any special or extraordinary repairs or replacements to or of the properties comprising the System, properly payable with such money under the laws of the State of Texas, necessitated by reason of some emergency; and

(ii) To the extent now or hereafter permitted by law, any lawful purpose.

Section 8.03 Investment of Funds.

(a) Money deposited to the credit of any Fund referenced in [the Bond] Ordinance may, at the option of the City, be invested in obligations identified in, and in accordance with the provisions of the "Public Funds Investment Act" (Texas Government Code, Chapter 2256, as amended) relating to the investment of "bond proceeds"; provided that all such investments shall be made in such a manner that the money required to be expended from such Funds will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each ordinance authorizing the issuance of Additional Bonds. All interest and income derived from deposits and investments in the Interest and Sinking Fund immediately shall be credited to, and any losses debited to, the Interest and Sinking Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 8.02(b) [of the Bond Ordinance], be credited to and deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

All moneys on deposit in the funds for which [the Bond] Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds.

Section 8.04 Contributions in Aid of Construction. Any moneys that may be received by the Board that shall represent contributions in aid of construction shall be deposited in a separate account at the Depository Bank. Such contributions shall not be considered as part of the Revenues of the System. Payments from such bank account shall be made only for the purposes for which the contributions were made, including any refunds that may become due to any contributor.

* * *

Section 10.01 Insurance. The City hereby agrees that it will carry at all times for the benefit of the Owners of the Bonds, such insurance on the System that is reasonably obtainable of the kinds and in the amounts which are usually carried by private companies operating similar properties. Such insurance may be provided by means of a self-insurance fund in which event deposits to such fund shall be a maintenance and operating expense of the System.

Section 10.02 Books and Records. The City hereby covenants and agrees that complete and proper books of records and account will be kept and that the Owners of any of the Bonds, or any duly authorized agent or agents of such Owners, shall have the right to inspect such records at all reasonable times. The Board will within sixty (60) days following the close of each Fiscal Year, cause an audit of the books and accounts to be made by an independent firm of certified public accountants and that such audit will be available for inspection by the Owners of any of the Bonds.

Section 10.03 Additional Covenants.

(a) Additional Bonds. The City may issue "Additional Bonds" if the following conditions are met:

(i) the City is not then in default as to any covenant, condition or obligation prescribed by an ordinance authorizing the issuance of any bonds payable from and secured by a first lien on and pledge of the Net Revenues;

(ii) the Additional Bonds are made to mature on March 1 or September 1 in each of the years in which they are scheduled to mature;

(iii) the City has secured a certificate or opinion of a Certified Public Accountant to the effect that, according to the books and records of the City, the Net Revenues for the last completed Fiscal Year, or for 12 consecutive months out of the 15 months, immediately preceding the date of issuance of the Additional Bonds (the date of issuance being the date of delivery of all or a portion of the Additional Bonds to the initial purchasers) are at least equal to 1.25 times the Average Annual Debt Service for all Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the charges for services afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Revenues are determined and, for purposes of satisfying the above Revenues test, make a pro forma determination of the Net Revenues of the System for the period of time covered by his certification or opinion based on such change in charges being in effect for the entire period covered by the certificate or opinion of the Accountant; and

(iv) the Reserve Fund Requirement shall be increased as necessary and any such additional amount shall be accumulated in equal monthly installments during a period not to exceed sixty (60) months.

(b) Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Bonds Similarly Secured then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Bonds) set forth in subparagraph (a)(iii) of this Section shall be satisfied and the certificate of the Accountant required in subparagraph (a)(iii) shall give effect to the Debt Service requirements of the proposed refunding bonds (and shall not give effect to the Debt Service requirements of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

(c) Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State of Texas.

(d) Maintain and Operate System Efficiently. The City and the Board hereby covenant, respectively, that they will maintain and operate the System with all possible efficiency, in good working order and at a reasonable cost while any of the Bonds remain Outstanding and faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

(e) Rate Covenant. The Board hereby covenants that it will establish and maintain rates for services supplied by the System which shall produce or yield Net Revenues equal to 1.25 times the Average Annual Debt Service requirements of all Bonds Similarly Secured.

(f) Debt Service Coverage Ratio. The Board hereby covenants that each Fiscal Year while the Bonds are Outstanding, it will operate the System in a manner that results in the Net Revenues equaling 1.25 times the Average Annual Debt Service requirements of all Bonds Similarly Secured.

(g) Charges for Water and Sewer and Drainage Service. The City and the Board hereby covenant that charges for drainage services will be made jointly with charges made for the sale of water and sewer services. Such charges shall be required to be paid by the customer at the same time.

(h) Enforcement. To exercise and pursue with due diligence available remedies provided by law for the collection of delinquent drainage charges, including the power under Section 552.050 of the Act to discontinue all utility services, particularly water and sewer services provided by the City to a user of benefited property who is delinquent in the payment of drainage charges.

(i) Nonimpairment of Lien. The City and the Board hereby covenant, respectively, to take no action or omit to take any action, or suffer to be done or omitted to be done, any matter or thing whatsoever whereby the lien of the Bonds Similarly Secured on the Net Revenues of the System might or could be lost or impaired, and that the Board will pay or cause to be paid, or will make adequate provision for the satisfaction and discharge of all lawful claims and demands for labor, materials, supplies, or other objects which, if unpaid, might by law be given precedence to, or an equality with the Bonds Similarly Secured as a lien or charge upon the revenues of the System or any part thereof; provided that nothing in this subsection (i) shall be construed to require the Board to pay, discharge or make provision for any such lien, charge, claim or demand so long as the validity thereof shall be by it in good faith contested.

(j) No Sale or Encumbrance of System. The City and the Board hereby covenant, respectively, that they will not in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until the Bonds Similarly Secured shall have been paid in full as to both principal and interest; provided, however, that this covenant shall not be construed to prevent the disposal by the City of property, which in the Board's judgment has become inexpedient to use in connection with the System, when other property of equal value is substituted therefor or when the proceeds of such disposition of such property are placed in the Interest and Sinking Fund, in addition to all other amounts required to be placed in the Interest and Sinking Fund in the current Fiscal Year, and are used for the retirement of Bonds Similarly Secured in advance of their respective maturities.

(k) No Competing Systems. The City hereby covenants that it will not grant a franchise for the operation of any competing drainage system in the City until all Bonds Similarly Secured have been paid in full with respect to principal and interest.

(l) No Free Service. The Board hereby covenants that it will not permit free drainage to be supplied to the City or to any other user (other than those persons exempt under the Act and/or applicable law) and the City hereby agrees that it will pay from its general fund the reasonable value of all drainage services obtained from the System by the City and all departments and agencies thereof.

* * *

Section 12.01 Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by [the Bond] Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the [Bond] Ordinance, the Owner or Owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the [Bond] Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, nor shall such delay or omission be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 12.02 Remedies Not Exclusive. No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of [the Bond] Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under [the Bond] Ordinance.

The exercise of any remedy [in the Bond Ordinance] conferred or reserved shall not be deemed a waiver of any other available remedy.

* * *

Section 13.01 Discharge. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in [the Bond] Ordinance, then the pledge of Net Revenues of the System under [the Bond] Ordinance and all covenants, agreements, and other obligations of the City to the Owners shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations shall mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the stated maturity thereof. In the event of a defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Obligations to pay, when due, the principal of, redemption premium (if any),

and interest due on any defeased Bonds. The City covenants that no deposit of moneys or Government Obligations will be made under this Section and no use will be made of any such deposit which would cause the Bonds to be treated as “arbitrage bonds” within the meaning of Section 148 of the Code or the regulations adopted pursuant thereto.

All moneys so deposited with the Paying Agent/Registrar or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section, which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the stated maturity of the Bonds such moneys were deposited and are held in trust to pay shall upon request of the City be remitted to the City against a written receipt therefor. The provisions of this paragraph are subject to the applicable unclaimed property law of the State of Texas.

The City reserves the right, subject to satisfying the requirements of (i) and (ii) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the Owners immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

* * *

Section 17.01 Amendment to [Bond] Ordinance.

(a) **Amendments Without Consent.** [The Bond] Ordinance, the Pricing Certificate, and the rights and obligations of the City and of the owners of the Bonds may be modified or amended at any time without notice to or the consent of any owner of the Bonds or any other Previously Issued Bonds, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in [the Bond] Ordinance or the Pricing Certificate, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in [the Bond] Ordinance or the Pricing Certificate;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in [the Bond] Ordinance or the Pricing Certificate, upon receipt by the City of an opinion of nationally recognized bond counsel, that the same is needed for such purpose, and will more clearly express the intent of [the Bond] Ordinance or the Pricing Certificate;

(iii) To supplement the security for the Bonds, replace or provide additional credit facilities, or change the form of the Bonds or make such other changes in the provisions [of the Bond Ordinance] as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Bonds;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Bonds Similarly Secured, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Bonds Similarly Secured; or

(v) To make such other changes in the provisions [of the Bond Ordinance] as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of outstanding Previously Issued Bonds.

Notice of any such amendment may be published by the City in the manner described in subsection (c) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory resolution and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory resolution.

(b) **Amendments With Consent.** Subject to the other provisions of [the Bond] Ordinance, the owners of outstanding Bonds aggregating a majority in outstanding principal amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to [the Bond] Ordinance or the Pricing Certificate which may be deemed necessary or desirable by the City; provided, however, that nothing [in the Bond Ordinance] contained shall

permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds, the amendment of the terms and conditions in [the Bond] Ordinance, in the Pricing Certificate or in the Bonds so as to:

- (i) Make any change in the maturity of the outstanding Bonds;
- (ii) Reduce the rate of interest borne by outstanding Bonds;
- (iii) Reduce the amount of the principal payable on outstanding Bonds;
- (iv) Modify the terms of payment of principal of or interest on the outstanding Bonds, or impose any conditions with respect to such payment;
- (v) Affect the rights of the owners of less than all Bonds then outstanding; or
- (vi) Change the minimum percentage of the outstanding principal amount of Bonds necessary for consent to such amendment.

(c) **Notice.** If at any time the City shall desire to amend [the Bond] Ordinance or the Pricing Certificate other than pursuant to subsection (a) of this Section, the City shall cause written notice of the proposed amendment to be given by certified mail to each registered owner of the Bonds affected at the address shown on the Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file with the City Clerk or Alternate City Clerk for inspection by all owners of Bonds.

(d) **Consent Irrevocable.** Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of eighteen (18) months from the date of mailing of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after eighteen (18) months from the date of mailing by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the City, but such revocation shall not be effective if the owners of a majority in outstanding principal amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(e) **Ownership.** For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the registration books kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the receipt of an opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and the sufficiency certificate of the Refunded Obligations Paying Agent and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations, such as the Bonds. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT OR PREMIUM ON CERTAIN BONDS... The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes on the same terms and conditions as those for other interest on the Bonds described above under "TAX MATTERS -Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a FASIT and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by the owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City has obligated the PSB to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). In the Ordinance, the City has agreed to cause the PSB, acting on behalf of the City, to make all of the required filings set forth below.

ANNUAL REPORTS . . . The PSB will provide certain updated financial information and operating data with respect to the System to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the System of the general type included in this Official Statement under Tables numbered 1 through 8 and in Appendix B. The PSB will update and provide the information in the tables referenced above within six months after the end of each fiscal year ending in and after 2025 and will update and provide audited financial statements within 12 months after the end of each fiscal year ending in and after 2025. If the audit of such financial statements is not completed within 12 months after any such fiscal year end, then the PSB shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements become available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the PSB commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the PSB will provide unaudited financial statements of the type described in the preceding paragraph by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the PSB may be required to employ from time to time pursuant to State law or regulation.

The PSB's current fiscal year end is the last day of February. Accordingly, the PSB must provide updated information in the tables by August 31 in each year following the end of its fiscal year, and the PSB must provide the audited financial statements by the end of February in each year following the end of its fiscal year (unless the audit of such financial statements is not available, in which case the PSB will file its unaudited financial statements by the required time), unless the PSB changes its fiscal year. If the PSB changes its fiscal year, the City will cause the PSB to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the PSB otherwise would be required to provide financial information and operating data pursuant to this Section.

NOTICE OF CERTAIN EVENTS . . . The PSB will provide notice in a timely manner not in excess of ten business days after the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the PSB or the City; (13) the consummation of a merger, consolidation, or acquisition involving the PSB or the City or the sale of all or substantially all of the assets of the PSB or the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or change in the name of the trustee, if material; (15) incurrence of a financial obligation of the PSB, if material, or agreement to covenant, events of default, remedies, priority rights, or other similar terms of a financial obligation of the PSB, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the PSB, any of which reflect financial difficulties.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the PSB or City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the PSB or City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the PSB or City, and (b) the PSB and the City intend the words used in events (15) and (16) in the immediately preceding paragraph to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. In addition, the PSB will provide timely notice of any failure by the PSB to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION . . . The PSB has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The PSB has agreed to update information and to provide notices of certain specified events only as described above. Neither the City nor the PSB have agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The PSB and the City make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City and the PSB disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City and the PSB to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the PSB or the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that such amendment or repeal would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS — UTILITY SYSTEM BONDS . . . On June 13, 2024, the City established its Water and Sewer Utility System Extendable Commercial Paper Program and, pursuant to the program, issued \$60 million of water and sewer utility system extendable commercial paper notes. On July 9, 2024, notice of the incurrence of such financial obligation was filed with EMMA. Except for such event, during the past five years, the PSB has complied in all material respects with all continuing disclosure agreements made by it or the City in accordance with the Rule with respect to any utility system revenue bonds.

COMPLIANCE WITH PRIOR UNDERTAKINGS — OTHER CITY BONDS . . . During the past five years and with respect to the City’s non-utility system bonds, the City has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds and certain of the presently outstanding Previously Issued Bonds are rated “AA+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”), without regard to credit enhancement. The rating reflects only the view of the organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time or that they will not be revised downward or withdrawn by the rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CYBERSECURITY

Computer networks and data transmission and collection are vital to the operation of the City. Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture.

LITIGATION

It is the opinion of the General Counsel for the PSB that there is no pending litigation against the City that would have a material adverse financial impact upon the System, the PSB or its operations or on the ability of the City to issue the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The Bonds have not been registered for sale under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201) the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions of the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds must be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has been made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of the State to the effect that the Initial Bond is a valid and binding obligation of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the effect that the Bonds issued in compliance with the provisions of the Ordinance are valid and legally binding special obligations of the City and the interest on such Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein. A form of such opinion is attached hereto as Appendix C. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions, "PLAN OF FINANCING" (except for the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (except for the subcaptions "Book-Entry-Only System and "Bondholders' Remedies"), "SELECTED PROVISIONS OF THE BOND ORDINANCE," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaptions "Compliance with Prior Undertakings – Utility System Bonds" and "Compliance with Prior Undertakings -- Other City Bonds"), and under the subcaptions "Registration and Qualification of Bonds for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (except for the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION" and is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Winstead PC, San Antonio, Texas, counsel to the Underwriters, whose legal fee is contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as "Financial Advisor" to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at the aggregate purchase price of \$_____ (representing the par amount of the Bonds, plus a premium of \$_____ less an underwriting discount of \$_____). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the issuer for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the issuer.

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City or PSB, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

In the Bond Ordinance, the City Council authorized (i) the Pricing Officer to execute a Pricing Certificate approving, for and on behalf of the City, the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and sale of the Bonds.

Mayor
City of El Paso, Texas

SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

**City of El Paso, Texas
Municipal Drainage Utility System Revenue Bonds, Series 2015**

<u>Original Dated Date</u>	<u>Original Issue Amount</u>	<u>Original Maturity (March 1)</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Being Refunded</u>	<u>Principal Amount Remaining</u>	<u>Interest Rates</u>	<u>Call Date</u>	<u>Call Price</u>
March 1, 2015	\$ 22,240,000	2026	\$ 1,075,000	\$ 1,075,000	\$ -	5.000%	4/23/2025	100%
		2027	1,125,000	1,125,000	-	5.000%	4/23/2025	100%
		2028	1,180,000	1,180,000	-	5.000%	4/23/2025	100%
		2029	1,240,000	1,240,000	-	5.000%	4/23/2025	100%
		2030	1,305,000	1,305,000	-	5.000%	4/23/2025	100%
		2031	1,370,000	1,370,000	-	5.000%	4/23/2025	100%
		2032	1,435,000	1,435,000	-	5.000%	4/23/2025	100%
		2033	1,510,000	1,510,000	-	5.000%	4/23/2025	100%
		2034	1,585,000	1,585,000	-	5.000%	4/23/2025	100%
		2035	1,665,000	1,665,000	-	5.000%	4/23/2025	100%
			<u>\$ 13,490,000</u>	<u>\$ 13,490,000</u>	<u>\$ -</u>			

*Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND HISTORY . . . The City of El Paso (the “City” or “El Paso”) is located in far West Texas on the international boundary between the United States and the Republic of Mexico, on the Rio Grande, and is the lowest altitude, all-weather pass through the Rocky Mountains. It is approximately equidistant from the Cities of Houston, Texas, Denver, Colorado, and Los Angeles, California. Since the first appearance of Europeans on the North American Continent, it has been a major crossroads for continental north-south and east-west traffic. In 1536, Cabeza de Vaca and his party crossed the Rio Grande at El Paso. In 1659, the first permanent European settlement was established in the El Paso region, and the Mission of Guadalupe was erected (the Mission still stands in the central square of the City of Ciudad Juarez, Mexico). The first trading post was erected in central El Paso in 1848, and the same year, the United States Military Post, later named Fort Bliss, was established. El Paso has continued since that time to be a highly strategic military base. The City's corporate limits encompass 256 square miles.

This historic City, situated at the foot of the Franklin Mountains, enjoys a diversified economy. Mining and manufacturing, important military establishments, domestic and foreign commerce, farming and tourist trade are major contributors to the economy. El Paso's large natural retail and wholesale trade territory extends into New Mexico and Arizona, as well as Texas and Mexico.

El Paso is the largest U.S. city on the Mexico border, the sixth largest city in Texas, and the nineteenth largest city in the U.S. according to estimates by the US Census Bureau. Population in the 1960 Census was 276,687; the 1970 Census was 322,261; the 1980 Census was 425,259; the 1990 Census was 515,342, the 2000 Census was 563,662, the 2010 Census was 649,121 and the 2020 Census was 678,815. From 2000 – 2006, El Paso was the seventh fastest growing large city in the nation. The City's 2025 estimated population was 678,958. The population of El Paso County was estimated at 881,255 for 2025 and the population of the sister Mexican city of Ciudad Juarez was estimated at 1,482,275.

EDUCATION . . . Most of the public schools in El Paso are under the supervision of three independent school districts, the El Paso Independent School District (with approximately 50,000 students on 80 campuses), the Ysleta Independent School District (with approximately 47,200 students on 62 campuses) and the Socorro Independent School District (with approximately 47,500 students on 51 campuses). In addition to public schools, there are several private and parochial schools in the El Paso area, with enrollment of approximately 5,124.

A number of excellent junior colleges, colleges and universities are located within the El Paso trade area. Among these are: El Paso Community College (El Paso); University of Texas at El Paso (El Paso); New Mexico State University (Las Cruces, New Mexico); Sul Ross State College (Alpine, Texas); Western New Mexico University (Silver City, New Mexico); New Mexico School of Mines (Socorro, New Mexico); Eastern New Mexico University (Portales, New Mexico); and New Mexico Military Institute (Roswell, New Mexico).

The University of Texas at El Paso (the “University”) was established in 1914, and attracts thousands of visitors to seminars, conferences, convocations, sport contests and other events. The University offers degrees in nine schools: Engineering, Business Administration, Science, Education, Health Sciences, Liberal Arts, Nursing, Pharmacy School and Graduate. At the University, 25,039 students were enrolled in the school for the Fall 2024 semester including in undergraduate and graduate programs with both full-time and part-time attending status.

The Texas Tech University Health Sciences Center (the “Health Sciences Center”) is an educational multi-campus institution created under Chapter 110 of the Texas Education Code and is governed by the Texas Tech University Board of Regents. The Health Sciences Center's administrative center is located in Lubbock, Texas. Currently, the Health Sciences Center located in the City of El Paso includes the Paul L. Foster School of Medicine at El Paso, the Gayle Greve Hunt School of Nursing, and the Graduate School of Biomedical Sciences. In addition, approval was given to open the Woody L. Hunt School of Dental Medicine in 2021.

El Paso County Community College, which offers a range of studies for both daytime and evening classes, had a 2024 enrollment of 28,797.

Across the border, Ciudad Juárez is home to five colleges: El Colegio de Chihuahua, Instituto Tecnológico de Ciudad Juárez, Universidad Autónoma de Ciudad Juárez, Universidad Tecnológica de Ciudad Juárez and Tecnológico de Monterrey.

HOSPITALS . . . El Paso is a major medical center, with eight hospitals providing approximately 2,658 beds, including William Beaumont Army Medical Center.

AGRICULTURE . . . Agriculture is an important activity in El Paso County, with crop production in the lowlands and livestock in upland areas. Major farm products include beef and dairy cattle, cotton, alfalfa, grain, pecans, onions, forage and peppers.

CONVENTIONS AND TOURISM . . . The El Paso Civic and Convention Center (the “Center”) includes a 70,000 square foot Assembly-Exhibition Hall, theatre-auditorium, and headquarters for the Chamber of Commerce. To accommodate conventioners, approximately 10,894 hotel and motel rooms are available.

Ciudad Juarez, immediately adjacent to El Paso, is a major factor and attraction in the area.

TRANSPORTATION . . . Regional transportation facilities, together with El Paso's strategic location, have contributed to development and growth of the City. Four rail lines operate through El Paso, with the National Railway of Mexico serving Ciudad Juarez. Interstate Highways 10 and 25 provide direct access to El Paso for commercial truckers and tourists. Five other U.S. Highways and the Central Highway of Mexico link El Paso to its surrounding market areas.

The El Paso International Airport is a large, modern airport with facilities equipped for handling many types and sizes of commercial aircraft. The Airport is classified as a medium air traffic hub by the Federal Aviation Administration and is currently served by seven passenger airlines and three all-cargo airlines. The following table shows the total airline passenger enplanements for the past six years (Airport Fiscal Year):

2019	1,764,324	2022	1,789,195
2020	1,101,811	2023	2,016,607
2021	1,089,173	2024	2,083,348

⁽¹⁾ Information provided by the City.

MINING, SMELTING AND REFINERIES . . . Freeport-McMoRan Copper & Gold Inc., with facilities located in El Paso, processes approximately 30% of all copper refined in the United States. While mining within El Paso County is of negligible proportions, substantial supplies of ore are produced in the trade territory, both domestic and in Mexico. Other minerals are also processed in the trade area, notably potash from the Carlsbad vicinity where 90% of the United States' production is mined.

The steel rolling mill facility of Vinton Steel currently produces merchants rod and bar steel products. The modern electric furnaces use scrap metal as the basic ingredient.

Two oil refineries provide asphalt, jet fuel, gasoline and fuel oil for a market area encompassing West Texas, New Mexico and Arizona.

MANUFACTURING . . . Because of El Paso's location on the Mexican border, firms can maintain manufacturing plant operations in the United States but can assemble their goods in Mexico. This "dual plant" operation is commonly called the Maquila Program and enables certain firms to cut production costs by producing the main component of goods across the border while assembling the finished product in the United States.

The Directory of El Paso Manufacturers lists more than 500 industrial firms in El Paso County and Ciudad Juarez. Currently, according to employment and value, the electronics industry has emerged as the leader among El Paso manufacturers, surpassing both the automotive and apparel industries. Other current growth industries in the area include plastics (primarily injected molded parts), electrical equipment, and military defense manufacturing. Approximately 70 Fortune 500 companies are located in El Paso.

MAJOR EMPLOYERS

<u>Name of Business</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Fort Bliss (Military and Civilian)	Military	47,628
El Paso Independent School District	Public School	8,478
Socorro Independent School District	Public School	8,120
T&T Staff Management, LP	Employment Services	7,606
Ysleta Independent School District	Public School	7,383
City of El Paso	Government	6,095
Wal-mart	Grocery Store	5,511
Hospitals of Providence	Healthcare	4,400
GC Services	Calling Center	4,324
University Medical Center	Hospital	3,272

Source: City of El Paso 2024 ACFR.

EMPLOYMENT STATISTICS

	City of El Paso				
	Average Annual				December
	2020	2021	2022	2023	2024
Civilian Labor Force					
Total Employment	280,221	284,661	292,314	302,323	314,938
Total Unemployment	23,250	17,933	11,501	13,256	12,283
Percentage Unemployed	7.7%	5.9%	3.8%	4.2%	3.8%

	El Paso County				
	Average Annual				December
	2020	2021	2022	2023	2024
Civilian Labor Force					
Total Employment	335,061	341,151	350,323	362,318	377,436
Total Unemployment	29,318	22,692	14,535	16,620	15,591
Percentage Unemployed	8.3%	6.2%	4.0%	4.4%	4.0%

Source: Texas Workforce Commission, Labor Market Information Department.

BANKING . . . The City is the banking center for El Paso County with 52 financial institutions, as well as the El Paso Branch of the Federal Reserve Bank of Dallas.

MILITARY INSTALLATIONS . . . Military installations in and around El Paso have a significant impact on the economy of the City and El Paso County. The employment of civilian personnel is substantial, and, combined with the military payrolls, has a pronounced effect on the level and stability of business volume. Large additional expenditures for supplies and contractual services, when added to the military payrolls, place many millions of dollars annually in local commercial channels.

Fort Bliss, historically important since its establishment as a post in 1848, is now the Army's Air Defense Training Center. From its common boundary with the City, Fort Bliss extends northward to adjoin White Sands Missile Range. The combined facilities represent an uninterrupted distance in excess of 100 miles dedicated to military and scientific pursuits. According to the Department of Defense, Fort Bliss is home to over 91,000 people between active and reserve duty personnel, family members, and other civilians.

Biggs Army Base adjoins both the City and Fort Bliss. Having fulfilled a variety of missions during its history, the base, which once was a major installation of the Strategic Air Command, has now been transferred to the Army. The Army Air Materiel Command, the Defense Language Institute and the Army Aviation Laboratory utilize the facilities of the base.

William Beaumont Army Medical Center, the Army's hospital in El Paso, is a 12-story facility and a fully accredited, permanent teaching and specialized-treatment hospital. The campus contains a Level III Trauma Center. It has 135 beds, 10 operating rooms, and 30 primary/specialty clinics with 269 exam rooms. With a complement of approximately 2,200 military and civilian personnel, the hospital's contribution to the El Paso economy is substantial.

White Sands Missile Range in New Mexico has long played an important role in weapons testing. With increasing technology involved in modern weapons, the facility's activities continue to be of significant importance. It is the largest all-land missile range in the Western Hemisphere.

Holloman Air Development Center, near Alamogordo, New Mexico, specializes in the testing and evaluation of new weapons for the Air Force. More than 25 electronic and aircraft companies operate at the Center.

McGregor Range is a testing and experimental area for missiles, rockets and anti-aircraft weapons. Like its neighbors, the impact of both construction and expansion programs, and operations requirements, make the Range an important economic factor in the region.

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APPENDIX B

EXCERPTS FROM THE
PUBLIC SERVICE BOARD - CITY OF EL PASO, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended February 29, 2024

The information contained in this Appendix consists of excerpts from the Public Service Board - City of El Paso, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended February 29, 2024 and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

The information contained in this report is provided as of the respective dates and for the periods specified herein and is subject to change without notice, and the filing of this report does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified date as of which such information is provided. The historical information set forth in this report is not indicative of future results or performance due to various factors, including those discussed in the Official Statement.

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INDEPENDENT AUDITOR'S REPORT

Public Service Board - El Paso Water Utilities,
a component unit of the City of El Paso

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, as of and for the years ended February 29, 2024 and February 28, 2023, and the related notes to the financial statements, which collectively comprise the Public Service Board - El Paso Water Utilities' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, as of February 29, 2024 and February 28, 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Public Service Board - El Paso Water Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, the Public Service Board - El Paso Water Utilities adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the accounting changes have been retroactively applied to the earliest period presented. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Public Service Board - El Paso Water Utilities' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Service Board - El Paso Water Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Public Service Board - El Paso Water Utilities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 14 through 23 and pages 114 through 122, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Service Board - El Paso Water Utilities', a component unit of the City of El Paso, basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our separate report dated August 8, 2024, on our consideration of the Public Service Board - El Paso Water Utilities', a component unit of the City of El Paso, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Public Service Board - El Paso Water Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Public Service Board - El Paso Water Utilities' internal control over financial reporting and compliance.

GIBSON RUDDOCK PATTERSON LLC

El Paso, Texas
August 8, 2024

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) presents an overview and analysis of the financial activities of El Paso Water Utilities (EPWater) for the fiscal year ending February 29, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal as well as EPWater's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of EPWater exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1.61 billion (*net position*).
- EPWater's total assets and deferred outflows of resources increased by \$446.4 million from 2023 to 2024, mainly due to an increase of \$55.4 million in cash, cash equivalents, and investments and increases from water, wastewater, and stormwater infrastructure net of accumulated depreciation and amortization of \$366.8 million.
- EPWater's total liabilities and deferred inflows of resources increased by \$312.2 million during the fiscal year, mainly due to increases in revenue bonds payable of \$162.5 million and an increase in Commercial Paper and Extendable Commercial Paper notes of \$110 million and offset by a decrease of \$15 million in Revolving Notes.
- The debt service coverage for the Water and Wastewater Utility of 2.50 times is well above the required 1.50 times debt service coverage as per its bond ordinance. The Municipal Drainage Utility's debt service coverage of 2.20 times is also well above the required 1.25 times as per its bond ordinance.

Overview of Financial Statements

- Enterprise Funds – EPWater consists of two funds, the Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund. Enterprise Funds Statements eliminate all transactions between the two funds.
- Statements of Net Position – present information as of the end of each fiscal year on all of EPWater's assets, liabilities, deferred outflows and inflows of resources, and total net position. This statement is useful in evaluating the financial health of EPWater.
- Statements of Revenues, Expenses, and Changes in Net Position – present information on changes in net position during the fiscal years presented. This statement is useful in evaluating if EPWater recovered all its costs through its rates and other charges.
- Statements of Cash Flows – provides information for the fiscal years presented of cash flows from operating, capital and related financing, and investing activities.
- Notes to financial statements – present detailed information that is essential for a complete understanding of EPWater's financial statements.
- Required Supplemental Information – present information concerning EPWater's progress in funding its other post-employment benefits plan and pension liability.

Other supplemental information is provided for additional analysis and is not a required part of the basic financial statements.

- Supplementary Schedules – include separate financial statements by fund and other schedules that provide detailed information for each fund.
- Statistical Section – presents summary information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about EPWater’s financial health.

El Paso Service Area and Customer Growth

Over the last ten years, the average annual retail customer growth has been manageable at 1.7%. The following table shows water, wastewater, and drainage customer growth for the past three years:

Water Customers	FY 2024	FY 2023	FY 2022
Metered water customers, beginning of the year	220,749	218,646	216,572
Additions, net	924	2,103	2,074
Metered water customers, end of year	221,673	220,749	218,646
Wastewater Customers			
Wastewater customers, beginning of the year	210,925	208,718	206,541
Additions, net	857	2,207	2,177
Wastewater customers, end of year	211,782	210,925	208,718
Drainage Customers			
Drainage customers, beginning of the year	205,324	203,190	201,860
Additions (deletions), net	(105)	2,134	1,330
Drainage customers, end of year	205,219	205,324	203,190

Outside the city limits, EPWater provides wholesale water and wastewater services to the Lower Valley Water District, Gaslight Square MHE, Paseo Del Este, Square Dance, Village of Vinton, and Fort Bliss. Wholesale water service is provided to the County of El Paso for the following areas: East Montana, Haciendas del Norte, Colonia Revolucion, and Mayfair/Nuway and Schuman. Outside-city retail water and wastewater service is provided to Westway and Canutillo, and outside-city retail water is provided to Ponderosa/Western Village, Homestead, and Esperanza. Drainage service is only provided for customers within the city limits of El Paso, Texas.

The Public Service Board (PSB) has established outside-city retail water and wastewater rates at 115% of inside-city rates.

Fiscal Year 2024 Financial Results

The following are the Enterprise Funds Statements of Net Position for the activities for the Water and Wastewater Utility and the Municipal Drainage Utility after the elimination of inter-fund payables, receivables, and transfer of land assets.

Enterprise Funds Statements of Net Position

	FY 2024	RESTATED FY 2023	RESTATED FY 2022
Current Assets	\$860,529,958	\$792,316,211	\$338,617,551
Noncurrent Assets	78,250,155	78,871,609	100,574,812
Capital Assets (Net)	2,747,850,016	2,381,010,642	2,171,130,227
Total Assets	<u>3,686,630,129</u>	<u>3,252,198,462</u>	<u>2,610,322,590</u>
Deferred Outflows of Resources	<u>30,626,720</u>	<u>18,676,388</u>	<u>11,782,698</u>
Total Assets and Deferred Outflows of Resources	<u>\$3,717,256,849</u>	<u>\$3,270,874,850</u>	<u>\$2,622,105,288</u>
Current Liabilities	\$244,995,470	\$199,440,992	\$156,634,503
Noncurrent Liabilities	1,795,569,986	1,526,111,318	969,734,820
Total Liabilities	<u>2,040,565,456</u>	<u>1,725,552,310</u>	<u>1,126,369,323</u>
Deferred Inflows of Resources	<u>70,277,207</u>	<u>73,057,161</u>	<u>94,918,792</u>
Net Position:			
Restricted	149,194,441	143,358,951	158,156,042
Net Investment in Capital Assets	1,370,568,446	1,262,231,059	1,168,308,979
Unrestricted	<u>86,651,299</u>	<u>66,675,369</u>	<u>74,352,152</u>
Total Net Position	<u>1,606,414,186</u>	<u>1,472,265,379</u>	<u>1,400,817,173</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$3,717,256,849</u>	<u>\$3,270,874,850</u>	<u>\$2,622,105,288</u>

Enterprise Funds Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

Total Assets and Deferred Outflows

- From fiscal year 2023 to 2024, total assets and deferred outflows of resources of \$3.7 billion increased by \$446.4 million, mainly due to an increase of \$55.4 million in cash, cash equivalents, and investments and increases from water, wastewater, and stormwater infrastructure net of accumulated depreciation of \$366.8 million.
- From fiscal year 2022 to 2023, total assets and deferred outflows of resources of \$3.3 billion increased by \$648.8 million, mainly due to an increase of \$441.1 million in cash, cash equivalents, and investments and increases from water, wastewater, and stormwater infrastructure net of accumulated depreciation of \$209.9 million.

Current Assets

- From 2023 to 2024, current assets increased by \$68.2 million, mainly due to an increase of \$194.4 million in cash and cash equivalents from restricted assets resulting from bond proceeds from the Water and Sewer Revenue Improvement and Refunding Bonds Series 2023 and 2023A, and the Municipal Drainage Utility Revenue Refunding Bond, Series 2023, and offset from a decrease of \$155.6 million from investments.
- From 2022 to 2023, current assets increased by \$453.7 million, mainly due to an increase of \$448.3 million in cash and cash equivalents and investments from restricted assets resulting from bond proceeds from the Water and Sewer Revenue Improvement and

Refunding Bonds Series 2022 and 2022A, and the Municipal Drainage Utility Revenue Bond, Series 2022.

Total Liabilities

- From 2023 to 2024, total liabilities increased by \$315 million, mainly due to increases of \$162.5 million in revenue bonds payable and unamortized premiums net of discounts resulting from two Water and Wastewater and one Municipal Drainage bond issues, an increase of \$50 million in Commercial Paper notes, and \$60 million from the new Extendable Commercial Paper.
- From 2022 to 2023, total liabilities increased by \$599.2 million mainly due to increases of \$606.2 million in revenue bonds payable and unamortized premiums net of discounts resulting from the two Water and Wastewater and two Municipal Drainage bond issues and offset by a decrease of \$70 million in Commercial Paper notes.

Enterprise Funds Statements of Revenues, Expenses, and Changes in Net Position

	<u>FY 2024</u>	RESTATED <u>FY 2023</u>	RESTATED <u>FY 2022</u>
Operating Revenues:			
Water	\$170,207,883	\$146,817,647	\$135,804,563
Water supply replacement charge	38,880,293	35,503,953	32,858,751
Reclaimed Water	5,631,875	5,137,535	4,927,871
Wastewater	152,914,105	110,264,375	100,789,897
Drainage fees	33,345,709	28,660,599	25,736,316
Other operating revenue	19,095,127	16,839,818	17,541,170
Total Operating Revenues	<u>420,074,992</u>	<u>343,223,927</u>	<u>317,658,568</u>
Operating Expenses:			
O&M – Water and Reclaimed Water	72,280,493	59,192,006	49,566,161
O&M – Wastewater	37,635,755	39,451,244	33,887,372
General, Administrative, and Engineering	45,604,049	33,703,190	30,637,993
O&M – Drainage	7,011,410	6,532,941	5,031,288
Other Operating Expenses	4,694,714	4,940,735	2,712,226
Other Post-Employment Benefits	-	164,923	930,016
Pension Expense	9,135,432	3,108,123	-
Depreciation and amortization	82,502,764	76,033,958	72,190,035
Payment to the City of El Paso Franchise fee	6,550,000	6,550,000	6,550,000
Payment to the City of El Paso per Bond Covenants	20,226,629	17,593,314	16,034,025
Total Operating Expenses	<u>285,641,246</u>	<u>247,270,434</u>	<u>217,539,116</u>
Operating Income	<u>134,433,746</u>	<u>95,953,493</u>	<u>100,119,452</u>
Interest Earnings	31,801,837	14,450,518	1,493,281
Gain on Land Assets Converted by Sale	2,806,363	1,948,237	20,106,347

Enterprise Funds Statements of Revenues, Expenses, and Changes in Net Position

	<u>FY 2024</u>	RESTATED <u>FY 2023</u>	RESTATED <u>FY 2022</u>
Gain on Sale of Miscellaneous Assets	465,835	3,955,125	519,248
Federal Grant Revenue – Non-Capital	1,016,932	-	1,117,311
Other nonoperating lease revenue	2,803,537	2,761,095	2,702,691
Other nonoperating expenses	(2,129,069)	(5,076,188)	(1,715,512)
Interest on Long-Term Debt	(52,727,108)	(38,281,338)	(20,804,192)
Total Nonoperating Revenue (Expense)	<u>(15,961,673)</u>	<u>(20,242,551)</u>	<u>3,419,174</u>
Increase in Net Position, Before Contributions	<u>118,472,073</u>	<u>75,710,942</u>	<u>103,538,626</u>
Federal Grant Revenue - Capital Contributions	2,686,245	710,370	1,970,455
Capital and Non-Federal Grant Contributions	<u>12,990,489</u>	<u>9,856,194</u>	<u>18,496,546</u>
Change in Net Position	134,148,807	86,277,506	124,005,627
Total Net Position – Beginning	1,472,265,379	1,385,972,373	1,261,966,746
Prior period adjustment	-	15,500	-
Total Net Position – Ending	<u>\$1,606,414,186</u>	<u>\$1,472,265,379</u>	<u>\$1,385,972,373</u>

Water and Wastewater Utility Fund

Total operating revenues increased by \$72.2 million from 2023 to 2024 mainly due to revenue increases in the following:

- \$26.8 million in water and water supply replacement charge revenue (9% rate increase)
- \$42.6 million in wastewater revenue (40% rate increase)

Total operating expenses of \$271.7 million for 2024 increased by \$36.6 million from 2023, mainly due to the following:

- Increase of \$12.9 million in personnel services primarily from filling 120 vacant positions, including 36 new positions and approved employee salary adjustments.
- Increase of \$2.5 million in chemical costs, which are used in the water and wastewater treatment processes. Most chemical prices increased in 2023 due to inflation and market conditions.
- Increase of \$3.3 million in professional services was mainly due to increased staff augmentation.
- Increase of \$6 million in pension expenses due to increases in salary expenses.
- Increase of \$2.2 million in maintenance of equipment.
- Increase of \$2.2 million in the maintenance of services.

Total non-operating expenses of \$48.9 million for 2024 increased by \$10.2 million from 2023, mainly due to an increase in interest on long-term debt of \$13.1 million as the Utility completed two bond issues for \$180.6 million to fund water and wastewater Capital Improvement Program projects.

Total non-operating revenue of \$37 million for 2024 increased by \$14.9 million from 2023, mainly due to an increase in interest earnings of \$16.5 million as the federal funds rate increased to end the fiscal year at 5.5%.

Net position before capital contributions of \$102.7 million increased by \$40.3 million from 2023 to 2024 mainly due to the following:

- Increase of \$35.6 million in operating income.
- Increase in interest income of \$16.5 million.
- Offset by an increase in interest expense on long-term debt of \$13.1 million.

Total contributions of \$15.7 million for 2024, was \$5.1 million more than in 2023, mainly due to an increase of \$1.5 million in capital contributions and an increase in federal and non-federal grant contributions of \$3.6 million.

Water and Wastewater Capital Improvement Program

EPWater spent \$365.8 million for water, wastewater, and reclaimed water system capital improvements in fiscal year 2024. Major expenditures included the following:

- \$26 million for the replacement of the Frontera force main.
- \$10.9 million for the design of the EPWater administration building.
- \$13.8 million for well rehabilitation.
- \$68.6 million for wastewater plants upgrades and rehabilitation.

Financial Indicators for the Water and Wastewater Utility			
	<u>FY 2024</u>	<u>RESTATED FY 2023</u>	<u>RESTATED FY 2022</u>
Current Assets/Current Liabilities	3.57	4.10	2.11
Operating Ratio	0.50	0.52	0.48
Debt Service Coverage	2.50 times	2.42 times	2.49 times
Debt Ratio	0.44	0.43	0.34

Municipal Drainage Utility Fund

Total operating revenues of \$34 million increased by \$4.7 million from 2023 to 2024 due to EPWater approving a 15% stormwater fee increase effective March 1, 2023.

Operating expenses of \$14.1 million increased by \$1.8 million from 2023, mainly due to an increase of \$475,000 in stormwater operations and maintenance, an increase of \$629,000 in indirect cost allocations, and an increase in depreciation and amortization expense of \$366,000.

Drainage Utility Capital Improvement Program

EPWater spent \$62 million in fiscal year 2024 on capital improvements for the Municipal Drainage Utility system, including

- \$5 million for the Pico Norte Pond rehabilitation
- \$22.6 million in land acquisitions for stormwater projects.
- \$7.1 million for monsoonal emergency projects.
- \$3.3 million in open space acquisitions.

Total assets are summarized in Note 10 of the financial statements.

Financial Indicators for the Municipal Drainage Utility

	<u>FY 2024</u>	<u>RESTATED FY 2023</u>	<u>RESTATED FY 2022</u>
Current Assets/Current Liabilities	2.89	2.62	2.39
Operating Ratio	0.29	0.28	0.26
Debt Service Coverage	2.20 times	2.05 times	2.07 times
Debt Ratio	0.48	0.42	0.39

Overall, EPWater met all its financial obligations, including operating expenses and debt service, and met the needs of a growing community by rehabilitating and adding water, wastewater, and drainage infrastructure to serve and meet the needs of our customers.

Capital Assets

EPWater’s investment in water, wastewater, and drainage capital assets as of February 29, 2024, was \$2.7 billion (net of accumulated depreciation and amortization), an increase of 15.4% from 2023. The following table reflects the changes within each classification of capital assets net of depreciation and amortization. The increase in capital assets was primarily due to the addition of \$171 million in new water, wastewater, and reclaimed water and drainage projects placed in service during the year and \$185 million in construction work in progress. The capital asset information is detailed in Note 10. The commitments related to construction work in progress are discussed in Note 26.

Capital Assets (Net of Accumulated Depreciation/Amortization)

	<u>FY 2024</u>	<u>RESTATED FY 2023</u>	<u>RESTATED FY 2022</u>
Land and Right-of-Way	\$371,082,593	\$359,033,667	\$358,659,679
Right to use lease assets	4,857,448	5,175,982	5,496,136
Right to use SBITA assets	1,931,671	2,851,638	-
Irrigation Water Rights Contracts	13,030,296	12,754,043	12,198,706
Buildings and Shops	46,958,776	48,252,507	25,285,998
Vehicles	13,054,613	8,373,902	8,757,138
Equipment and Tools	32,403,841	32,856,855	5,912,839
Water System	863,513,238	809,471,541	796,883,769
Wastewater System	521,861,939	424,482,607	421,693,828
Drainage System	178,734,742	162,330,302	146,707,603
Construction Work in Progress	700,420,860	515,427,598	389,534,531
Total	\$2,747,850,016	\$2,381,010,642	\$2,171,130,227

Debt Administration

EPWater issued three bonds during this fiscal year:

- In June 2023, EPWater issued \$171.9 million of bonds, Series 2023, to take long \$40 million of Commercial Paper Notes and to finance \$150 million of capital projects and \$22.9 million of bonds, Series 2023, to take long \$25 million of Direct Fund Revolving Notes.

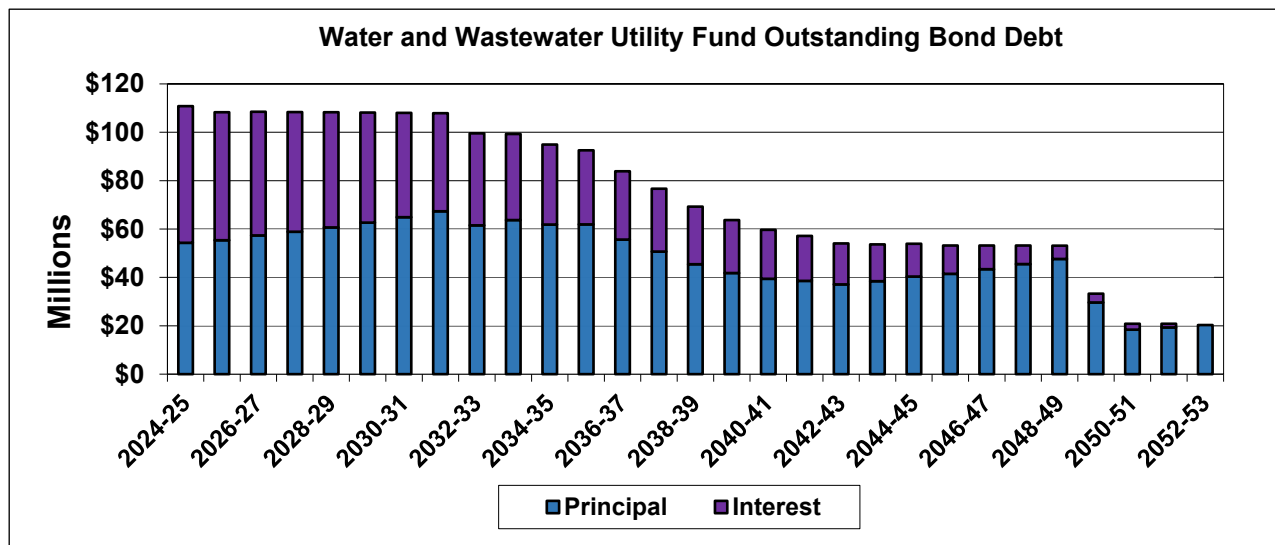
- In November 2023, EPWater issued \$8.7 million of bonds, Series 2023A, through a private placement with TWDB through the Economically Distressed Areas Program to fund the Montana Vista Wastewater Collection System Phase II project.

Total long-term liabilities are summarized in Note 11 of the financial statements, and the revenue bonds in Note 12.

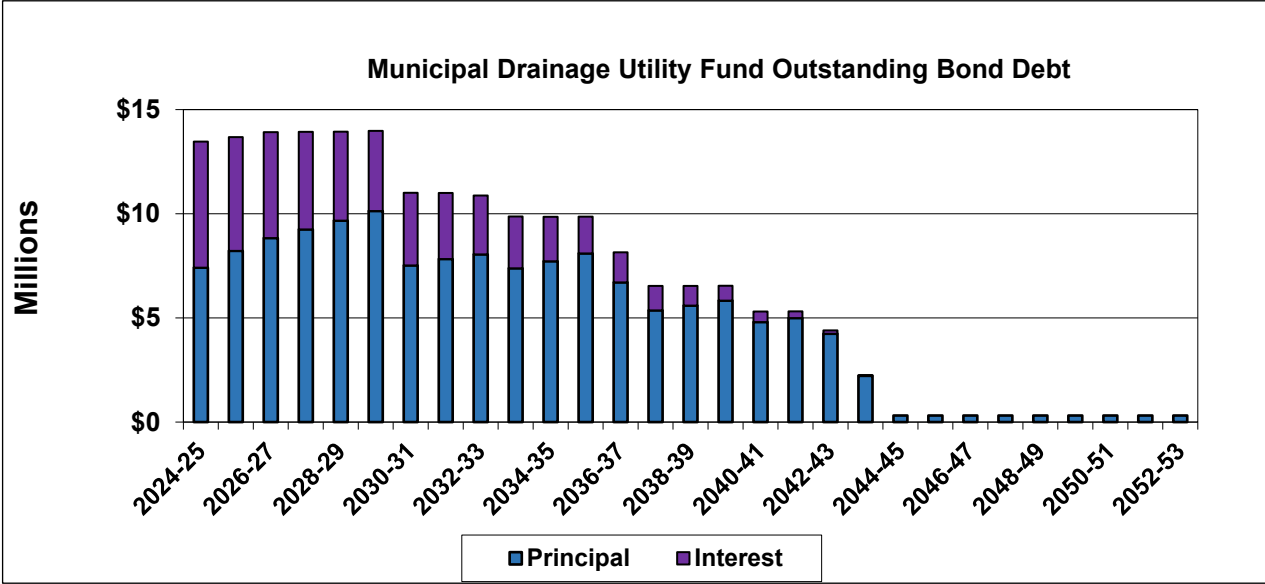
As of February 29, 2024, the following charts show all outstanding principal and interest owed by EPWater. An adequate level of debt and strong financial position reflects superior fiscal management, which has allowed EPWater to continue to earn among the highest ratings awarded by rating agencies Standard & Poor’s (AA+) and Fitch Ratings (AA+).

EPWater, through the City of El Paso and Bank of America, N.A., has a revolving credit agreement in which Bank of America N.A. is obligated under the Credit Agreement to loan to the City of El Paso amounts not to exceed \$80 million for interim financing for the Water and Wastewater Utility. EPWater issued \$90 million in commercial paper during the fiscal year 2024. The commercial paper program information is detailed in Note 13.

EPWater, through the City of El Paso, approved an Extendable Commercial Paper Program (ECP) not to exceed \$60 million for interim financing for the Municipal Drainage Utility CIP and entered into a dealer agreement with Morgan Stanley & Co. LLC to solicit and arrange sales of these notes. EPWater issued \$60 million in ECP notes during the fiscal year 2024. The ECP information is detailed in Note 15.



Bond and Commercial Paper Ratings			
	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
Water and Wastewater Revenue Bonds	AA+	AA+	-
Municipal Drainage System Bonds	AA+	AA+	-
Water and Wastewater Commercial Paper	A-1+	F1+	P-1
Municipal Drainage Extendable Commercial Paper	A-1+	-	-



Summary of Significant Outstanding Debt			
	FY 2024	FY 2023	FY 2022
Water and Wastewater Revenue Bonds	\$1,383,620,000	\$1,251,640,000	\$724,645,000
Municipal Drainage System Bonds	142,622,000	126,385,000	99,218,000
Water and Wastewater Commercial Paper	60,000,000	10,000,000	80,000,000
Municipal Drainage System Revolving Note	-	15,000,000	15,000,000
Municipal Drainage System Extendable Commercial Paper	60,000,000	-	-
Unamortized Premiums Net of Discounts	134,658,332	120,395,898	68,358,803
Lease Liabilities	5,148,217	5,360,340	5,571,552
SBITA Liabilities	1,470,263	2,681,126	-
Other Government Payable	1,169,513	1,362,674	1,547,350
Total	<u>\$1,788,688,325</u>	<u>\$1,532,825,038</u>	<u>\$994,340,705</u>

Economic Factors and Next Year’s Budget and Rates

- Improved drought conditions are expected in 2024 due to the above-normal snowpack in Colorado, and the estimated river water allocation to EPWater is estimated at 60,000 acre-feet, which is a normal allotment.
- In 2023, the El Paso MSA home sales decreased by 8.2%, with the median sales prices increasing by 5.5%, according to the Texas A&M Real Estate Center. The number of months Single-Family Housing remained in inventory increased from 2.2 months to 3 months during the same period.

- EPWater’s budget includes \$374.7 million in new CIP funding with \$195 million in Extendable Commercial Paper to fund the Water and Wastewater Utility CIP program for Fiscal Year 2024-25. The Municipal Drainage Utility budget includes \$43.8 million in new CIP funding for fiscal year 2024-25, with \$31.3 million being funded by Extendable Commercial Paper.

All of these factors were taken into consideration in preparing EPWater’s budget for the fiscal year 2024-2025. The Water and Wastewater Utility adopted a budget that includes a four percent rate increase for water and wastewater services. The Public Service Board adopted a thirteen percent fee increase for the Municipal Drainage Utility. EPWater will continue to look for efficiencies, refinancing debt opportunities, and cutting costs whenever possible.

Request for Information

The financial report is designed to provide a general overview of EPWater’s finances and for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer: 1154 Hawkins Blvd. El Paso, Texas 79925.



el paso
WATER

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF NET POSITION

February 29, 2024

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 62,215,564	\$ 10,720,729	\$ -	\$ 72,936,293
Investments	9,997,884	3,007,778	-	13,005,662
Accounts receivable - customers	46,649,478	2,040,149	-	48,689,627
Leases receivable	2,237,838	41,581	-	2,279,419
Accounts receivable - other	6,088,809	350,954	-	6,439,763
Property investment costs	373,137	-	-	373,137
Due from Municipal Drainage Utility land transfer	2,000,000	-	(2,000,000)	-
Accrued interest receivable	4,224,242	139,162	-	4,363,404
Due from Water and Wastewater Utility	-	39,501	(39,501)	-
Inventory - materials and supplies	10,256,767	-	-	10,256,767
Other current assets	562,704	-	-	562,704
Prepaid expenses	3,116,057	-	-	3,116,057
Accounts receivable - City of El Paso land transfer	822,979	-	-	822,979
Restricted current assets:				
Restricted for bond requirements:				
Cash and cash equivalents	94,317,459	9,833,261	-	104,150,720
Investments	44,769,721	5,303,075	-	50,072,796
Restricted for construction and improvements:				
Cash and cash equivalents	267,220,052	49,799,754	-	317,019,806
Investments	218,310,458	2,000,000	-	220,310,458
Accounts receivable - government grants	6,020,525	-	-	6,020,525
Notes receivable	109,841	-	-	109,841
Total current assets	<u>779,293,515</u>	<u>83,275,944</u>	<u>(2,039,501)</u>	<u>860,529,958</u>
Noncurrent assets:				
Leases receivable	51,274,356	761,670	-	52,036,026
Accounts receivable - City of El Paso land transfer	24,721,583	-	-	24,721,583
Property investment costs	1,492,546	-	-	1,492,546
Due from Municipal Drainage Utility land transfer	6,044,800	-	(6,044,800)	-
Capital assets net of accumulated depreciation/amortization:				
Water and Wastewater Utility capital assets	1,488,948,044	-	-	1,488,948,044
Municipal Drainage Utility capital assets	-	180,609,400	-	180,609,400
Right to use lease assets	4,857,448	-	-	4,857,448
Right to use SBITA assets	1,906,152	25,519	-	1,931,671
Land and right of way	313,867,115	81,886,447	(24,670,969)	371,082,593
Construction work in progress	628,452,171	72,255,689	(287,000)	700,420,860
Total capital assets	<u>2,438,030,930</u>	<u>334,777,055</u>	<u>(24,957,969)</u>	<u>2,747,850,016</u>
Total noncurrent assets	<u>2,521,564,215</u>	<u>335,538,725</u>	<u>(31,002,769)</u>	<u>2,826,100,171</u>
Total assets	<u>3,300,857,730</u>	<u>418,814,669</u>	<u>(33,042,270)</u>	<u>3,686,630,129</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on bond refunding	1,563,797	-	-	1,563,797
Deferred outflows - pension	24,583,239	1,073,490	-	25,656,729
Deferred outflows - OPEB	3,192,298	213,896	-	3,406,194
Total deferred outflows of resources	<u>29,339,334</u>	<u>1,287,386</u>	<u>-</u>	<u>30,626,720</u>
Total assets and deferred outflows of resources	<u>\$ 3,330,197,064</u>	<u>\$ 420,102,055</u>	<u>\$ (33,042,270)</u>	<u>\$ 3,717,256,849</u>

	Water and Wastewater Utility	Municipal Drainage Utility	Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 9,128,128	\$ 218,331	\$ -	\$ 9,346,459
Environmental Services collections and other payments due to City of El Paso	12,608,858	-	-	12,608,858
Customer deposits	12,890,913	-	-	12,890,913
Accrued vacation payable	2,132,482	102,029	-	2,234,511
Accrued payroll and benefits	2,546,926	129,295	-	2,676,221
Due to Municipal Drainage Utility	39,501	-	(39,501)	-
Due to Water and Wastewater Utility land transfer	-	2,000,000	(2,000,000)	-
Unearned rent revenue	1,681,427	15,861	-	1,697,288
Lease liabilities	111,772	-	-	111,772
SBITA liabilities	907,665	20,586	-	928,251
Other current liabilities	1,770,091	53	-	1,770,144
Self-insurance workers' compensation and health claims	365,396	-	-	365,396
Other government payable	202,034	-	-	202,034
Customer advances for construction	574,598	-	-	574,598
OPEB Liability	568,654	30,972	-	599,626
Current liabilities payable from restricted assets:				
Revenue bonds payable and unamortized premiums net of discounts	61,165,850	8,420,142	-	69,585,992
Unearned non-federal grant revenue - TWDB	20,419,933	5,437,040	-	25,856,973
Accrued interest on long term debt	29,753,113	3,409,052	-	33,162,165
Accounts payable	49,615,872	8,359,121	-	57,974,993
Retainage payable on construction contracts	11,784,384	624,892	-	12,409,276
Total current liabilities	<u>218,267,597</u>	<u>28,767,374</u>	<u>(2,039,501)</u>	<u>244,995,470</u>
Noncurrent liabilities:				
Accrued vacation payable	2,471,570	114,525	-	2,586,095
Due to Water and Wastewater Utility land transfer	-	6,044,800	(6,044,800)	-
Lease liabilities	5,036,445	-	-	5,036,445
SBITA liabilities	542,012	-	-	542,012
Self-insurance workers' compensation claims	442,958	-	-	442,958
Other government payable	967,479	-	-	967,479
Revenue bonds payable and unamortized premiums net of discounts	1,442,311,239	149,003,101	-	1,591,314,340
Commercial paper notes	60,000,000	-	-	60,000,000
Extendable commercial paper notes	-	60,000,000	-	60,000,000
OPEB Liability	12,597,823	686,156	-	13,283,979
Net Pension Liability	53,560,388	2,385,548	-	55,945,936
Noncurrent liabilities payable from restricted assets:				
Arbitrage liability	4,681,854	768,888	-	5,450,742
Total noncurrent liabilities	<u>1,582,611,768</u>	<u>219,003,018</u>	<u>(6,044,800)</u>	<u>1,795,569,986</u>
Total liabilities	<u>1,800,879,365</u>	<u>247,770,392</u>	<u>(8,084,301)</u>	<u>2,040,565,456</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - gain on bond refunding	3,964,339	115,259	-	4,079,598
Deferred inflows - leases	53,315,205	787,043	-	54,102,248
Deferred inflows - pension	317,254	214,570	-	531,824
Deferred inflows - OPEB	10,685,708	877,829	-	11,563,537
Total deferred inflows of resources	<u>68,282,506</u>	<u>1,994,701</u>	<u>-</u>	<u>70,277,207</u>
NET POSITION				
Restricted:				
Restricted for debt service	109,334,067	11,727,284	-	121,061,351
Restricted for construction and improvements	27,940,997	192,093	-	28,133,090
Total restricted	<u>137,275,064</u>	<u>11,919,377</u>	<u>-</u>	<u>149,194,441</u>
Net investment in capital assets	1,241,603,728	145,590,887	(16,626,169)	1,370,568,446
Unrestricted	82,156,401	12,826,698	(8,331,800)	86,651,299
Total net position	<u>1,461,035,193</u>	<u>170,336,962</u>	<u>(24,957,969)</u>	<u>1,606,414,186</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,330,197,064</u>	<u>\$ 420,102,055</u>	<u>\$ (33,042,270)</u>	<u>\$ 3,717,256,849</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF NET POSITION
RESTATED
February 28, 2023

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,893,513	\$ 8,386,816	\$ -	\$ 28,280,329
Investments	39,080,461	2,031,604	-	41,112,065
Accounts receivable - customers	42,957,428	2,160,527	-	45,117,955
Leases receivable	2,153,979	42,819	-	2,196,798
Accounts receivable - other	4,254,599	407,224	-	4,661,823
Property investment costs	373,137	-	-	373,137
Due from Municipal Drainage Utility land transfer	2,000,000	-	(2,000,000)	-
Accrued interest receivable	3,196,062	20,527	-	3,216,589
Due from Water and Wastewater Utility	-	271,568	(271,568)	-
Inventory - materials and supplies	8,968,899	-	-	8,968,899
Other current assets	438,438	-	-	438,438
Prepaid expenses	2,336,497	-	-	2,336,497
Accounts receivable - City of El Paso land transfer	814,459	-	-	814,459
Restricted current assets:				
Restricted for bond requirements:				
Cash and cash equivalents	76,202,408	9,368,650	-	85,571,058
Investments	42,693,063	4,693,636	-	47,386,699
Restricted for construction and improvements:				
Cash and cash equivalents	110,646,770	30,514,313	-	141,161,083
Investments	378,547,536	-	-	378,547,536
Accounts receivable - government grants	1,943,564	-	-	1,943,564
Notes receivable	189,282	-	-	189,282
Total current assets	<u>736,690,095</u>	<u>57,897,684</u>	<u>(2,271,568)</u>	<u>792,316,211</u>
Noncurrent assets:				
Leases receivable	50,702,793	758,572	-	51,461,365
Accounts receivable - City of El Paso land transfer	25,544,561	-	-	25,544,561
Property investment costs	1,865,683	-	-	1,865,683
Due from Municipal Drainage Utility land transfer	9,344,800	-	(9,344,800)	-
Capital assets net of accumulated depreciation/amortization:				
Water and Wastewater Utility capital assets	1,334,738,932	-	-	1,334,738,932
Municipal Drainage Utility capital assets	-	163,782,825	-	163,782,825
Right to use lease assets	5,175,982	-	-	5,175,982
Right to use SBITA assets	2,809,446	42,192	-	2,851,638
Land and right of way	312,037,670	71,666,966	(24,670,969)	359,033,667
Construction work in progress	472,608,655	43,105,943	(287,000)	515,427,598
Total capital assets	<u>2,127,370,685</u>	<u>278,597,926</u>	<u>(24,957,969)</u>	<u>2,381,010,642</u>
Total noncurrent assets	<u>2,214,828,522</u>	<u>279,356,498</u>	<u>(34,302,769)</u>	<u>2,459,882,251</u>
Total assets	<u>2,951,518,617</u>	<u>337,254,182</u>	<u>(36,574,337)</u>	<u>3,252,198,462</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on bond refunding	1,949,904	-	-	1,949,904
Deferred outflows - pension	12,315,746	534,009	-	12,849,755
Deferred outflows - OPEB	3,629,042	247,687	-	3,876,729
Total deferred outflows of resources	<u>17,894,692</u>	<u>781,696</u>	<u>-</u>	<u>18,676,388</u>
Total assets and deferred outflows of resources	<u>\$ 2,969,413,309</u>	<u>\$ 338,035,878</u>	<u>\$ (36,574,337)</u>	<u>\$ 3,270,874,850</u>

	Water and Wastewater Utility	Municipal Drainage Utility	Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 5,572,495	\$ 221,904	\$ -	\$ 5,794,399
Environmental Services collections and other payments due to City of El Paso	13,635,518	-	-	13,635,518
Customer deposits	12,517,628	-	-	12,517,628
Accrued vacation payable	1,867,309	92,735	-	1,960,044
Accrued payroll and benefits	1,755,516	96,814	-	1,852,330
Due to Municipal Drainage Utility	271,568	-	(271,568)	-
Due to Water and Wastewater Utility land transfer	-	2,000,000	(2,000,000)	-
Unearned rent revenue	1,354,746	20,397	-	1,375,143
Lease liabilities	212,122	-	-	212,122
SBITA liabilities	1,292,445	19,533	-	1,311,978
Other current liabilities	1,455,693	103	-	1,455,796
Self-insurance workers' compensation and health claims	176,723	-	-	176,723
Other government payable	193,160	-	-	193,160
Customer advances for construction	1,413,131	-	-	1,413,131
OPEB Liability	476,002	27,928	-	503,930
Current liabilities payable from restricted assets:				
Revenue bonds payable and unamortized premiums net of discounts	54,728,156	7,518,623	-	62,246,779
Unearned non-federal grant revenue - TWDB	-	5,188,743	-	5,188,743
Accrued interest on long term debt	23,328,076	2,723,518	-	26,051,594
Accounts payable	54,041,114	4,004,742	-	58,045,856
Retainage payable on construction contracts	5,312,178	193,940	-	5,506,118
Total current liabilities	<u>179,603,580</u>	<u>22,108,980</u>	<u>(2,271,568)</u>	<u>199,440,992</u>
Noncurrent liabilities:				
Accrued vacation payable	2,096,339	69,832	-	2,166,171
Due to Water and Wastewater Utility land transfer	-	9,344,800	(9,344,800)	-
Lease liabilities	5,148,218	-	-	5,148,218
SBITA liabilities	1,348,563	20,585	-	1,369,148
Self-insurance workers' compensation claims	836,129	-	-	836,129
Other governments payable	1,169,514	-	-	1,169,514
Revenue bonds payable and unamortized premiums net of discounts	1,303,929,735	132,244,384	-	1,436,174,119
Commercial paper notes	10,000,000	-	-	10,000,000
Revolving note	-	15,000,000	-	15,000,000
OPEB Liability	11,725,864	687,998	-	12,413,862
Net Pension Liability	39,970,941	1,863,216	-	41,834,157
Total noncurrent liabilities	<u>1,376,225,303</u>	<u>159,230,815</u>	<u>(9,344,800)</u>	<u>1,526,111,318</u>
Total liabilities	<u>1,555,828,883</u>	<u>181,339,795</u>	<u>(11,616,368)</u>	<u>1,725,552,310</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - gain on bond refunding	4,709,742	129,667	-	4,839,409
Deferred inflows - leases	53,191,388	800,797	-	53,992,185
Deferred inflows - pension	412,606	241,568	-	654,174
Deferred inflows - OPEB	12,580,567	990,826	-	13,571,393
Total deferred inflows of resources	<u>70,894,303</u>	<u>2,162,858</u>	<u>-</u>	<u>73,057,161</u>
NET POSITION				
Restricted:				
Restricted for debt service	95,567,395	11,338,768	-	106,906,163
Restricted for construction and improvements	26,706,080	9,746,708	-	36,452,788
Total restricted	<u>122,273,475</u>	<u>21,085,476</u>	<u>-</u>	<u>143,358,951</u>
Net investment in capital assets	1,151,856,714	123,700,514	(13,326,169)	1,262,231,059
Unrestricted	68,559,934	9,747,235	(11,631,800)	66,675,369
Total net position	<u>1,342,690,123</u>	<u>154,533,225</u>	<u>(24,957,969)</u>	<u>1,472,265,379</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,969,413,309</u>	<u>\$ 338,035,878</u>	<u>\$ (36,574,337)</u>	<u>\$ 3,270,874,850</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Year Ended February 29, 2024

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Operating revenues:				
Water	\$ 170,216,061	\$ -	\$ (8,178)	\$ 170,207,883
Water supply replacement charge	38,880,293	-	-	38,880,293
Reclaimed water	5,631,875	-	-	5,631,875
Wastewater	152,914,105	-	-	152,914,105
Drainage fees	-	33,517,191	(171,482)	33,345,709
Customer connection fees	6,507,724	-	-	6,507,724
Billing fees - City Environmental Services	891,840	382,217	-	1,274,057
City of El Paso Franchise fee	6,550,000	-	-	6,550,000
OPEB Recovery Credit	15,602	51,975	-	67,577
Other operating revenue	4,669,324	50,445	(24,000)	4,695,769
Total operating revenues	<u>386,276,824</u>	<u>34,001,828</u>	<u>(203,660)</u>	<u>420,074,992</u>
Operating expenses:				
Operations and maintenance - water and reclaimed water	72,342,104	-	(61,611)	72,280,493
Operations and maintenance - wastewater	37,711,244	-	(75,489)	37,635,755
General, administrative and engineering expenses	43,253,431	-	2,350,618	45,604,049
Operations and maintenance - drainage	-	7,043,588	(32,178)	7,011,410
Indirect cost allocation	-	2,385,000	(2,385,000)	-
Other operating expenses	4,694,714	-	-	4,694,714
Other Post-Employment Benefits	-	-	-	-
Pension expense	8,840,741	294,691	-	9,135,432
Depreciation and amortization	78,117,941	4,384,823	-	82,502,764
Payment to City of El Paso Franchise fee	6,550,000	-	-	6,550,000
Payment to City of El Paso per bond covenants	20,226,629	-	-	20,226,629
Total operating expenses	<u>271,736,804</u>	<u>14,108,102</u>	<u>(203,660)</u>	<u>285,641,246</u>
Operating income	<u>114,540,020</u>	<u>19,893,726</u>	<u>-</u>	<u>134,433,746</u>
Nonoperating revenues (expenses):				
Interest earnings and net change in fair value of investments	30,034,874	1,766,963	-	31,801,837
Gain on sale of land	2,714,126	92,237	-	2,806,363
Gain on sale of miscellaneous assets	465,835	-	-	465,835
Federal grant revenue - non capital	1,016,932	-	-	1,016,932
Other nonoperating lease revenues	2,742,909	60,628	-	2,803,537
Other nonoperating expenses	(1,663,410)	(465,659)	-	(2,129,069)
Interest on long term debt	(47,182,950)	(5,544,158)	-	(52,727,108)
Total nonoperating revenues (expenses)	<u>(11,871,684)</u>	<u>(4,089,989)</u>	<u>-</u>	<u>(15,961,673)</u>
Increase in net position, before contributions	<u>102,668,336</u>	<u>15,803,737</u>	<u>-</u>	<u>118,472,073</u>
Federal grant revenue - capital contributions	2,686,245	-	-	2,686,245
Non-Federal grant revenue - capital contributions	3,138,165	-	-	3,138,165
Capital contributions	9,852,324	-	-	9,852,324
Total contributions	<u>15,676,734</u>	<u>-</u>	<u>-</u>	<u>15,676,734</u>
Change in net position	<u>118,345,070</u>	<u>15,803,737</u>	<u>-</u>	<u>134,148,807</u>
Total net position - beginning	<u>1,342,690,123</u>	<u>154,533,225</u>	<u>(24,957,969)</u>	<u>1,472,265,379</u>
Total net position - ending	<u>\$ 1,461,035,193</u>	<u>\$ 170,336,962</u>	<u>\$ (24,957,969)</u>	<u>\$ 1,606,414,186</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
RESTATED

For the Year Ended February 28, 2023

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Operating revenues:				
Water	\$ 146,829,103	\$ -	\$ (11,456)	\$ 146,817,647
Water supply replacement charge	35,503,953	-	-	35,503,953
Reclaimed water	5,137,535	-	-	5,137,535
Wastewater	110,264,375	-	-	110,264,375
Drainage fees	-	28,815,723	(155,124)	28,660,599
Customer connection fees	5,009,431	-	-	5,009,431
Billing fees - City Environmental Services	892,771	382,616	-	1,275,387
City of El Paso Franchise fee	6,550,000	-	-	6,550,000
OPEB Recovery Credit	-	30,310	-	30,310
Other operating revenue	3,888,676	110,014	(24,000)	3,974,690
Total operating revenues	<u>314,075,844</u>	<u>29,338,663</u>	<u>(190,580)</u>	<u>343,223,927</u>
Operating expenses:				
Operations and maintenance - water and reclaimed water	59,249,497	-	(57,491)	59,192,006
Operations and maintenance - wastewater	39,518,971	-	(67,727)	39,451,244
General, administrative and engineering expenses	31,977,096	-	1,726,094	33,703,190
Operations and maintenance - drainage	-	6,568,397	(35,456)	6,532,941
Indirect cost allocation	-	1,756,000	(1,756,000)	-
Other operating expenses	4,940,735	-	-	4,940,735
Other Post-Employment Benefits	164,923	-	-	164,923
Pension expense	3,099,599	8,524	-	3,108,123
Depreciation and amortization	72,015,127	4,018,831	-	76,033,958
Payment to City of El Paso Franchise fee	6,550,000	-	-	6,550,000
Payment to City of El Paso per bond covenants	17,593,314	-	-	17,593,314
Total operating expenses	<u>235,109,262</u>	<u>12,351,752</u>	<u>(190,580)</u>	<u>247,270,434</u>
Operating income	<u>78,966,582</u>	<u>16,986,911</u>	<u>-</u>	<u>95,953,493</u>
Nonoperating revenues (expenses):				
Interest earnings and net change in fair value of investments	13,508,438	942,080	-	14,450,518
Gain on sale of land	1,948,237	287,000	(287,000)	1,948,237
Gain on sale of miscellaneous assets	3,955,125	-	-	3,955,125
Other nonoperating lease revenues	2,673,044	88,051	-	2,761,095
Other nonoperating expenses	(4,606,221)	(469,967)	-	(5,076,188)
Interest on long term debt	(34,048,219)	(4,233,119)	-	(38,281,338)
Total nonoperating expenses	<u>(16,569,596)</u>	<u>(3,385,955)</u>	<u>(287,000)</u>	<u>(20,242,551)</u>
Increase in net position, before contributions	<u>62,396,986</u>	<u>13,600,956</u>	<u>(287,000)</u>	<u>75,710,942</u>
Federal grant revenue - capital contributions	710,370	-	-	710,370
Non-Federal grant revenue - capital contributions	1,470,333	-	-	1,470,333
Capital contributions	8,385,861	-	-	8,385,861
Total contributions	<u>10,566,564</u>	<u>-</u>	<u>-</u>	<u>10,566,564</u>
Change in net position	<u>72,963,550</u>	<u>13,600,956</u>	<u>(287,000)</u>	<u>86,277,506</u>
Total net position - beginning	<u>1,269,711,073</u>	<u>140,932,269</u>	<u>(24,670,969)</u>	<u>1,385,972,373</u>
Prior period adjustment	15,500	-	-	15,500
Total net position - ending	<u>\$ 1,342,690,123</u>	<u>\$ 154,533,225</u>	<u>\$ (24,957,969)</u>	<u>\$ 1,472,265,379</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2024

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 375,025,302	\$ 33,951,251	\$ -	\$ 408,976,553
Cash received from Municipal Drainage Utility	2,185,111	-	(2,185,111)	-
Cash received from Water and Wastewater Utility	-	171,482	(171,482)	-
Environmental Services fees collected for the City of El Paso	85,522,149	-	-	85,522,149
Franchise fees collected	6,550,000	-	-	6,550,000
Cash payments to suppliers for goods and services	(101,732,494)	(5,360,145)	-	(107,092,639)
Cash payments to employees for services	(63,752,829)	(1,859,716)	-	(65,612,545)
Environmental Services fees paid to the City of El Paso	(86,842,174)	-	-	(86,842,174)
Payments to City of El Paso per bond covenants	(19,933,264)	-	-	(19,933,264)
Payments to City of El Paso Franchise fees	(6,550,000)	-	-	(6,550,000)
Cash payments to Municipal Drainage Utility	(171,482)	-	171,482	-
Cash payments to Water and Wastewater Utility	-	(2,185,111)	2,185,111	-
Net cash provided by operating activities	<u>190,300,319</u>	<u>24,717,761</u>	<u>-</u>	<u>215,018,080</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from:				
Revenue bonds	180,605,000	22,870,000	-	203,475,000
Premiums and gains on revenue bonds	19,510,624	2,399,999	-	21,910,623
Commercial paper	90,000,000	60,000,000	-	150,000,000
Revolving note	-	10,000,000	-	10,000,000
Principal payments on leases receivable	2,278,756	45,014	-	2,323,770
Interest payments on leases receivable	802,261	16,420	-	818,681
Cash receipts from grants	2,569,643	-	-	2,569,643
Acquisition and construction from capital grants	(5,629,672)	-	-	(5,629,672)
Acquisition and construction of capital assets net of disposals	(371,390,649)	(59,152,142)	3,787,000	(426,755,791)
Principal payments on lease liabilities	(212,122)	-	-	(212,122)
Interest payments on lease liabilities	(381,618)	-	-	(381,618)
Principal payments on SBITA liabilities	(1,502,886)	(19,533)	-	(1,522,419)
Interest payments on SBITA liabilities	(14,539)	(222)	-	(14,761)
Refunding commercial paper	(40,000,000)	-	-	(40,000,000)
Principal payments on revenue bonds	(48,625,000)	(6,633,000)	-	(55,258,000)
Interest and fees on revenue bonds and commercial paper	(44,319,070)	(5,546,393)	-	(49,865,463)
Refunding of revolving notes	-	(25,000,000)	-	(25,000,000)
Interest payments on notes and other long term debt	(57,368)	-	-	(57,368)
Proceeds from sale of assets net of related expenses	7,293,938	92,237	(3,787,000)	3,599,175
Proceeds from unearned non-federal grant	20,419,933	248,297	-	20,668,230
Net cash provided (used) by capital and related financing activities	<u>(188,652,769)</u>	<u>(679,323)</u>	<u>-</u>	<u>(189,332,092)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of				
investment securities	830,084,040	23,069,173	-	853,153,213
Purchase of investment securities	(642,599,420)	(26,637,208)	-	(669,236,628)
Interest received on investment securities	27,878,214	1,613,562	-	29,491,776
Net cash provided (used) by investing activities	<u>215,362,834</u>	<u>(1,954,473)</u>	<u>-</u>	<u>213,408,361</u>
Net increase in cash and cash equivalents	217,010,384	22,083,965	-	239,094,349
Cash and cash equivalents:				
Beginning of year	206,742,691	48,269,779	-	255,012,470
End of year	<u>\$ 423,753,075</u>	<u>\$ 70,353,744</u>	<u>\$ -</u>	<u>\$ 494,106,819</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2024

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 114,540,020	\$ 19,893,726	\$ -	\$ 134,433,746
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	78,117,941	4,384,823	-	82,502,764
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(5,362,223)	177,416	-	(5,184,807)
Due from Water and Wastewater Utility	-	232,067	(232,067)	-
Inventory	(1,287,868)	-	-	(1,287,868)
Prepaid expenses	(779,560)	-	-	(779,560)
Other current assets	(124,266)	-	-	(124,266)
Deferred outflows - pension	(12,267,493)	(539,481)	-	(12,806,974)
Deferred outflows - OPEB	436,744	33,791	-	470,535
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	3,555,633	69,948	-	3,625,581
Other current liabilities	(87,705)	(4,536)	-	(92,241)
Due to Municipal Drainage Utility	(232,067)	-	232,067	-
Accrued vacation payable	640,404	53,987	-	694,391
Accrued payroll and benefits	791,410	32,481	-	823,891
Total OPEB Liability	964,611	1,202	-	965,813
Net Pension Liability	13,589,447	522,332	-	14,111,779
Deferred inflows - Pension	(95,352)	(26,998)	-	(122,350)
Deferred inflows - OPEB	(1,894,859)	(112,997)	-	(2,007,856)
Self-insurance claims	(204,498)	-	-	(204,498)
Net cash provided by operating activities	<u>190,300,319</u>	<u>24,717,761</u>	<u>-</u>	<u>215,018,080</u>
Noncash investing, capital, and financing activities:				
Capital contributions from developers	\$ 9,852,324	\$ -	\$ -	\$ 9,852,324
Change in fair value of investments	(241,623)	(17,578)	-	(259,201)
	<u>\$ 9,610,701</u>	<u>\$ (17,578)</u>	<u>\$ -</u>	<u>\$ 9,593,123</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS
RESTATE
For the Year Ended February 28, 2023

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 301,036,804	\$ 28,830,241	\$ -	\$ 329,867,045
Cash received from Municipal Drainage Utility	686,693	-	(686,693)	-
Cash received from Water and Wastewater Utility	-	155,124	(155,124)	-
Environmental Services fees collected for the City of El Paso	83,018,316	-	-	83,018,316
Franchise fees collected	6,550,000	-	-	6,550,000
Cash payments to suppliers for goods and services	(98,690,333)	(6,045,154)	-	(104,735,487)
Cash payments to employees for services	(50,028,665)	(1,465,827)	-	(51,494,492)
Environmental Services fees paid to the City of El Paso	(79,739,843)	-	-	(79,739,843)
Payments to City of El Paso per bond covenants	(17,439,027)	-	-	(17,439,027)
Payments to City of El Paso Franchise fees	(6,550,000)	-	-	(6,550,000)
Cash payments to Municipal Drainage Utility	(155,124)	-	155,124	-
Cash payments to Water and Wastewater Utility	-	(686,693)	686,693	-
Net cash provided by operating activities	<u>138,688,821</u>	<u>20,787,691</u>	<u>-</u>	<u>159,476,512</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from:				
Revenue bonds	573,485,000	33,240,000	-	606,725,000
Premiums and gains on revenue bonds	57,111,945	1,587,688	-	58,699,633
Commercial paper	90,000,000	-	-	90,000,000
Revolving note	-	25,000,000	-	25,000,000
Principal payments on leases receivable	2,164,346	65,036	-	2,229,382
Interest payments on leases receivable	804,593	11,890	-	816,483
Cash receipts from grants	3,751,909	-	-	3,751,909
Acquisition and construction from capital grants	(1,063,392)	-	-	(1,063,392)
Acquisition and construction of capital assets net of disposals	(239,738,565)	(33,327,879)	3,787,000	(269,279,444)
Principal payments on lease liabilities	(211,212)	-	-	(211,212)
Interest payments on lease liabilities	(384,214)	-	-	(384,214)
Principal payments on SBITA liabilities	(1,273,056)	(18,746)	-	(1,291,802)
Interest payments on SBITA liabilities	(7,513)	(174)	-	(7,687)
Refunding commercial paper	(160,000,000)	-	-	(160,000,000)
Principal payments on revenue bonds	(46,490,000)	(6,073,000)	-	(52,563,000)
Interest and fees on revenue bonds and commercial paper	(32,553,780)	(5,044,557)	-	(37,598,337)
Payments on revolving notes	-	(25,000,000)	-	(25,000,000)
Interest payments on notes and other long term debt	(65,853)	-	-	(65,853)
Proceeds from sale of assets net of related expenses	10,209,451	287,000	(3,787,000)	6,709,451
Proceeds from unearned non-federal grant	-	5,188,743	-	5,188,743
Net cash used by capital and related financing activities	<u>255,739,659</u>	<u>(4,083,999)</u>	<u>-</u>	<u>251,655,660</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of				
investment securities	71,658,061	14,165,750	-	85,823,811
Purchase of investment securities	(457,933,849)	(8,259,520)	-	(466,193,369)
Interest received on investment securities	9,859,383	908,974	-	10,768,357
Net cash provided (used) by investing activities	<u>(376,416,405)</u>	<u>6,815,204</u>	<u>-</u>	<u>(369,601,201)</u>
Net increase in cash and cash equivalents	18,012,075	23,518,896	-	41,530,971
Cash and cash equivalents:				
Beginning of year	188,730,616	24,750,883	-	213,481,499
End of year	<u>\$ 206,742,691</u>	<u>\$ 48,269,779</u>	<u>\$ -</u>	<u>\$ 255,012,470</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS
 RESTATED
 For the Year Ended February 28, 2023

	Water and Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 78,966,582	\$ 16,986,911	\$ -	\$ 95,953,493
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	72,015,127	4,018,831	-	76,033,958
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(7,415,356)	(328,156)	-	(7,743,512)
Due from Water and Wastewater Utility	-	1,104,763	(1,104,763)	-
Inventory	(3,921,238)	-	-	(3,921,238)
Prepaid expenses	(649,916)	-	-	(649,916)
Other current assets	(84,561)	-	-	(84,561)
Deferred outflows - pension	(7,706,451)	(316,683)	-	(8,023,134)
Deferred outflows - OPEB	674,846	7,648	-	682,494
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	(884,536)	(715,216)	-	(1,599,752)
Other current liabilities	3,984,162	5,169	-	3,989,331
Due to Municipal Drainage Utility	(1,104,763)	-	1,104,763	-
Accrued vacation payable	576,165	9,064	-	585,229
Accrued payroll and benefits	513,731	37,243	-	550,974
Total OPEB Liability	(4,737,842)	(239,044)	-	(4,976,886)
Net Pension Liability	26,803,024	1,221,626	-	28,024,650
Deferred inflows - pension	(21,966,961)	(1,174,586)	-	(23,141,547)
Deferred inflows - OPEB	3,699,806	170,121	-	3,869,927
Self-insurance claims	(72,998)	-	-	(72,998)
Net cash provided by operating activities	<u>138,688,821</u>	<u>20,787,691</u>	<u>-</u>	<u>159,476,512</u>
Noncash investing, capital, and financing activities:				
Capital contributions from developers	\$ 8,385,861	\$ -	\$ -	\$ 8,385,861
Change in fair value of investments	(20,296)	(9,485)	-	(29,781)
	<u>\$ 8,365,565</u>	<u>\$ (9,485)</u>	<u>\$ -</u>	<u>\$ 8,356,080</u>

The notes to the financial statements are an integral part of this statement.



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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - El Paso City Ordinance No. 752, adopted May 22, 1952, established a five-member board of trustees known as the "Public Service Board" (PSB) which was given the complete management and control of the city's Water and Wastewater Utility System, and as such a separate entity known as Public Service Board - El Paso Water Utilities (EPWater) was created. Ordinance No. 017167 adopted August 11, 2009 increased the number of board members from five to seven. The PSB consists of the Mayor of the City of El Paso and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council and serve staggered four-year terms.

EPWater prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of contracts and grants of agencies from which it receives funds. In accordance with GASB, a financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of EPWater are financially accountable, or for which the relationship to EPWater is such that exclusion would cause EPWater's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize they are legally separate from the primary government. Blended component units, although a legally separate entity, are in substance a part of EPWater's operations, and thus the data is combined with data of the primary government.

The criteria used to determine whether an organization is a component unit of EPWater includes: financial accountability of EPWater for the component unit, whether EPWater appoints a voting majority of the entity's board, the ability to impose EPWater's will on the component unit, fiscal dependency criterion, if it is a financial benefit to or burden to EPWater, and whether services are provided entirely or almost entirely to EPWater. As noted below, EPWater has one blended component unit which is the El Paso and Hudspeth Counties Regional Water Supply Corporation. EPWater's basic financial statements include all operations of the financial reporting entity. In addition, EPWater is included as a component unit of the City of El Paso based upon the selection of the governing authority.

The Enterprise Funds Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are the financial statements for EPWater as a whole. They report information on both of EPWater's funds after elimination of the interfund activities, payables and receivables. The Statement of Net Position reports all financial and capital resources of the EPWater. It presents information on assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. The two funds of EPWater are the Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund.

Nature of Activities - EPWater provides water, wastewater, and drainage services for the El Paso area residents. In addition to the water, wastewater, and drainage system revenue, EPWater receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

During the year ended February 28, 2006, EPWater acquired a municipal golf course and contracted a managing agent to operate the facility. The assets, liabilities, and results of operations are included in these financial statements as part of the Water and Wastewater Utility Fund.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EPWater also purchased agricultural properties in Hudspeth County, Texas commonly referred to as CLM farm and the Carpenter farm (collectively the "Property") in order to obtain the rights to the groundwater. At the time of purchase, much of the Property was being used for farming operations. On December 16, 2016 EPWater contracted with Dell Valley Ranch Management, LLC (DVRM) and its affiliate DanJay Enterprises, LLC (DanJay) on an interim basis to manage and farm the Property and, with the intention of leasing the Property to a third party, continued farming operations into 2018. On December 7, 2018, EPWater entered into a cash farm lease with DVRM and DanJay. The property investment costs included in the February 29, 2024 and February 28, 2023 financial statements are expenses related to preservation of the farming operations on the Property. The expenses prevented deterioration in the value of the Property investment and facilitated leasing the Property. The property investment costs are being repaid over the initial term of the lease, which became effective retroactively to January 1, 2018.

On June 9, 2021, the El Paso and Hudspeth Counties Regional Water Supply Corporation (Corporation) was formed with the purpose of managing the operations and maintenance of the Esperanza Water System in El Paso, County, which is owned by EPWater. The Corporation is managed by the Board of Directors which consists of the seven board members of the Public Service Board. The fiscal year of the Corporation is from March 1 to last day of February. The Esperanza Water System is next to Fort Hancock, Texas and consists of over 300 water customers. On March 1, 2022, the Corporation assumed responsibility to oversee the business activities of EPWater's farm land leases in Hudspeth-Culberson and Jeff Davis counties as part of its long term water supply strategy. The Corporation is reported as a blended component unit of EPWater in the Water and Wastewater Utility Fund. The assets, liabilities, and results of operations are included in these financial statements. The criteria used to include the Corporation as a blended component unit of EPWater include: EPWater appoints a voting majority of the Corporation's governing body, EPWater is able to impose its will on the Corporation, and a financial benefit or burden relationship exists between EPWater and the Corporation.

Fund Accounting - Public Service Board - El Paso Water Utilities is comprised of two funds, the Water and Wastewater Utility and the Municipal Drainage Utility. The funds are accounted for as enterprise funds, which are proprietary funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

EPWater reports the following major enterprise funds:

- Water and Wastewater Utility - This fund is used to account for the activity related to providing water and wastewater services to El Paso area residents.
- Municipal Drainage Utility - This fund is used to account for the activity related to the management and collection of storm water runoff within the City of El Paso.

City Ordinance No. 752 established certain "funds" for the Water and Wastewater Utility Fund. These "funds" are mandatory asset segregation and not funds in the sense of governmental fiscal and accounting entities with self-balancing sets of accounts. These "funds" are more fully explained in Note 2.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Budget - EPWater prepares, prior to the beginning of each fiscal year, separate detailed comprehensive annual budgets for the Water and Wastewater Utility and Municipal Drainage Utility funds reflecting estimates of revenues and expenses and other requirements for the ensuing fiscal year in sufficient detail to indicate the probable gross revenues and pledged revenues for such fiscal year. The budgets are prepared using the accrual basis of accounting and are approved by the Public Service Board.

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Revenue is recognized as it is earned and expenses are recognized when goods or services are delivered.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of EPWater are charges to customers for sales and services related to the water and wastewater systems. EPWater also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. In addition, EPWater acts as a billing and collecting agent on behalf of the City of El Paso for environmental services collection, and an administrative fee is recognized as operating revenue for this service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets as well as payments to the City of El Paso based upon 10% of water sales. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is EPWater's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates - Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows Statement - For purposes of the statement of cash flows, EPWater considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - All investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end. Investments with an original maturity of less than or equal to one year are reported at amortized cost, which approximates fair value. Premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities. It is the intent of management to hold securities until maturity, and the securities not maturing within a year after year-end are considered non-current.

Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold.

Inventory - Materials and Supplies - EPWater reports inventories of supplies at average cost. Supplies are recorded as expenses when they are consumed.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets - Based upon certain bond covenants and other requirements, EPWater is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt and other activities specifically restricted (construction and improvements).

Capital Assets - Effective March 1, 2021 on a prospective basis, EPWater increased the threshold for capitalization from \$5,000 to \$25,000 and increased the estimated useful life from one year to two years. The primary reason for the change is to reduce administrative costs and enhance overall stewardship and control of EPWater's assets by eliminating the requirement to track relatively low valued items. Water and wastewater and drainage additions are recorded at cost, which includes materials, labor, and overhead. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. New services, meters, newly installed pipe, and associated costs will be capitalized and depreciated when placed into service. Assets acquired through contributions, such as from developers, are capitalized and recorded at acquisition value as of the date of contribution. Included in capital assets are intangible assets, which consist of purchased water rights, land easements, and right to use lease assets. It is the policy of EPWater to capitalize infrastructure assets. Maintenance and repairs that do not add to the value or life of the asset are charged to operating expense. Major plant replacements are capitalized.

EPWater records depreciation of capital assets in service on the straight-line method at amounts estimated to amortize costs of assets over their estimated useful lives. At the time of retirement of capital assets, the allowance for depreciation is charged with the original cost of the asset and the cost of removal.

The following estimated useful lives are used in providing for depreciation of capital assets:

Drainage system	50-100 years
Building and shops	25-33 years
Water plant	10-50 years
Wastewater plant	5-50 years
Management information systems	5-20 years
Equipment and tools	3-33 years
Vehicles and heavy equipment	5-7 years
Water rights contract	75 years

Right to use lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. When a lease contains a purchase option EPWater chooses to exercise, the lease asset is amortized over the useful life of the underlying asset. The amortization expense is presented with depreciation expense for financial reporting purposes.

Vacation and Sick Pay - Full time, permanent EPWater employees earn vacation leave as follows:

<u>Years Employed</u>	<u>Vacation Leave</u>
1 - 5	12 days/year
6 - 15	17 days/year
Over 15	20 days/year

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent EPWater employees who work 40 hours per week can accumulate a total of 400 vacation leave hours. Vacation is recorded as an expense and related liability in the year earned. As of February 29, 2024 and February 28, 2023, EPWater's total vacation leave liability was \$4,820,606 and \$4,126,215, respectively.

Vacation payable for the Water and Wastewater Utility is as follows:

	2024	2023
Total payable, beginning of year	\$ 3,963,648	\$ 3,387,483
Vacation earned	2,994,734	2,598,928
Vacation used	(2,354,330)	(2,022,763)
Total payable, end of year	\$ 4,604,052	\$ 3,963,648

Vacation payable for the Municipal Drainage Utility is as follows:

	2024	2023
Total payable, beginning of year	\$ 162,567	\$ 153,503
Vacation earned	161,796	116,617
Vacation used	(107,809)	(107,553)
Total payable, end of year	\$ 216,554	\$ 162,567

Sick leave is earned at a rate of 15 days per year for permanent, full time EPWater employees, with an unlimited accumulation of days. Sick pay is recorded as an expense in the year incurred. EPWater does not record any liability for sick pay as employees are not reimbursed upon termination.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/reduction) until then.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

EPWater has the following items that qualify for reporting in these categories:

Deferred charges or gains on bond refunding - A deferred charge or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred leases - A deferred inflow of resources for leases occurs at the time the value of the leases receivable is measured plus any payment received at or before the commencement of the lease term that relates to future periods. This deferred inflow will be amortized in a systematic and rational manner over the term of the lease.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred pension contributions - These contributions are deferred and reduce net pension liability in the subsequent fiscal year.

Difference in expected and actual experience - For pensions and OPEB, this difference is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plans and recorded as a component of pension or OPEB expense beginning with the period in which the difference occurred.

Net difference in projected and actual earnings on pension assets - This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Change in assumptions - For pensions and OPEB, this change is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plans and recorded as a component of pension or OPEB expense beginning with the period in which the change occurred.

Change in proportionate share - For pensions and OPEB, this change is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plans and recorded as a component of pension or OPEB expense beginning with the period that first experienced the change in proportionate share.

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of El Paso Employees Retirement Trust (CERT) and additions to/deductions from CERT fiduciary net position have been determined on the same basis as they are reported by the CERT. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases - EPWater implemented *GASB Statement No. 87, Leases*, during fiscal year ending February 28, 2023. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Enhanced disclosure requirements are also required as part of adoption of this standard. See Note 9 for additional information regarding EPWater as lessor and Note 10 for information regarding EPWater's right to use lease assets and Note 16 for the related liabilities.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset, the underlying asset, as specified in the contract for a period of time, in excess of one year, in an exchange or exchange-like transaction. The lease liability is measured at the present value of the payments expected to be made, less any lease incentives, over the noncancellable term of the lease using the stated rate present in the contract or, when that is not present, an estimated incremental borrowing rate. The corresponding lease asset is measured at the amount of the initial measurement of the lease liability plus any payments made to the lessor at or before commencement of the lease term, including certain direct costs. In addition, in accordance with the capitalization policy, EPWater capitalizes right to use lease assets with individual values at initial measurement of \$25,000 and above. Subsequent to the initial measurement, the lease liability is reduced by the principal portion of the lease payments made. The right to use lease asset is also subsequently amortized on a straight-line basis over lease asset's useful life. Interest expense is also recognized based on the rate applied to each agreement. When EPWater enters into a lease liability agreement where the payments require periodic increases for either usage of the underlying asset or adjustments for changes in the consumer price index, only the variable payments that are fixed in substance are included in the initial measurement of the liability and corresponding lease asset.

A lease receivable for EPWater as lessor is measured at the present value of the lease payments expected to be received during the noncancellable lease term, using an estimated incremental borrowing rate. Escalation payments that require fixed periodic payment increases are included in the initial measurement of the lease receivable as part of the future minimum rent payments. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. Interest revenue is also recorded based on the rate applied to each lease agreement. Under certain lease agreements, EPWater receives variable lease payments that are dependent on changes in the consumer price index. Certain other agreements stipulate EPWater is to receive revenue from production royalties based on mining operations conducted at leased properties, which provide for the payment of a fee based on the greater of the value of the product extracted from the leased properties or a guaranteed minimum royalty. Payments in excess of the guaranteed minimum royalty are considered variable payments and are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is also measured at the initial lease receivable amount and adjusted for lease payments received at or before the lease commencement date. This deferred inflow is amortized and recognized as lease revenue over the life of the lease.

Subscription-Based Information Technology Arrangements - EPWater implemented *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*, as of March 1, 2022, the earliest period presented, as required by the standard. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. See Note 10 for information regarding EPWater's right to use SBITA assets and Note 17 for the related liabilities. Also, see Note 30 for details related to the financial statement impact of the GASB 96 implementation.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software (IT) alone or in combination with tangible capital assets, the underlying IT assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying assets. The subscription term also includes periods covered by an option to extend, if it is reasonably certain that the option will be exercised, or to terminate, if it is reasonably certain that the option will not be exercised. The SBITA liability is measured at the present value of subscription payments expected to be made during the subscription term, using the estimated incremental borrowing rate. The corresponding subscription asset is measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. In addition, in accordance with the capitalization policy, EPWater capitalizes right to use SBITA assets with individual values at initial measurement of \$25,000 and above. Subsequent to the initial measurement, the SBITA liability is reduced by the principal portion of the SBITA payment made. Interest expense is recognized based on the rate applied to each agreement. The right to use SBITA asset is subsequently amortized on a straight-line basis over the subscription term.

2. CITY ORDINANCE NO. 752

On May 22, 1952, City Ordinance No. 752 created the Public Service Board - El Paso Water Utilities for the purpose of providing water and wastewater services that are reported in the Water and Wastewater Utility Fund. This ordinance authorized the issuance of a series of Revenue Bonds entitled "City of El Paso, Texas, Water and Sewer Revenue Bonds Series 1952 (the Series 1952 Bonds)," and the City reserved the right and option in the 1952 resolution to issue, under certain conditions, additional bonds on a parity as to lien and right with the Series 1952 Bonds. This bond ordinance has been amended as a result of subsequent bond issues, but still contains the following key covenants.

Ordinance No. 752, as amended, requires that gross revenues of the System be applied in sequence to: (a) current expenses of maintenance and operations; (b) debt service and reserve requirements; (c) capital expenditures, or unexpected or extraordinary repairs or replacements, or for any other lawful purpose. The following funds have been established to account for the application of the gross revenues: (i) Water and Sewer Revenue Bonds Waterworks and Sewage Fund; (ii) Water and Sewer Revenue Bonds Interest and Sinking Fund; (iii) Water and Sewer Revenue Bonds Reserve Fund; and (iv) Water and Sewer Improvement Fund. All revenues of every nature received through operations of the System shall be paid into the Waterworks and Sewage Fund. The Bond Funds are required to contain an amount of money and investments equal to the principal and interest requirements during the fiscal year.

Ordinance No. 752 also requires that EPWater maintain rates sufficient to produce or yield revenues in each fiscal year in an amount adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses shall accrue during the year and to produce an additional amount equal to 150% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bond Funds.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

2. CITY ORDINANCE NO. 752 (Continued)

Ordinance No. 752 also provides that EPWater will permit no free water or services to be supplied to the City or to any other user. However, the ordinance requires that 10% of the total amounts received by EPWater from the sale of water be paid to the City Treasurer. The money received by the City Treasurer may be expended by the City under the direction of the City Council for any purpose for which revenues of the System may legally be used under the laws of the State of Texas.

3. CITY ORDINANCE NO. 016668 ESTABLISHMENT OF A MUNICIPAL DRAINAGE UTILITY SYSTEM

On June 19, 2007, the City of El Paso adopted Ordinance No. 016668 establishing a Municipal Drainage Utility System. The ordinance states that the Public Service Board - El Paso Water Utilities shall have complete authority and control of the management and operation of the Municipal Drainage Utility on behalf of the City. The Municipal Drainage Utility is necessary and essential to ensure that the management and control of the storm water runoff adequately protects the health, safety, and welfare of the citizens of the City. EPWater assumed full responsibility and control of the Municipal Drainage Utility as of March 1, 2008. City personnel, equipment, and all assets of the Drainage System including infrastructure and land were transferred to EPWater. EPWater began billing drainage fees to fund the operating and capital expenses of the Municipal Drainage Utility as of March 1, 2008.

The Ordinance further stated that the Board prepare a Master Stormwater Management Plan which was approved by the City Council and took effect in March of 2009. In developing the Stormwater Plan, the Board considered the use of open space as natural drainage and to the extent reasonably possible to preserve the City's open spaces, greenways, arroyos, and wilderness areas in their natural state. The Board shall also allocate an amount equal to 10% of the System's annual drainage utility fee revenues for Green Projects which have the potential dual purposes of stormwater management and preservation of the City's open spaces, greenways, arroyos, and wilderness areas. Since March 1, 2008, \$32,488,053 has been set aside from 10% of revenues for Green Projects and as of February 29, 2024, \$30,658,440 has been spent including the following purchases:

- 202.658 acres for \$2,465,000 on March 31, 2010,
- 140.799 acres for \$2,949,000 on July 14, 2015,
- 69.63 acres for \$1,669,000 on November 6, 2015,
- 152.66 acres for \$2 million in May 2018,
- 1,107 acres for \$11,300,000 on July 23, 2019,
- 1,056 acres for \$14,044,800 on July 3, 2021, of which three payments totaling \$6 million have been made and the remainder to be paid back within five years and,
- Eight Park-Pond Conversions throughout the city for \$1,800,000.

The Ordinance also requires that a drainage utility fee be imposed on each improved parcel within the City for services and facilities provided by the System, except as to exemptions provided for by law or by the ordinance. At least once a year the Board shall present to the City Council a report on the status of the System.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

3. CITY ORDINANCE NO. 016668 ESTABLISHMENT OF A MUNICIPAL DRAINAGE UTILITY SYSTEM (Continued)

Ordinance No. 016668 also requires that the revenues collected from drainage utility fees must be segregated and completely identifiable from other City or Board accounts. The Board has adopted a debt service coverage ratio of 1.25 times for all Municipal Drainage Utility bonds which is included in the bond ordinances for such bonds.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The cash, cash equivalents, and investments of EPWater must be deposited and invested under the terms of a contract, contents of which are set out in the depository contract. EPWater accepts as collateral to secure its deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation (“FDIC”), allowable pledged book-entry securities (Eligible Securities) of any type permitted by the provisions of the Public Funds Collateral Act, Title 10, Chapter 2257 of the Texas Government Code, which are eligible to be held in a Securities Account at a Federal Reserve Bank under Federal Reserve Bank Operating Circular 7. The depository bank places these allowable government securities as collateral for safekeeping and trust with EPWater’s agent bank in an amount sufficient to protect EPWater deposits on a day-to-day basis during the period of the contract.

The carrying amount of cash for the Water and Wastewater Utility at February 29, 2024 and February 28, 2023, was \$847,465 and \$12,322,356, respectively, and the bank balances totaled \$11,073,275 and \$17,912,931, respectively. The carrying amount of cash for the Municipal Drainage Utility at February 29, 2024 and February 28, 2023, was \$(372,682) and \$3,403,693, respectively, and the bank balances totaled \$0 and \$3,685,822, respectively. The FDIC standard maximum deposit insurance amount of \$250,000 for interest bearing account is permanent. As of February 29, 2024, \$1,250,000 of the bank balances were covered by FDIC and secured by government securities with a fair market value of \$144,408,308. As of February 28, 2023, \$1,250,000 of the bank balances were covered by FDIC and secured by government securities with a fair market value of \$114,325,452.

During fiscal year ending February 29, 2024, EPWater transitioned 14 of the Wells Fargo bank accounts to the Wells Fargo Money Market Sweep option to gain a higher yield in lieu of receiving the Earnings Credit rating. This is an EPWater strategy to gain more yield on bank account funds. The in-transit sweeps are collateralized by Wells Fargo and the sweep balances are invested in US Treasury Obligations and repurchase agreements which are collateralized by US Treasury Obligations.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Cash, cash equivalents and investments for the Water and Wastewater Utility consist of the following:

	February 29, 2024	
	Cash and Cash Equivalents	Investments
Unrestricted assets	\$ 62,215,564	\$ 9,997,884
Restricted assets		
Bond requirements	94,317,459	44,769,721
Construction and improvements	267,220,052	218,310,458
Total restricted assets	361,537,511	263,080,179
Total	\$ 423,753,075	\$ 273,078,063
	February 28, 2023	
	Cash and Cash Equivalents	Investments
Unrestricted assets	\$ 19,893,513	\$ 39,080,461
Restricted assets		
Bond requirements	76,202,408	42,693,063
Construction and improvements	110,646,770	378,547,536
Total restricted assets	186,849,178	421,240,599
Total	\$ 206,742,691	\$ 460,321,060

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Cash, cash equivalents and investments for the Municipal Drainage Utility consist of the following:

	February 29, 2024	
	Cash and Cash Equivalents	Investments
Unrestricted assets	\$ 10,720,729	\$ 3,007,778
Restricted assets		
Bond requirements	9,833,261	5,303,075
Construction and improvements	49,799,754	2,000,000
Total restricted assets	59,633,015	7,303,075
Total	\$ 70,353,744	\$ 10,310,853
	February 28, 2023	
	Cash and Cash Equivalents	Investments
Unrestricted assets	\$ 8,386,816	\$ 2,031,604
Restricted assets		
Bond requirements	9,368,650	4,693,636
Construction and improvements	30,514,313	-
Total restricted assets	39,882,963	4,693,636
Total	\$ 48,269,779	\$ 6,725,240

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires EPWater to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Texas statutes and ordinances of the City of El Paso authorize EPWater to expend funds for the operation of EPWater, including the purchase of investments. EPWater is permitted to invest available funds in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market mutual funds, (5) investment pools, (6) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; obligations of states, agencies, counties, cities, and other political subdivisions of any state having a rating of not less than A or its equivalent, and (7) fully collateralized repurchase agreements having a defined termination date and secured by obligations of the United States or its agencies and instrumentalities.

The Act also requires EPWater to have independent auditors perform test procedures related to investment practices as provided by the Act. EPWater's management asserts that they are in substantial compliance with the requirements of the Act and with local policies.

EPWater participates in TEXPOOL, which is a government investment pool in the State of Texas. The State Comptroller of Public Accounts maintains oversight responsibility for TEXPOOL. There is also the TEXPOOL Advisory Board which advises on TEXPOOL's Investment Policy and approves any fee increases. The Advisory Board is composed equally of participants in TEXPOOL and other persons who are qualified to advise TEXPOOL. The TEXPOOL Portfolios are comprised of two investment alternatives: TEXPOOL and TEXPOOL PRIME. Federated Hermes, Inc. manage the daily operations of the pool under a contract with the Comptroller. TEXPOOL has elected to continue reporting assets at amortized cost.

EPWater also participates in TexSTAR (Texas Short Term Asset Reserve Program), which is an investment service created by local governments for local governments. TexSTAR was organized in conformity with the interlocal cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These acts provide for the creation of public funds investment pools such as TexSTAR and authorize eligible governmental entities to invest their public funds in investment pools. Although all securities in the Fund are marked to market daily using the fair value method, amortized cost, which generally approximates the market value of securities, is utilized. For financial reporting purposes, TexSTAR uses the fair value method to report its investments. The stated objective of TexSTAR is to maintain a stable \$1 per unit net asset value. Section 2256.016(g)(1) of the Public Funds Investment Act requires TexSTAR to establish and maintain an advisory board composed of Participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Members are appointed and serve at the will of the Board. The names of the Advisory Board members are available on the TexSTAR website at www.texstar.org. The business and affairs of TexSTAR are managed by the Board in accordance with the bylaws (the "Bylaws"). The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements.

EPWater also participates in LOGIC (Local Government Investment Cooperative), which is a local government investment pool administered by Hilltop Securities and J.P. Morgan Chase. Portfolio assets are valued on the basis of the amortized cost valuation technique.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, or the investment pool's authority to impose liquidity fees or redemption gates.

The Water and Wastewater Utility cash equivalents and investments at February 29, 2024 and February 28, 2023 are categorized as summarized below:

February 29, 2024							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's	Pool's/Fund's	Credit Rating Standard and Poor's	Percent of Grand Total
		Less than 1 year	1-5 years	Weighted Average Maturity (days)	Weighted Average Maturity (days)		
Government Investment Pools Account							
TexPool	\$ 6,935,796	\$ 6,935,796	\$ -	1	34	AAAm	1.00%
TexPool Prime	118,212,683	118,212,683	-	1	42	AAAm	16.99%
TexSTAR	11,986,156	11,986,156	-	1	37	AAAm	1.72%
LOGIC	117,312,838	117,312,838	-	1	42	AAAm	16.86%
Total Pools	254,447,473	254,447,473	-				36.56%
Money Market Funds							
Fidelity Investment Money Market							
Treasury	94,317,459	94,317,459	-	1	42	AAAm	13.55%
Caval Hill US Treasury	29,172,732	29,172,732	-	1	17	Aaa-mf	4.19%
Allspring Treasury Plus Money Market Fund	44,967,946	44,967,946	-	1	43	Aaa-mf	6.46%
Total Money Market Funds	168,458,137	168,458,137	-				24.20%
Securities							
<u>Federal Agency Discount:</u>							
Federal Home Loan Bank Discount							
Notes	65,474,518	65,474,518	-	83		N/A	9.41%
US Treasury Notes	10,606,093	10,046,446	559,647	152		AA+	1.52%
Treasury Bill	83,993,710	83,993,710	-	76		AA+	12.07%
<u>Federal Agency Coupon</u>							
Federal Home Loan Bank	9,999,657	9,999,657	-	179		N/A	1.44%
Federal Agricultural Mortgage Corp	5,004,085	-	5,004,085	267		N/A	0.72%
Certificate of Deposit*	98,000,000	-	98,000,000	78		Not Rated	14.08%
Total Securities	273,078,063	169,514,331	103,563,732	88			39.24%
Portfolio Total	\$ 695,983,673	\$ 592,419,941	\$ 103,563,732	36			100.00%

*Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

February 28, 2023							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's Weighted Average Maturity (days)	Pool's/Fund's Weighted Average Maturity (days)	Credit Rating Standard and Poor's	Percent of Grand Total
		Less than 1 year	1-5 years				
Government Investment Pools Account							
TexPool	\$ 13,329,396	\$ 13,329,396	\$ -	1	15	AAAm	2.04%
TexPool Prime	80,842,544	80,842,544	-	1	26	AAAm	12.35%
TexSTAR	20,243,953	20,243,953	-	1	10	AAAm	3.09%
LOGIC	3,802,034	3,802,034	-	1	28	AAAm	0.58%
Total Pools	118,217,927	118,217,927	-				18.06%
Money Market Funds							
Fidelity Investment Money Market Treasury	76,202,408	76,202,408	-	1	47	AAAm	11.64%
Total Money Market Funds	76,202,408	76,202,408	-				11.64%
Securities							
<u>Federal Agency Discount:</u>							
<u>Federal Home Loan Bank Discount</u>							
Notes	116,625,918	116,625,918	-	96		N/A	17.81%
US Treasury Notes	85,898,531	85,898,531	-	31		AAA	13.12%
Federal Agency Coupon							
Federal Home Loan Bank	137,174,509	135,809,068	1,365,441	48		Aaa	20.95%
Federal National Mortgage Assoc.	13,684,560	13,684,560	-	83		AAA	2.09%
Federal Home Loan Bank Mortgage Corporation	33,144,435	33,144,435	-	96		AAA	5.06%
Federal Farm Credit Bank	12,560,681	508,000	12,052,681	91		AAA	1.92%
Freddie Mac	5,360,252	-	5,360,252	111		AAA	0.82%
Farmer Mac	43,294,718	43,294,718	-	211		N/A	6.61%
Certificate of Deposit*	6,000,000	6,000,000	-	126		Not Rated	0.92%
Municipal Bonds	6,577,456	6,517,596	59,860	96		A1	1.00%
Total Securities	460,321,060	441,482,826	18,838,234	77			70.31%
Portfolio Total	\$ 654,741,395	\$ 635,903,161	\$ 18,838,234	54			100.00%

*Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Municipal Drainage Utility cash equivalents and investments at February 29, 2024 and February 28, 2023 are categorized as summarized below:

February 29, 2024							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's Weighted Average Maturity (days)	Pool's/Fund's Weighted Average Maturity (days)	Credit Rating Standard and Poor's	Percent of Grand Total
		Less than 1 year	1-5 years				
Government Investment Pools Account							
TexPool	\$ 195,925	\$ 195,925	\$ -	1	34	AAA	0.24%
TexPool Prime	19,742,656	19,742,656	-	1	42	AAA	24.36%
TexStar	2,502,140	2,502,140	-	1	37	AAA	3.09%
LOGIC	20,214,163	20,214,163	-		42	AAA	24.94%
Total Pools	42,654,884	42,654,884	-				52.64%
Money Market Funds							
Fidelity Treasury Only Class III FOIXX	15,466,573	15,466,573	-	1	45	Aaa-mf	19.09%
State Street Institutional Treasury (TRVXX)	67,832	67,832	-	1	48		0.08%
Allspring 100% Treasury Money Market Fund	10,863,424	10,863,424	-	1	51	Aaa-mf	13.41%
Allspring Treasury Plus Money Market Fund	1,673,713	1,673,713	-	1	43	Aaa-mf	2.07%
Total Money Market Funds	28,071,542	28,071,542	-				34.64%
Securities							
<u>Federal Agencies:</u>							
Federal Home Loan Bank	3,848,690	3,848,690	-	256		N/A	4.75%
Federal Agency Discount:							
Federal Home Loan Bank Discount Note	432,559	432,559	-	8		Aaa	0.53%
Treasury Bills	3,029,604	3,029,604	-	100		AA+	3.74%
Certificate of Deposit*	3,000,000	-	3,000,000	85		Not Rated	3.70%
Total Securities	10,310,853	7,310,853	3,000,000	150			12.72%
Portfolio Total	\$ 81,037,279	\$ 78,037,279	\$ 3,000,000	20			100.00%

*Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

February 28, 2023							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's Weighted Average Maturity (days)	Pool's/Fund's Weighted Average Maturity (days)	Credit Rating Standard and Poor's	Percent of Grand Total
		Less than 1 year	1-5 years				
Government Investment Pools Account							
TexPool	\$ 186,058	\$ 186,058	\$ -	1	15	AAAm	0.36%
TexPool Prime	16,153,865	16,153,865	-	1	26	AAAm	31.31%
TexStar	4,332,534	4,332,534	-	1	10	AAAm	8.40%
Total Pools	<u>20,672,457</u>	<u>20,672,457</u>	<u>-</u>				<u>40.07%</u>
Money Market Funds							
Fed US Treasury Cash Res 632	14,824,979	14,824,979	-	1	42	AAAm	28.74%
Allspring 100% Treasury Money Market Fund	9,368,650	9,368,650	-	1	47	AAAm	18.16%
Total Money Market Funds	<u>24,193,629</u>	<u>24,193,629</u>	<u>-</u>				<u>46.90%</u>
Securities							
<u>Federal Agencies:</u>							
Federal Home Loan Bank	1,723,380	1,723,380	-	210		Aaa	3.34%
Federal Home Loan Mortgage Corporation	1,278,276	1,278,276	-	113		AAA	2.48%
Federal Farm Credit Bank	1,691,980	100,000	1,591,980	92		AAA	3.28%
<u>Federal Agency Discount:</u>							
Federal Home Loan Bank Discount Note	2,031,604	2,031,604	-	17		N/A	3.94%
Total Securities	<u>6,725,240</u>	<u>5,133,260</u>	<u>1,591,980</u>	<u>104</u>			<u>13.04%</u>
Portfolio Total	<u>\$ 51,591,326</u>	<u>\$ 49,999,346</u>	<u>\$ 1,591,980</u>	<u>19</u>			<u>100.00%</u>

Disclosures about Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Unadjusted inputs using quoted prices in active markets for identical investments.
- Level 2** Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.
- Level 3** Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Recurring Measurements

The following tables present the fair value measurements of assets for the Water and Wastewater Utility recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy at which the assets are measured at February 29, 2024 and February 28, 2023:

February 29, 2024	Fair Value Measurements Using			
Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
Securities				
U.S. Agencies	\$ 175,078,063	\$ -	\$ 175,078,063	\$ -
Total Securities	\$ 175,078,063	\$ -	\$ 175,078,063	\$ -

February 28, 2023	Fair Value Measurements Using			
Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
Securities				
U.S. Agencies	\$ 447,743,604	\$ -	\$ 447,743,604	\$ -
Municipal Bonds	6,577,456	-	6,577,456	-
Total Securities	\$ 454,321,060	\$ -	\$ 454,321,060	\$ -

Per GASB No. 72, non-negotiable certificates of deposit are not subject to fair value and are not subject to the fair value level disclosures.

Securities classified as Level 2 are valued using market closing prices under the market approach.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The following tables present the fair value measurements of assets for the Municipal Drainage Utility recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy at which the assets are measured at February 29, 2024 and February 28, 2023:

February 29, 2024	<u>Fair Value Measurements Using</u>			
<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities				
U.S. Agencies	\$ 7,310,853	\$ -	\$ 7,310,853	\$ -
Total Securities	<u>\$ 7,310,853</u>	<u>\$ -</u>	<u>\$ 7,310,853</u>	<u>\$ -</u>

February 28, 2023	<u>Fair Value Measurements Using</u>			
<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities				
U.S. Agencies	\$ 6,725,240	\$ -	\$ 6,725,240	\$ -
Total Securities	<u>\$ 6,725,240</u>	<u>\$ -</u>	<u>\$ 6,725,240</u>	<u>\$ -</u>

Per GASB No. 72, non-negotiable certificates of deposit are not subject to fair value and are not subject to the fair value level disclosures.

Securities classified as Level 2 are valued using market closing prices under the market approach.

Credit Risk

Credit risk is the risk of loss due to failure of an issuer not fulfilling its obligations.

EPWater minimizes credit risk by limiting investments to the safest types of securities as authorized by the investment policy and described on pages 47 and 48, and by pre-qualifying the financial institutions and broker/dealers that EPWater conducts business with.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

EPWater minimizes concentration of credit risk by diversifying the investment portfolio so that potential losses on individual securities will be minimized. In addition, they also invest in securities with varying maturities, and are continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs) and money market funds.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Diversification by investment type shall be established by the following maximum percentages of investment type to the total EPWater portfolio:

U.S. Government Securities	100%
State, Agencies, Counties, Cities, and other	50%
Certificates of Deposit	50%
Money Market Mutual Funds	80%
Eligible Investment Pools	100%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, EPWater will not be able to recover deposits or collateral securities that are in the possession of an outside party. For investments, the custodial credit risk, is the risk that, in the event of the failure of the counterparty to a transaction, EPWater will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

EPWater minimizes depository custodial credit risk by depositing and investing under the terms of a contract, contents of which are set out in the depository contract. The depository bank places approved pledged securities for safekeeping and trust with EPWater’s agent bank in an amount sufficient to protect EPWater funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

EPWater minimizes investment custodial credit risk by requiring that all collateral securities be held by a third party institution. EPWater requires full collateralization of all EPWater investments, other than investments which are obligations of the U.S. government and its agencies and instrumentalities, or by the Federal Reserve Bank, except the collateral for certificates of deposits in banks. The collateral for certificates of deposits in banks will be registered in EPWater’s name in the bank’s trust department or, alternatively, in a Federal Reserve Bank account in EPWater’s name.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of investments.

EPWater minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. It is also minimized by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The operating funds portfolio should have a weighted average maturity less than 270 days with a maximum of two years.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

EPWater does not directly invest in foreign securities; however, the money market funds might invest a minimal amount of the fund’s portfolio in foreign securities.

5. RECEIVABLES

No reserve has been provided for doubtful accounts as EPWater charges directly to income those accounts determined to be uncollectible. The accounts written off for the Water and Wastewater Utility during the years ended February 29, 2024 and February 28, 2023, totaled \$2,288,435 and \$2,905,993, respectively. The write-off for the Municipal Drainage Utility for fiscal year ending February 29, 2024 and February 28, 2023, totaled \$162,685 and \$143,999, respectively. Management is of the opinion that any additional losses resulting from the collection of receivables will not be material.

EPWater uses the cycle method of billing customers for services. Under this method, customer billings are made by specified cycles established for the service area and each cycle is billed on a specific day each month. For financial reporting purposes, billings made in March which relate to services provided for the month of February are included in customer accounts receivable as unbilled charges. These amounts are summarized as follows for the fiscal years included in the accompanying financial statements:

	2024	2023
Water and Wastewater Utility		
Water	\$ 5,618,206	\$ 4,236,513
Wastewater	6,831,968	5,997,046
Total unbilled accounts receivable	\$ 12,450,174	\$ 10,233,559

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

6. INTERFUND BALANCES AND TRANSACTION ACTIVITY

Interfund Balances - The following interfund balances are the result of normal operations and are periodically cleared out. Management intends to pay these balances within one year.

		February 29, 2024	
		Due from Other Funds	Due to Other Funds
Water and Wastewater Utility		\$ -	\$ 39,501
Municipal Drainage Utility		39,501	-
Total		\$ 39,501	\$ 39,501
		February 28, 2023	
		Due from Other Funds	Due to Other Funds
Water and Wastewater Utility		\$ -	\$ 271,568
Municipal Drainage Utility		271,568	-
Total		\$ 271,568	\$ 271,568

Interfund Charges - The following eliminations were done in order to eliminate duplicate transactions at the overall entity level for revenue and expenses between the two funds.

		February 29, 2024	
		Water and Wastewater Utility	Municipal Drainage Utility
Water revenue		\$ 8,178	\$ -
Drainage fee revenue		-	171,482
Rent revenue - water and wastewater		24,000	-
Operations and maintenance - water and reclaimed water		(61,611)	-
Operations and maintenance - wastewater		(75,489)	-
General, administrative and engineering		2,350,618	-
Operation and maintenance - drainage		-	(32,178)
Indirect cost allocation		-	(2,385,000)
Total		\$ 2,245,696	\$ (2,245,696)

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

6. INTERFUND BALANCES AND TRANSACTION ACTIVITY (Continued)

	February 28, 2023	
	Water and Wastewater Utility	Municipal Drainage Utility
Water revenue	\$ 11,456	\$ -
Drainage fee revenue	-	155,124
Rent revenue - water and wastewater	24,000	-
Operations and maintenance - water and reclaimed water	(57,491)	-
Operations and maintenance - wastewater	(67,727)	-
General, administrative and engineering	1,726,094	-
Operation and maintenance - drainage	-	(35,456)
Indirect cost allocation	-	(1,756,000)
Total	\$ 1,636,332	\$ (1,636,332)

Indirect Cost Allocation - The indirect cost allocation from the Water and Wastewater Utility to the Municipal Drainage Utility is to pay for indirect costs that the Water and Wastewater Utility incurs related to the general and administrative functions to manage the Municipal Drainage Utility. For fiscal years 2024 and 2023, the budgeted and actual indirect cost were \$2,385,000 and \$1,756,000, respectively. During the budget process the indirect cost allocation will be adjusted based on estimated indirect costs.

Interfund Land - The following interfund balances are the result of land transactions between the Water and Wastewater Utility and the Municipal Drainage Utility to preserve the land as open space.

In fiscal year ending February 29, 2020, the Water and Wastewater Utility transferred/sold 1,005.79 acres to the Municipal Drainage Utility for \$11,300,000 of which the first payment of \$5,000,000 was made in fiscal year 2020. The second payment of \$2,000,000 was made in fiscal year 2021, a third payment of \$1,500,000 in fiscal year 2022, and a fourth payment of \$1,500,000 was made in fiscal year 2023. The final payment of \$2,000,000 was made in fiscal year 2024. In fiscal year ending February 28, 2022, the Water and Wastewater Utility transferred/sold 1,056 acres to the Municipal Drainage Utility for a sales price of \$14,044,800 of which the first payment of \$2,000,000 was made in fiscal year 2022. A second payment of \$2,000,000 was made in fiscal year 2023, and a third payment of \$2,000,000 was made in fiscal year 2024 with the remaining balance to be paid in five years.

An elimination of \$287,000 is presented on the Enterprise fund statements for fiscal year 2023 for the gain on the sale of land in fiscal year 2023 which is the sales price of \$287,000 less the carrying cost of \$0.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

6. INTERFUND BALANCES AND TRANSACTION ACTIVITY (Continued)

The following table presents the balance remaining on the land transfers:

	February 29, 2024	
	Due from Municipal Drainage	Due to Water and Wastewater
Water and Wastewater Utility	\$ 8,044,800	\$ -
Municipal Drainage Utility	-	8,044,800
Total	\$ 8,044,800	\$ 8,044,800
	February 28, 2023	
	Due from Municipal Drainage	Due to Water and Wastewater
Water and Wastewater Utility	\$ 11,344,800	\$ -
Municipal Drainage Utility	-	11,344,800
Total	\$ 11,344,800	\$ 11,344,800

7. WATER AND WASTEWATER UTILITY GOVERNMENT GRANTS RECEIVABLE

The Water and Wastewater Utility had \$6,020,525 and \$1,943,564 in Federal and Non-Federal grants receivable for years ended February 29, 2024 and February 28, 2023, respectively. EPWater received funding from the Texas Water Development Board through the Economically Distressed Areas Program and in accordance with Texas Water Code, Chapter 16, Section 16.356. EPWater did not use any revenue received from fees collected from water supply or sewer service constructed in whole or in part from funds from the Economically Distressed Areas Program account for purposes other than utility purposes.

<u>Government Grant Projects</u>	2024	2023
<u>Federal Grants</u>		
Northwest Development Water and Sewer - EDA #08-01-05242	\$ 212,855	\$ -
Kay Bailey Hutchison Desalination Facility - USBR #R20AP00339	-	53,691
Aquifer Storage and Recovery Design - USBR #R21AP10323	72,550	2,772
Aquifer Storage and Recovery Construction - USBR #R22AP00675	426,164	-
Advanced Water Purification Facility - USBR #R23AP00273	1,066,137	-
Military Installation Resilience - DOD - #HQ00052210026	-	77,513
ARPA County of El Paso Water and Wastewater-DOT #SLFRP1174	261,527	-
ARPA Village of Vinton Water and Wastewater-DOT #SLFRP4644	98,595	-
<u>Non-Federal Grants</u>		
Montana Vista Collector Phase 1 - TWDB Project #10438 G1000915	753,015	947,753
Aquifer Storage and Recovery - DEAAG #2020-02-09	3,129,682	861,835
Totals	\$ 6,020,525	\$ 1,943,564

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8. ACCOUNTS RECEIVABLE LAND TRANSFERS - CITY OF EL PASO

During the fiscal year ending February 28, 2022, EPWater transferred 2,313 acres of land to the City of El Paso's for \$18,600,000 for economic development. In addition, the City of El Paso agreed to pay EPWater in 30 equal payments beginning August 31, 2022 at an interest rate of 1.758%. As of February 29, 2024, the balance was \$17,639,386.

During the fiscal year ending February 28, 2017, EPWater transferred land totaling 42.7209 acres to the City of El Paso's land inventory. The City of El Paso agreed to pay EPWater \$4,275,542 for Parcel A when the City of El Paso completes the sale of Parcel A for economic development. In addition, the City agreed to pay EPWater \$4,949,500 for Parcel B in 15 equal payments commencing September 30, 2020. As of February 29, 2024, the balance remaining on Parcel B was \$3,629,634. As of February 29, 2024, the City had not yet sold Parcel A that the \$4,275,542 payment is contingent upon and thus it is reported as long term.

The following is a list of the principal payments due from the City.

<u>Year ended February</u>	<u>Amount</u>
2025	\$ 822,979
2026	831,643
2027	840,463
2028	849,437
2029	858,569
2030 - 2034	4,435,549
2035 - 2039	3,369,310
2040 - 2044	3,316,062
2045 - 2049	3,617,973
2050 - 2052	<u>2,327,035</u>
Total	21,269,020
Due upon sale of land	<u>4,275,542</u>
Total Receivable	<u>\$ 25,544,562</u>
Less current portion	<u>(822,979)</u>
Noncurrent receivable	<u>\$ 24,721,583</u>

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

9. LEASES RECEIVABLE

Water and Wastewater Utility

As discussed in Note 1, EPWater implemented GASB No. 87, Leases, as of March 1, 2021. The Water and Wastewater Utility as lessor has several land lease agreements. The lease terms at March 1, 2021 varied from 2 to 60 years with total annual payments varying from \$2,941 to \$806,028, paid on a monthly, quarterly and annual basis. Additionally, for new leases entered into during fiscal years 2024 and 2023, a receivable balance in the amount of \$3,275,083 and \$616,850, respectively, was established. The leases receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term using EPWater's estimated incremental borrowing rates ranging from 0.28% to 3.73%. Lease revenue recognized by the Water and Wastewater Utility at February 29, 2024 and February 28, 2023 was \$2,742,909 and \$2,673,044, respectively and interest revenue recognized was \$886,857 and \$799,702, respectively. At February 29, 2024 and February 28, 2023, the Water and Wastewater Utility reported a total receivable of \$53,512,194 and \$52,856,772, respectively, with a current portion of \$2,237,838 and \$2,153,979, respectively, and a noncurrent portion of \$51,274,356 and \$50,702,793, respectively. A related deferred inflow of resources is also recognized in the amount of \$53,315,205 and \$53,191,388, which will be recognized as revenue over the lease terms. As of February 29, 2024 and February 28, 2023, the Water and Wastewater Utility reported recognized inflows of resources for variable payments not previously included in the measurement of the lease receivable in the amount of \$209,461 and \$262,684, respectively.

Water and Wastewater Utility Fund annual future receivable payments are as follows:

Year Ending February,	Principal	Interest	Total
2025	\$ 2,237,838	\$ 794,693	\$ 3,032,531
2026	2,285,693	849,318	3,135,011
2027	2,212,549	824,828	3,037,377
2028	2,269,002	793,239	3,062,241
2029	2,321,668	770,492	3,092,160
2030 - 2034	11,355,419	3,302,888	14,658,307
2035 - 2039	10,413,907	2,445,194	12,859,101
2040 - 2044	8,850,025	1,599,790	10,449,815
2045 - 2049	4,082,635	1,042,989	5,125,624
2050 - 2054	2,167,203	781,211	2,948,414
2055 - 2059	1,627,634	595,817	2,223,451
2060 - 2064	414,723	507,335	922,058
2065 - 2069	463,016	459,042	922,058
2070 - 2074	518,519	403,539	922,058
2075 - 2079	581,550	340,508	922,058
2080 - 2084	427,992	273,037	701,029
2085 - 2089	254,992	225,008	480,000
2090 - 2094	307,363	172,637	480,000
2095 - 2099	370,303	109,697	480,000
2100 - 2104	350,163	33,836	383,999
Total	<u>\$ 53,512,194</u>	<u>\$ 16,325,098</u>	<u>\$ 69,837,292</u>

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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9. LEASES RECEIVABLE (Continued)

Municipal Drainage Utility

The Municipal Drainage Utility as lessor has several land lease agreements. The lease terms at March 1, 2021 varied from 2 to 24 years with total annual payments varying from \$2,750 to \$29,504, paid on a monthly and annual basis. Additionally, for new leases entered into during fiscal years 2024 and 2023, a receivable in the amount of \$46,874 and \$314,044, respectively, was established. The leases receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term using EPWater's estimated incremental borrowing rates ranging from 0.25% to 3.93%. Lease revenue recognized by the Municipal Drainage Utility at February 29, 2024 and February 28, 2023 was \$60,628 and \$88,051, respectively and interest revenue recognized was \$17,188 and \$12,489, respectively. As of February 29, 2024 and February 28, 2023, the Municipal Drainage Utility reported a total receivable of \$803,251 and \$801,391, respectively, with a current portion of \$41,581 and \$42,819, respectively, and a noncurrent portion of \$761,670 and \$758,572, respectively. A related deferred inflow of resources is also recognized in the amount of \$787,043 and \$800,797, respectively, which will be recognized as revenue over the lease terms.

Municipal Drainage Utility Fund annual future receivable payments are as follows:

Year Ending February,	Principal	Interest	Total
2025	\$ 41,581	\$ 16,944	\$ 58,525
2026	31,359	16,346	47,705
2027	33,123	15,797	48,920
2028	34,963	15,208	50,171
2029	36,944	14,617	51,561
2030 - 2034	221,616	61,716	283,332
2035 - 2039	241,248	39,334	280,582
2040 - 2044	112,551	15,427	127,978
2045 - 2049	5,188	9,958	15,146
2050 - 2054	-	11,450	11,450
2055 - 2059	-	13,273	13,273
2060 - 2064	-	15,387	15,387
2065 - 2069	-	17,838	17,838
2070 - 2074	7,084	13,595	20,679
2075 - 2079	17,754	6,219	23,973
2080 - 2083	19,840	2,058	21,898
Total	<u>\$ 803,251</u>	<u>\$ 285,167</u>	<u>\$ 1,088,418</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS

Components of the capital assets for the Water and Wastewater Utility are summarized as follows:

	Restated Beginning Balance 03/01/2023	Additions	Transfers	Deletions	Ending Balance 02/29/2024
Utility plant, not being depreciated:					
Land and right-of-way	\$ 20,327,847	\$ -	\$ 431,498	\$ -	\$ 20,759,345
Land	291,709,823	-	2,001,948	604,001	293,107,770
Construction work in progress	472,608,655	373,099,931	(217,256,415)	-	628,452,171
Total utility plant, not being depreciated:	784,646,325	373,099,931	(214,822,969)	604,001	942,319,286
Utility plant and irrigation water rights being depreciated and amortized:					
Irrigation water rights contracts	15,209,481	482,260	-	-	15,691,741
Buildings and shops	68,827,540	-	1,365,975	-	70,193,515
Vehicles	36,553,979	-	7,408,694	434,386	43,528,287
Equipment and tools	81,120,734	15,598	2,407,607	496,509	83,047,430
Water system	1,505,262,968	9,549,462	86,147,554	4,453,127	1,596,506,857
Wastewater system	977,744,362	5,912,538	117,493,139	313,659	1,100,836,380
Total utility plant, being depreciated and amortized	2,684,719,064	15,959,858	214,822,969	5,697,681	2,909,804,210
Right-to-use lease assets:					
Land	5,233,605	-	-	-	5,233,605
Vehicles	341,082	-	-	-	341,082
Equipment	241,603	-	-	-	241,603
Total Right-to-use lease assets	5,816,290	-	-	-	5,816,290
Subscription-based IT arrangements (SBITAs)	3,935,564	322,398	-	-	4,257,962
Less accumulated depreciation and amortization for:					
Irrigation water rights contracts	(2,455,438)	(206,008)	-	-	(2,661,446)
Buildings and shops	(21,375,540)	(2,706,694)	-	-	(24,082,234)
Vehicles	(28,771,034)	(3,149,558)	-	(434,386)	(31,486,206)
Equipment and tools	(48,324,938)	(2,829,791)	-	(496,509)	(50,658,220)
Water system	(695,791,427)	(41,655,319)	-	(4,453,127)	(732,993,619)
Wastewater system	(553,261,755)	(26,026,345)	-	(313,659)	(578,974,441)
Total accumulated depreciation and amortization	(1,349,980,132)	(76,573,715)	-	(5,697,681)	(1,420,856,166)
Less accumulated amortization for Right-to-use lease assets:					
Land	(310,828)	(153,795)	-	-	(464,623)
Vehicles	(207,590)	(103,795)	-	-	(311,385)
Equipment	(121,890)	(60,944)	-	-	(182,834)
Subscription-based IT arrangements (SBITAs)	(1,126,118)	(1,225,692)	-	-	(2,351,810)
Total accumulated amortization	(1,766,426)	(1,544,226)	-	-	(3,310,652)
Total utility plant capital assets being depreciated and amortized, net	1,342,724,360	(61,835,685)	214,822,969	-	1,495,711,644
Utility plant	\$ 2,127,370,685	\$ 311,264,246	\$ -	\$ 604,001	\$ 2,438,030,930

Total depreciation and amortization charged to operations for the year ended February 29, 2024 was \$78,117,941.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

Land not in service is essentially unimproved land that EPWater has purchased for its surface and ground water rights. EPWater owns a total of 168,760.46 acres of land, which includes 20,494.12 acres in El Paso County, 76,437.39 acres in Hudspeth, Presidio, Jeff Davis, and Culberson County, 71,005.12 acres in Dell City, and 823.83 acres in New Mexico.

Components of the capital assets for the Water and Wastewater Utility are summarized as follows:

	Restated Beginning Balance 03/01/2022	Additions	Transfers	Deletions	Restated Ending Balance 02/28/2023
Utility plant, not being depreciated:					
Land and right-of-way	\$ 19,765,735	\$ -	\$ 562,112	\$ -	\$ 20,327,847
Land	291,720,664	-		10,841	291,709,823
Construction work in progress	341,589,144	254,210,825	(123,191,314)	-	472,608,655
Total utility plant, not being depreciated:	653,075,543	254,210,825	(122,629,202)	10,841	784,646,325
Utility plant and irrigation water rights being depreciated and amortized:					
Irrigation water rights contracts	14,456,372	753,109	-	-	15,209,481
Buildings and shops	43,792,760	1,665	25,048,515	15,400	68,827,540
Vehicles	35,025,059	-	2,644,108	1,115,188	36,553,979
Equipment and tools	32,055,933	61,685	111,078	110,048	32,118,648
Management information systems	22,621,342	-	28,620,847	2,240,103	49,002,086
Water system	1,458,564,696	8,517,913	43,313,028	5,132,669	1,505,262,968
Wastewater system	951,120,518	3,808,074	22,891,626	75,856	977,744,362
Total utility plant, being depreciated and amortized:	2,557,636,680	13,142,446	122,629,202	8,689,264	2,684,719,064
Right to use lease assets:					
Land	5,233,605	-	-	-	5,233,605
Vehicles	341,082	-	-	-	341,082
Equipment	241,603	-	-	-	241,603
Total Right-to-use lease assets	5,816,290	-	-	-	5,816,290
Subscription-based IT arrangements (SBITAs)	3,707,942	227,622	-	-	3,935,564
Less accumulated depreciation and amortization for:					
Irrigation water rights contracts	(2,257,666)	(197,772)	-	-	(2,455,438)
Buildings and shops	(19,210,787)	(2,180,153)	-	(15,400)	(21,375,540)
Vehicles	(26,690,477)	(3,195,745)	-	(1,115,188)	(28,771,034)
Equipment and tools	(26,977,996)	(802,800)	-	(110,048)	(27,670,748)
Management information systems	(21,855,998)	(1,038,295)	-	(2,240,103)	(20,654,190)
Water system	(661,680,927)	(39,243,169)	-	(5,132,669)	(695,791,427)
Wastewater system	(529,426,690)	(23,910,921)	-	(75,856)	(553,261,755)
Total accumulated depreciation and amortization	(1,288,100,541)	(70,568,855)	-	(8,689,264)	(1,349,980,132)
Less accumulated amortization for:					
Right to use lease asset					
Land	(155,414)	(155,414)	-	-	(310,828)
Vehicles	(103,795)	(103,795)	-	-	(207,590)
Equipment	(60,945)	(60,945)	-	-	(121,890)
Subscription-based IT arrangements (SBITAs)	-	(1,126,118)	-	-	(1,126,118)
Total accumulated amortization	(320,154)	(1,446,272)	-	-	(1,766,426)
Total utility plant capital assets being depreciated and amortized, net	1,278,740,217	(58,645,059)	122,629,202	-	1,342,724,360
Utility plant	\$ 1,931,815,760	\$ 195,565,766	\$ -	\$ 10,841	\$ 2,127,370,685

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

Total depreciation and amortization charged to operations for the year ended February 28, 2023 was \$72,015,127.

Land not in service is essentially unimproved land that EPWater has purchased for its surface and ground water rights. EPWater owns a total of 167,279.53 acres of land, which includes 20,538.57 acres in El Paso County, 74,867.39 acres in Hudspeth, Presidio, Jeff Davis, and Culberson County, 71,005.12 acres in Dell City, and 868.45 acres in New Mexico.

Components of the capital assets for the Municipal Drainage Utility (MDU) are summarized as follows:

	Restated Beginning Balance 03/01/2023	Additions	Transfers	Deletions	Ending Balance 02/29/2024
MDU non-depreciable assets					
Land and right-of-way	\$ 71,666,966	\$ -	\$ 13,529,481	\$ 3,310,000	\$ 81,886,447
Construction work in progress	43,105,943	63,873,952	(34,724,206)	-	72,255,689
Total MDU non-depreciable assets	114,772,909	63,873,952	(21,194,725)	3,310,000	154,142,136
MDU depreciable assets					
Drainage implementation costs	544,106	-	-	-	544,106
Buildings and shops	895,357	-	84,492	-	979,849
Vehicles	6,307,633	-	637,751	244,478	6,700,906
Equipment and tools	1,247,298	-	-	7,510	1,239,788
Drainage system	189,199,439	-	20,472,482	-	209,671,921
Total MDU depreciable assets	198,193,833	-	21,194,725	251,988	219,136,570
Subscription-based IT arrangements (SBITAs)	58,865	-	-	-	58,865
Less accumulated depreciation for:					
Drainage implementation costs	(544,106)	-	-	-	(544,106)
Buildings and shops	(94,850)	(37,504)	-	-	(132,354)
Vehicles	(5,716,676)	(216,176)	-	(244,478)	(5,688,374)
Equipment and tools	(1,186,239)	(46,428)	-	(7,510)	(1,225,157)
Drainage system	(26,869,137)	(4,068,042)	-	-	(30,937,179)
Total accumulated depreciation	(34,411,008)	(4,368,150)	-	(251,988)	(38,527,170)
Less accumulated amortization for:					
Subscription-based IT arrangements (SBITAs)	(16,673)	(16,673)	-	-	(33,346)
Total MDU depreciable assets	163,825,017	(4,384,823)	21,194,725	-	180,634,919
MDU	\$278,597,926	\$ 59,489,129	\$ -	\$ 3,310,000	\$334,777,055

Total depreciation and amortization charged to operations for the year ended February 29, 2024 was \$4,384,823.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

Components of the capital assets for the Municipal Drainage Utility (MDU) are summarized as follows:

	Restated Beginning Balance 03/01/2022	Additions	Transfers	Deletions	Restated Ending Balance 02/28/2023
MDU non-depreciable assets					
Land and right-of-way	\$ 56,999,449	\$ -	\$ 18,167,517	\$ 3,500,000	\$ 71,666,966
Construction work in progress	47,945,387	33,173,191	(38,012,635)	-	43,105,943
Total MDU non-depreciable assets	<u>104,944,836</u>	<u>33,173,191</u>	<u>(19,845,118)</u>	<u>3,500,000</u>	<u>114,772,909</u>
MDU depreciable assets					
Drainage implementation costs	544,106	-	-	-	544,106
Buildings and shops	765,655	-	129,702	-	895,357
Vehicles	6,266,377	-	422,331	381,075	6,307,633
Equipment and tools	1,211,175	36,123	-	-	1,247,298
Drainage system	169,906,354	-	19,293,085	-	189,199,439
Total MDU depreciable assets	<u>178,693,667</u>	<u>36,123</u>	<u>19,845,118</u>	<u>381,075</u>	<u>198,193,833</u>
Subscription-based IT arrangements (SBITAs)	<u>58,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,865</u>
Less accumulated depreciation for:					
Drainage implementation costs	(544,106)	-	-	-	(544,106)
Buildings and shops	(61,630)	(33,220)	-	-	(94,850)
Vehicles	(5,843,821)	(253,930)	-	(381,075)	(5,716,676)
Equipment and tools	(1,141,617)	(44,622)	-	-	(1,186,239)
Drainage system	(23,198,751)	(3,670,386)	-	-	(26,869,137)
Total accumulated depreciation	<u>(30,789,925)</u>	<u>(4,002,158)</u>	<u>-</u>	<u>(381,075)</u>	<u>(34,411,008)</u>
Less accumulated amortization for: Subscription-based IT arrangements (SBITAs)	<u>-</u>	<u>(16,673)</u>	<u>-</u>	<u>-</u>	<u>(16,673)</u>
Total MDU depreciable assets, net	<u>147,962,607</u>	<u>(3,982,708)</u>	<u>19,845,118</u>	<u>-</u>	<u>163,825,017</u>
Total MDU assets, net	<u>\$252,907,443</u>	<u>\$ 29,190,483</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$278,597,926</u>

Total depreciation and amortization charged to operations for the year ended February 28, 2023 was \$4,018,831.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

Water and Wastewater Utility construction work in progress at February 29, 2024 and February 28, 2023, composed of the following:

	<u>February 29, 2024</u>	
	<u>Estimated Cost</u>	<u>Cost Incurred To Date</u>
<u>Water Projects</u>		
Hawkins Administration Building	\$ 75,893,360	\$ 14,895,387
Advanced Water Treatment Facility - Engineering	35,019,676	13,326,790
Aquifer Storage and Recovery - Phase I	24,836,490	7,664,908
Heath De Leon Tank and Pump Station - Engineering	23,093,154	1,096,543
Montana Waterline Replacement	21,109,000	478,428
Well Construction, Equipping, Drilling and Testing	21,004,750	11,830,437
Texas Senate Bill 3 Backup Energy Compliance	20,296,645	3,304,775
Pumping System Improvements and Rehabilitation	16,269,006	15,409,007
Riverside International Industrial Center - Phase I	16,181,463	3,062,474
Eastwood Reservoir Roof Rehabilitation	14,390,600	12,352,714
Airport Booster Station Replacement - Engineering	13,766,664	8,335,792
Montana East 36" Water Line - Design	13,220,503	12,346,170
Joe Caro Pump Station Reconstruction	12,120,505	2,133,231
Gas Line Crossings - Construction	11,635,200	6,387,194
Airport Well Collector 30" Water Main Replacement	11,179,973	8,766,543
Planned Water Line Replacement Program	10,433,000	6,515,366
Mesa Street, Crestmont to Festival 30" Water Line	10,193,412	9,317,389
John Hayes 24" Water Line Main Extension	9,957,093	8,735,809
Northeast Development Wells Drilling	9,078,000	6,045,998
Water Routine Construction On-Call Services Program	8,935,200	4,780,629
Pumping Systems Emergency Rehabilitation	8,670,000	1,574,696
Ranchos Real Pump Station - Design	8,455,800	5,381,749
Franklin East Water Line - Design	7,630,621	323,621
Jonathan Rogers WTP Power Reliability Upgrade	7,497,000	647,067
TXDOT Loop 375 - Montana to Spur 601	6,080,749	5,553,521
Jonathan Rogers WTP Settling Pond Gate Improvements - Design	6,028,118	2,310,901
Water and Wastewater Vehicles and Heavy Equipment	6,013,118	-
Well Rehabilitation	5,975,298	2,870,769
Planned Water Line Replacement Phase XIII - Design	5,849,840	1,292,729
Northeast Dyer/Railroad 16" Water Line Extension	5,636,521	2,633,498
Cross Feeder Main Valve Replacement	5,484,540	4,444,063
Ortho-Polyphosphate Treatment - Construction	5,334,600	4,810,579
Mountain Parks Water Line Extension - Construction	5,304,000	5,129,421
North 2 Pump Station - Construction	4,933,877	4,871,375
Northwest Water Distribution Mains	4,834,800	4,591,010
Ridgecrest Tank - Land Acquisition	4,750,000	4,701,342
Southside Road Reconstruction	4,569,600	3,973,406
Woods Water Storage Reservoir Rehabilitation	4,468,620	4,096,698
Granular Activated Carbon Replacement	4,408,197	-
McGregor 16" Water Line Extension - Design	4,401,300	174,127

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

	February 29, 2024	
	<u>Estimated Cost</u>	<u>Cost Incurred To Date</u>
Water Rights - Land Acquisition	4,334,377	-
TXDOT Borderland Expressway Water Mains	4,145,280	1,669,190
Yandell 24" Water Main Replacement	4,120,800	212,748
PeopleSoft Financials Upgrade	4,080,000	-
Sheridan 16" Water Line Replacement - Design	3,972,900	478,358
Leak Detection Loggers	3,890,606	2,519,726
Sierra Crest 1-2, Mountain Park 2 - Design	3,723,000	372,183
Riverside Canal Bridge and Access	3,493,500	3,792,862
Delta Drive Water Line Replacement	3,368,100	2,926,576
Cielo Vista Blend Tank Replacement	3,366,383	3,138,167
Airport Well Field Corridor F	3,320,100	2,802,204
Vinton (Westway) 1.25 MG Tank Construction	3,309,753	3,144,121
Disinfection Byproducts Removal at Crown Point and Nevins	3,264,000	2,015,021
TXDOT Mesa Paving - Water Improvements	3,080,400	1,946,588
Canal Street WTP Actuators Replacement	3,065,100	859,957
Canal Street WTP Primary Sedimentation Basin Covers	3,060,000	2,512,232
Pico Norte Elevated Tank Land Acquisition	3,000,000	870,725
TXDOT US 62 Montana Global Reach to Tierra Este	2,943,861	2,248,862
Jonathan Rogers WTP Transmission Pipeline Surge Protection Tanks - Construction	2,831,624	2,820,229
North I - East Reservoir Roof Rehabilitation - Design	2,774,400	1,479,179
EDA Northwest Development Waterline Extension	2,556,000	-
Electromagnetic Conditional Assessment	2,518,897	2,388,092
Canal Street WTP Raw Water Intake Screens	2,499,000	2,424,861
Sean Haggerty 16" Water Line Extension Phase I - Construction	2,417,400	1,747,823
Plant Equipment Maintenance Shop - Construction	2,376,000	2,176,258
Upper Valley - Strahan 36" Water Line 2A	2,365,380	783,472
Supplement Oversized Water Lines	2,300,000	1,310,649
Jonathan Rogers WTP Equipment Replacement	2,225,000	1,005,369
Advanced Water Purification Facility Well Flow Lines	2,142,000	27,971
Westway Booster Station Improvements - Design	2,060,400	205,056
Pecos Street Water Line Replacement	2,040,510	1,679,070
Other Water Projects Under \$2,000,000	114,256,812	59,352,362
	<hr/>	<hr/>
Subtotal - Water Projects	703,841,876	325,076,067

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

	<u>February 29, 2024</u>	
	<u>Estimated Cost</u>	<u>Cost Incurred To Date</u>
<u>Wastewater Projects</u>		
Roberto R. Bustamante WWTP Expansion and Upgrade - Construction	\$ 248,316,897	\$ 24,001,436
Roberto R. Bustamante WWTP Grit Screen	175,473,204	53,881,650
Frontera New Force Main Phase III	62,637,486	22,256,018
John T. Hickerson WRF Train Improvements	33,508,630	30,776,116
Fred Hervey WRP Headworks and Filter Improvements	31,237,419	2,814,279
John T. Hickerson WRF Emergency Backup Power	28,653,890	1,232,256
Roberto R. Bustamante WWTP Digester #2 Rehabilitation	15,168,609	9,643,231
Grouse Lift Station Phase VI - Construction	14,475,710	9,781,089
Luckett Court Wastewater Line Replacement	12,378,800	10,518,135
On-Call Manhole Rehabilitation	11,734,080	7,693,843
Northeast Dyer/Railroad Lift Station - Construction	10,967,740	3,901,284
Sewer Construction On-Call Services Program	9,832,752	3,157,727
Haskell R. Street WWTP Emergency Generator	8,812,800	354,842
Country Club and Sunset Lift Station Rehabilitation	8,486,400	5,459,198
Fred Hervey WRP Emergency Generator	8,304,840	352,713
Northwest Area First Time Wastewater Area No. 1	7,650,000	-
Boone Interceptor Phase II - Construction	7,548,000	4,741,017
Northeast Interceptor System	7,211,400	5,741,954
John T. Hickerson WRF Screens Rehabilitation	6,487,200	1,601,662
Prado, Mansfield and Knowles Lift Station	6,078,180	479,436
Miranda and Roxanne Sewer Relief Line	5,837,460	4,926,528
Northeast Dyer/Railroad 18" and 36" Interceptor	5,753,073	5,640,396
Sunland Park Lift Station Rehabilitation - Construction	5,712,000	4,709,990
Fred Hervey WRP Clarifier Replacement Project - Construction	5,628,360	3,977,118
Fred Hervey WRP Blower Building - Construction	5,599,800	4,959,114
Northeast Dyer/Railroad 36" Sewer Interceptor Phase IV - Design	5,251,913	182,473
Frontera Lift Station Header Rehabilitation	5,100,000	2,856,000
Fred Hervey Road Access - Design	4,902,001	316,510
Doniphan Wastewater Collector - Construction	4,590,000	4,422,840
Energy Management Master Plan Wastewater Systems - Construction	4,590,000	1,891,065
Haskell R. Street WWTP Upgrades and Rehabilitation	4,439,040	12,621
Air Release Valve Rehabilitation Phase I - East	4,388,040	88,415
Northeast Dyer/Railroad Interceptor Extension Phase III	4,013,700	171,810
Alameda Sewer Line Replacement - Construction	3,871,920	3,066,161
Independence Interceptor Mansfield and Prado - Design	3,825,000	189,374
Alfalfa Lift Station Rehabilitation - Design	3,799,500	732,306
Mesquite Hills Wastewater Collector Line	3,774,000	-
Bird Avenue/RiverBend to Doniphan Sewer Collection Main	3,416,976	3,396,151
Mesa Del Castillo Lift Station - Decommissioning 8" Sewer Line	3,060,000	1,230,757
Roberto R. Bustamante WWTP Electric Rooms HVAC Improvements	3,050,800	2,246,964
Haskell R. Street WWTP Chlorine Scrubber Replacement	2,994,720	2,402,907
Zaragoza Sewer Line Replacement - Design	2,866,200	2,688,876

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

	February 29, 2024	
	Estimated Cost	Cost Incurred To Date
Sean Haggerty Sewer Interceptor Phase I - Construction	2,805,000	2,355,312
Wastewater Field Office Reconstruction	2,687,139	2,363,281
Wastewater Facilities Rehabilitation	2,590,800	2,017,998
Coronado Country Club III Reclaimed Tank Rehabilitation - Design	2,547,960	101,023
EDA Northwest Development Wastewater Line Extension	2,500,491	2,074,505
Supplement Oversized Wastewater Lines	2,500,000	1,749,000
Wastewater Pipe Rehabilitation - Capacity, Management, Operation, and Maintenance	2,431,680	1,912,751
Coronado I Tank Rehabilitation	2,197,078	158,651
Wastewater Plant Power Upgrades	2,172,478	14,176
Pellicano Wastewater Improvements Loop 375 County Project - Construction	2,079,984	1,807,705
Pecos Street Sewer Line Rehabilitation	2,040,000	1,417,856
Other Wastewater Projects Under \$2,000,000	79,605,576	38,907,584
	917,586,726	303,376,104
Subtotal-Wastewater Projects		
Totals	\$ 1,621,428,602	\$ 628,452,171
	February 28, 2023	
	Estimated Cost	Cost Incurred To Date
<u>Water Projects</u>		
Texas Senate Bill 3 Backup Energy Compliance	\$ 44,999,106	\$ -
Heath De Leon Tank and Pump Station - Engineering	23,103,199	809,400
Well Construction, Equipping, Drilling and Testing	17,020,991	11,550,691
Pumping System Improvements and Rehabilitation	16,582,548	10,305,324
Riverside International Industrial Center - Phase I	16,181,463	2,563,699
Airport Booster Station Replacement - Engineering	13,766,664	1,946,000
Advanced Water Treatment Facility - Engineering	13,509,917	10,550,175
Montana East 36" Water Line - Design	13,220,503	1,058,592
Aquifer Storage and Recovery - Phase I	12,856,830	930,630
Hawkins Administration Building	15,014,000	3,409,274
Sunset Reservoir Rehabilitation - Construction	12,392,000	8,016,487
Joe Caro Pump Station Reconstruction	12,120,000	-
Kay Bailey Hutchison Desalination Plant Expansion	11,766,500	839,033
Gas Line Crossings - Construction	11,702,100	1,548,281
Airport Well Collector 30" Water Main Replacement	11,179,973	1,592,751
Planned Water Line Replacement Program	11,140,000	1,023,886
John Hayes 24" Water Line Main Extension	11,110,000	-
Mesa Street, Crestmont to Festival 30" Water Line	9,435,912	4,594,505
Northeast Development Wells Drilling	9,078,000	42,009
Eastwood Reservoir Roof Rehabilitation	8,527,200	248,354

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

	February 28, 2023	
	Estimated Cost	Cost Incurred To Date
Ranchos Real Pump Station - Design	8,098,800	765,528
Source Water Augmentation Parallel Pipeline - Construction	7,634,700	6,790,491
Vista Del Este and Ranchos Real Tanks	7,079,717	6,289,108
Jonathan Rogers WTP Power Reliability Upgrade	6,987,000	440,675
Water and Wastewater Vehicles and Heavy Equipment	6,721,788	-
Smart Meter Replacement Program	6,693,927	2,540,604
Jonathan Rogers WTP Settling Pond Gate Improvements - Design	6,028,118	214,118
TXDOT Loop 375 - Montana to Spur 601	5,814,001	5,252,151
Well Rehabilitation	5,779,463	1,584,180
North 2 Pump Station - Construction	5,441,374	4,886,375
Water Routine Construction On-Call Services Program	5,314,200	1,581,268
Ranchos Real Tank - Construction	5,304,700	4,701,088
Woods Water Storage Reservoir Rehabilitation	5,029,620	245,110
Mountain Parks Water Line Extension - Construction	4,845,000	2,946,718
Northwest Water Distribution Mains	4,834,800	2,967,984
Ridgecrest Tank - Land Acquisition	4,750,000	4,701,342
Jonathan Rogers WTP Raw Water Improvement - Construction	4,721,580	4,588,481
High Chaparral Reservoir Coating Rehabilitation	4,684,660	2,985,063
Montana East 24" Water Main Extension	4,488,000	3,130,207
Ortho-Polyphosphate Treatment - Construction	4,386,000	3,252,420
TXDOT Borderland Expressway Water Mains	4,145,280	-
Airport Well Field Electrical Improvements Corridor C	4,035,387	3,147,723
Water Rights - Land Acquisition	3,786,811	-
Southside Road Reconstruction	3,396,600	2,727,013
Delta Drive Water Line Replacement	3,368,100	966,138
Airport Well Field Corridor F	3,320,100	-
Disinfection Byproducts Removal at Crown Point and Nevins	3,264,000	32,851
Jonathan Rogers WTP Process Automation SCADA	3,174,750	3,159,810
Canal Street WTP Actuators Replacement	3,065,100	156,765
Cielo Vista Blend Tank Replacement	3,060,000	157,366
TXDOT Mesa Paving - Water Improvements	3,060,000	90,251
Cross Feeder Main Valve Replacement	3,060,000	-
Canal Street WTP Primary Sedimentation Basin Covers	3,060,000	424,020
Water Planned Construction On-Call Services Program	3,039,320	2,786,404
Pico Norte Elevated Tank Land Acquisition	3,000,000	870,725
Riverside Canal Bridge and Access	2,973,300	2,269,598
Jonathan Rogers WTP Transmission Pipeline Surge Protection Tanks - Construction	2,831,624	2,799,775
TXDOT US 62 Montana Global Reach to Tierra Este	2,727,700	2,058,350
Vinton (Westway) 1.25 MG Tank Construction	2,723,400	2,567,618
North Hills Tanks Interior Coating	2,680,560	104,350
Large Meter Replacement Program	2,573,139	805,109
EDA Northwest Development Waterline Extension	2,556,000	-

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

	February 28, 2023	
	Estimated Cost	Cost Incurred To Date
Canal Street WTP Raw Water Intake Screens	2,499,000	2,424,861
Sean Haggerty 16" Water Line Extension Phase I - Construction	2,397,000	1,821
Leak Detection Loggers	2,361,300	1,572,075
Electromagnetic Conditional Assessment	2,263,897	1,332,607
Northeast Dyer/Railroad 16" Water Line Extension	2,258,498	1,936,129
Jonathan Rogers WTP Equipment Replacement	2,225,000	-
Plant Equipment Maintenance Shop - Construction	2,162,400	1,985,843
Pecos Street Water Line Replacement	2,040,000	162,823
PeopleSoft Financials Upgrade Phase I	2,040,000	-
PeopleSoft Financials Upgrade Phase II	2,040,000	-
Granular Activated Carbon Replacement	2,000,000	-
Other Water Projects Under \$2,000,000	116,734,376	57,352,416
	619,266,996	212,784,443
Subtotal - Water Projects		
<u>Wastewater Projects</u>		
Roberto R. Bustamante WWTP Grit Screen	124,423,393	25,051,686
John T. Hickerson WRF Train Improvements	33,263,039	23,812,990
Frontera Force Main Replacement Phase II - Construction	30,300,000	29,029,171
Frontera Force Main Replacement Phase I - Construction	20,234,372	20,170,714
Roberto R. Bustamante WWTP Expansion and Upgrade - Design	20,135,959	14,320,948
Grouse Lift Station Phase VI - Construction	14,232,300	7,718,787
Roberto R. Bustamante WWTP Digester #2 Rehabilitation	13,779,989	2,317,128
Montana Vista Wastewater Collection System Phase I - Construction	13,708,730	12,779,505
Sewer Construction On-Call Services Program	11,380,477	2,962,389
Fred Hervey WRP Emergency Generator	10,436,600	128,900
Haskell R. Street WWTP Emergency Generator	10,406,000	168,211
Country Club and Sunset Lift Station Rehabilitation	7,956,000	1,468,073
Frontera New Force Main Phase III - Design	7,557,838	3,234,603
Northeast Interceptor System	7,038,000	5,003,141
Northeast Dyer/Railroad 18" and 36" Interceptor	6,850,320	4,837,998
Boone Interceptor Phase II - Construction	6,477,000	2,193,000
Northeast Dyer/Railroad Lift Station - Construction	6,093,480	-
Prado, Mansfield and Knowles Lift Station	6,078,180	453,312
Canutillo Bosque Wastewater Lift Station and Force Main - Construction	5,736,233	4,547,396
Sunland Park Lift Station Rehabilitation - Construction	5,712,000	3,078,296
Fred Hervey WRP Clarifier Replacement Project - Construction	5,712,000	1,811,619
Fred Hervey WRP Blower Building - Construction	5,599,800	4,805,551
Miranda and Roxanne Sewer Relief Line	5,431,500	2,949,591
Frontera Lift Station Header Rehabilitation	5,100,000	2,856,000
Luckett Court Wastewater Line Replacement	5,059,200	546,873
Energy Management Master Plan Wastewater Systems - Construction	4,590,000	520
Haskell R. Street WWTP FOG Unit	4,494,120	642,763

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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10. CAPITAL ASSETS (Continued)

	February 28, 2023	
	Estimated Cost	Cost Incurred To Date
Doniphan Wastewater Collector - Construction	4,488,000	2,878,651
Bird Avenue/RiverBend to Doniphan Sewer Collection Main	3,942,300	1,990,517
John T. Hickerson WRF Emergency Backup Power	3,660,780	240,970
Alameda Sewer Line Replacement - Construction	3,651,600	1,432,838
Wastewater Plant Power Upgrades	3,345,600	974,016
Fred Hervey WRP Digester #2 Mixer Improvements - Construction	3,014,100	2,402,220
Haskell R. Street WWTP Chlorine Scrubber Replacement	2,944,740	305,211
On-Call Manhole Rehabilitation	2,904,960	1,518,167
Zaragoza Sewer Line Replacement - Design	2,856,000	406,140
Sean Haggerty Sewer Interceptor Phase I - Construction	2,805,000	-
Montoya 2/Carolina/Navarette Lift Stations	2,701,928	2,624,163
Roberto R. Bustamante Electric Rooms HVAC Improvements	2,692,800	46,223
Fred Hervey WRP Digester #1 Cover and Mixer - Construction	2,636,700	2,579,700
Fred Hervey WRP Headworks and Filter Improvements	2,510,934	757,203
Wastewater Field Office Reconstruction	2,342,400	949,263
Haskell R. Street WWTP Plant Small Upgrades	2,317,440	2,020,237
John T. Hickerson WRF Ultraviolet System Upgrade - Construction	2,284,800	2,040,371
Air Release Valves and Force Mains/Lift Stations - Westside - Construction	2,148,217	1,480,990
Pellicano Wastewater Improvements Loop 375 County Project - Construction	2,079,984	1,807,705
Roberto R. Bustamante WWTP Expansion and Upgrade - Construction	2,040,000	648,720
EDA Northwest Development Wastewater Line Extension	2,040,000	867
Pecos Street Sewer Line Rehabilitation	2,040,000	111,549
Other Wastewater Projects Under \$2,000,000	83,877,294	55,719,326
Subtotal-Wastewater Projects	543,112,107	259,824,212
Totals	\$ 1,162,379,103	\$ 472,608,655

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February 29, 2024 and February 28, 2023

10. CAPITAL ASSETS (Continued)

Municipal Drainage Utility construction work in progress at February 29, 2024 and February 28, 2023 composed of the following:

	February 29, 2024	
	Estimated Cost	Cost Incurred To Date
<u>Drainage Projects</u>		
Will Ruth Pond	\$ 24,181,569	\$ 8,262,063
Socorro Activity Complex 2 - Land Acquisition	13,700,000	12,346,010
Palisades Stormwater System - Design	9,675,600	843,212
John T. Hickerson WRF Stormwater Basin - Construction	9,180,000	-
Corrugated Metal Pipe Replacement Program	6,745,056	3,989,337
Arroyo I Dam - Detention Improvements	6,160,800	123,995
Pico Norte Pond Rehabilitation	5,790,418	5,591,716
Morehead Dam Desilting and Improvements	5,341,740	2,963,606
Tremont and Coates Dams Rehabilitation	4,240,481	2,928,838
St. Mark Drainage Improvements - Design	3,184,459	2,675,918
Coors Channel Improvements - Design	3,006,584	2,112,827
North Hills Dam Rehabilitation	2,958,000	2,809,298
Various Open Space Projects and Ponds	2,734,101	-
Silver Springs Arroyo Dam	2,375,070	2,317,698
Lower Memphis Dam Improvements	2,343,960	1,684,564
Other Drainage Projects Under \$2,000,000	39,188,229	23,606,607
	\$ 140,806,067	\$ 72,255,689

Total Drainage Projects

	February 28, 2023	
	Estimated Cost	Cost Incurred To Date
<u>Drainage Projects</u>		
Will Ruth Pond	\$ 23,789,889	\$ 7,692,359
Sam Snead Storm Drainage System Phase I	12,361,142	11,737,838
Pico Norte Pond Rehabilitation	5,790,418	338,288
Fort Bliss Access Boxes - Construction	4,626,720	1,451,457
Morehead Dam Desilting and Improvements	4,314,600	1,506,910
Tremont and Coates Dams Rehabilitation	4,240,481	51,002
Corrugated Metal Pipe Replacement Program	4,154,256	1,889,121
Stormwater Citywide Land Acquisition	3,234,633	-
St. Mark Drainage Improvements - Design	3,184,459	1,978,771
Coors Channel Improvements - Design	3,006,584	117,636
Various Open Space Projects and Ponds	2,657,101	-
Silver Springs Arroyo Dam	2,375,070	2,301,008
Other Drainage Projects Under \$2,000,000	33,542,998	14,041,553
	\$ 107,278,351	\$ 43,105,943

Total Drainage Projects

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

11. LONG-TERM LIABILITIES

Long-term liabilities activity for the Water and Wastewater Utility for the years ended February 29, 2024 and February 28, 2023 was as follows:

	Restated Beginning Balance 03/01/2023	Additions	Reductions	Ending Balance 02/29/2024	Due Within One Year	Long-term Portion
Water and Wastewater Utility:						
Revenue Bonds Payable:						
Revenue Bonds	\$1,081,680,000	\$ 171,925,000	\$ 38,680,000	\$1,214,925,000	\$ 43,325,000	\$1,171,600,000
Unamortized premiums net of discounts	107,017,891	19,510,623	6,671,425	119,857,089	6,860,850	112,996,239
Direct Placements:						
Revenue bonds	169,960,000	8,680,000	9,945,000	168,695,000	10,980,000	157,715,000
Commercial Paper payable	10,000,000	90,000,000	40,000,000	60,000,000	-	60,000,000
Total Revenue bonds payable and Direct placements	1,368,657,891	290,115,623	95,296,425	1,563,477,089	61,165,850	1,502,311,239
Accrued vacation	3,963,648	2,994,734	2,354,330	4,604,052	2,132,482	2,471,570
Self-insurance claims	1,012,852	2,635,396	2,839,894	808,354	365,396	442,958
Other government payable	1,362,674	-	193,161	1,169,513	202,034	967,479
Lease Liabilities	5,360,340	-	212,123	5,148,217	111,772	5,036,445
SBITA Liabilities	2,641,008	160,859	1,352,190	1,449,677	907,665	542,012
Arbitrage Liability	-	4,681,854	-	4,681,854	-	4,681,854
Net Pension Liability	39,970,941	20,324,631	6,735,184	53,560,388	-	53,560,388
Total OPEB Liability	12,201,866	1,442,513	477,902	13,166,477	568,654	12,597,823
Total Long-term liabilities						
Water and Wastewater Utility	\$1,435,171,220	\$322,355,610	\$109,461,209	\$1,648,065,621	\$ 65,453,853	\$1,582,611,768
Water and Wastewater Utility:						
Revenue Bonds Payable:						
Revenue Bonds	\$ 546,270,000	\$ 573,485,000	\$ 38,075,000	\$1,081,680,000	\$ 38,680,000	\$1,043,000,000
Unamortized premiums net of discounts	55,696,203	57,111,943	5,790,255	107,017,891	6,103,156	100,914,735
Direct Placements:						
Revenue bonds	178,375,000	-	8,415,000	169,960,000	9,945,000	160,015,000
Commercial Paper payable	80,000,000	90,000,000	160,000,000	10,000,000	-	10,000,000
Total Revenue bonds payable and Direct placements	860,341,203	720,596,943	212,280,255	1,368,657,891	54,728,156	1,313,929,735
Accrued vacation	3,387,483	2,598,928	2,022,763	3,963,648	1,867,309	2,096,339
Self-insurance claims	1,085,850	1,676,246	1,749,244	1,012,852	176,723	836,129
Other government payable	1,547,350	-	184,676	1,362,674	193,160	1,169,514
Lease Liabilities	5,571,552	-	211,212	5,360,340	212,122	5,148,218
SBITA Liabilities	3,692,442	76,559	1,127,993	2,641,008	1,292,445	1,348,563
Net Pension Liability	13,167,917	32,077,535	5,274,511	39,970,941	-	39,970,941
Total OPEB Liability	16,939,348	1,414,477	6,151,959	12,201,866	476,002	11,725,864
Total Long-term liabilities						
Water and Wastewater Utility	\$ 905,733,145	\$758,440,688	\$229,002,613	\$1,435,171,220	\$ 58,945,917	\$1,376,225,303

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2024 and February 28, 2023

11. LONG-TERM LIABILITIES (Continued)

Long-term liabilities activity for the Municipal Drainage Utility for the years ended February 29, 2024 and February 28, 2023 was as follows:

	Restated Beginning Balance 03/01/2023	Additions	Reductions	Ending Balance 02/29/2024	Due Within One Year	Long-term Portion
Municipal Drainage Utility:						
Revenue Bonds Payable:						
Revenue Bonds	\$ 107,105,000	\$ 22,870,000	\$ 5,435,000	\$ 124,540,000	\$ 6,275,000	\$ 118,265,000
Unamortized premiums net of discounts	13,378,007	2,399,999	976,763	14,801,243	1,007,142	13,794,101
Direct Placements:						
Revenue bonds	19,280,000	-	1,198,000	18,082,000	1,138,000	16,944,000
Revolving notes	15,000,000	10,000,000	25,000,000	-	-	-
Extendable Commercial Paper payable	-	60,000,000	-	60,000,000	-	60,000,000
Total Revenue bonds payable and Direct placements	154,763,007	95,269,999	32,609,763	217,423,243	8,420,142	209,003,101
Accrued vacation	162,567	161,796	107,809	216,554	102,029	114,525
SBITA Liabilities	40,118	-	19,532	20,586	20,586	-
Due to Water and Wastewater						
Utility Land Transfer	11,344,800	-	3,300,000	8,044,800	2,000,000	6,044,800
Arbitrage Liability	-	768,888	-	768,888	-	768,888
Net Pension Liability	1,863,216	901,893	379,561	2,385,548	-	2,385,548
Total OPEB Liability	715,926	75,917	74,715	717,128	30,972	686,156
Total Long-term liabilities Municipal Drainage Utility	<u>\$ 168,889,634</u>	<u>\$ 97,178,493</u>	<u>\$ 36,491,380</u>	<u>\$ 229,576,747</u>	<u>\$ 10,573,729</u>	<u>\$ 219,003,018</u>
	Restated Beginning Balance 03/01/2022	Additions	Reductions	Restated Ending Balance 02/28/2023	Due Within One Year	Long-term Portion
Municipal Drainage Utility:						
Revenue Bonds Payable:						
Revenue Bonds	\$ 89,200,000	\$ 23,750,000	\$ 5,845,000	\$ 107,105,000	\$ 5,435,000	\$ 101,670,000
Unamortized premiums net of discounts	12,662,600	1,587,688	872,281	13,378,007	885,623	12,492,384
Direct Placements:						
Revenue bonds	10,018,000	9,490,000	228,000	19,280,000	1,198,000	18,082,000
Revolving notes	15,000,000	25,000,000	25,000,000	15,000,000	-	15,000,000
Total Revenue bonds payable and Direct placements	126,880,600	59,827,688	31,945,281	154,763,007	7,518,623	147,244,384
Accrued vacation	153,503	116,617	107,553	162,567	92,735	69,832
SBITA Liabilities	58,865	-	18,747	40,118	19,533	20,585
Due to Water and Wastewater						
Utility Land Transfer	14,844,800	-	3,500,000	11,344,800	2,000,000	9,344,800
Net Pension Liability	641,590	1,494,146	272,520	1,863,216	-	1,863,216
Total OPEB Liability	954,970	119,756	358,800	715,926	27,928	687,998
Total Long-term liabilities Municipal Drainage Utility	<u>\$ 143,534,328</u>	<u>\$ 61,558,207</u>	<u>\$ 36,202,901</u>	<u>\$ 168,889,634</u>	<u>\$ 9,658,819</u>	<u>\$ 159,230,815</u>

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12. REVENUE BONDS

Water and Wastewater Utility

Water and Sewer Revenue Bonds payable and Texas Water Development Board (TWDB) direct placement revenue bonds for the Water and Wastewater Utility Fund, in the amount of \$1,383,620,000 and \$1,251,640,000 as of February 29, 2024 and February 28, 2023, respectively, are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the net revenue of the Water and Wastewater Utility Fund which is presented in Note 19. The pledge of net revenue is in effect until the bonds are extinguished in 2053. The general purpose of the debt is to improve the water and wastewater services EPWater provides to area residents. The TWDB direct placement debt was issued at subsidized interest rates for qualified water and wastewater projects. The Revenue Bonds payable and TWDB direct placement revenue bonds as of February 29, 2024 and February 28, 2023 include the following individual issues:

	Amounts Outstanding 2/28/23	Issued	Retired/ Refunded	Amounts Outstanding 2/29/24	Due Within One Year
*\$1,000,000 2003A Series due in annual installments of \$50,000 with interest at 0.00%. Final payment due 2024.	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
\$64,900,000 2014 Series due in annual installments of \$3,805,000 to \$4,010,000 with interest due at 5.00%. Final payment due 2025. Refunded \$34,705,000 with the 2021A Bonds.	11,440,000	-	3,625,000	7,815,000	3,805,000
\$131,650,000 2015 Series due in annual installments of \$1,405,000 to \$9,680,000 with interest due at 3.25% to 5.00%. Final payment due 2035. Refunded \$32,035,000 with the 2021A Bonds.	34,555,000	-	8,775,000	25,780,000	9,215,000
\$18,600,000 2015A Series due in annual installments of \$835,000 to \$1,330,000 with interest due at 3.00% to 5.00%. Final payment due 2035.	13,570,000	-	795,000	12,775,000	835,000
*\$50,000,000 2015B Series due in annual installments of \$2,370,000 to \$2,995,000 with interest due at 1.39% to 2.41%. Final payment due 2035.	34,125,000	-	2,335,000	31,790,000	2,370,000
\$48,565,000 2015C Series due in annual installments of \$2,430,000 to \$3,200,000 with interest due at 3.97% to 5.00%. Final payment due 2035.	35,575,000	-	2,325,000	33,250,000	2,430,000
\$68,670,000 2016 Series due in annual installments of \$2,345,000 to \$5,085,000 with interest due at 4.00% to 5.00%. Final payment due 2037.	53,205,000	-	3,860,000	49,345,000	4,055,000

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12. REVENUE BONDS (Continued)

	Amounts Outstanding 2/28/23	Issued	Retired/ Refunded	Amounts Outstanding 2/29/24	Due Within One Year
*\$100,000,000 2016A Series due in annual installments of \$6,000,000 to \$7,000,000 with interest due at 1.01% to 2.12%. Final payment due 2036.	88,000,000	-	5,000,000	83,000,000	6,000,000
\$83,880,000 2017 Series due in annual installments of \$2,920,000 to \$5,505,000 with interest due at 4.00% to 5.00%. Final payment due 2038.	73,875,000	-	3,715,000	70,160,000	2,920,000
*\$50,000,000 2017A Series due in annual installments of \$2,500,000 to \$4,000,000 with interest due at 1.10% to 2.29%. Final payment due 2037.	46,500,000	-	2,500,000	44,000,000	2,500,000
\$26,670,000 2018 Series due in annual installments of \$1,015,000 to \$2,790,000 with interest due at 5.00%. Final payment due 2039.	26,670,000	-	-	26,670,000	-
*\$1,415,000 2019 Series due in annual installments of \$60,000 to \$90,000 with interest due at 1.92% to 3.60%. Final payment due 2039.	1,235,000	-	60,000	1,175,000	60,000
\$33,400,000 2019A Series due in annual installments of \$1,850,000 to \$3,500,000 with interest due at 3.00% to 5.00%. Final payment due 2039.	33,400,000	-	-	33,400,000	-
\$30,570,000 2019B Series due in annual installments of \$385,000 to \$4,160,000 with interest due at 5.00%. Final payment due 2031.	19,890,000	-	2,525,000	17,365,000	2,660,000
\$33,880,000 2020 Series due in annual installments of \$2,020,000 to \$3,270,000 with interest due at 3.00% to 5.00%. Final payment due 2040.	33,880,000	-	-	33,880,000	-
\$62,990,000 2020A Series due in annual installments of \$2,260,000 to \$11,395,000 with interest due at 0.69% to 1.89%. Final payment due 2033.	61,630,000	-	11,345,000	50,285,000	11,395,000
\$35,490,000 2021 Series due in annual installments of \$1,900,000 to \$3,075,000 with interest due at 2.00% to 5.00%. Final payment due 2041.	35,490,000	-	-	35,490,000	-

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12. REVENUE BONDS (Continued)

	Amounts Outstanding 2/28/23	Issued	Retired/ Refunded	Amounts Outstanding 2/29/24	Due Within One Year
\$76,310,000 2021A Series due in annual installments of \$1,235,000 to \$15,640,000 with interest due at 0.55% to 2.27%. Final payment due 2034.	75,015,000	-	1,215,000	73,800,000	1,275,000
\$305,900,000 2022 Series due in annual installments of \$500,000 to \$20,320,000 with interest due at 4.47% to 5.00%. Final payment due 2052.	305,900,000	-	500,000	305,400,000	500,000
\$267,585,000 2022A Series due in annual installments of \$880,000 to \$19,395,000 with interest due at 4.00% to 5.00%. Final payment due 2048.	267,585,000	-	-	267,585,000	1,450,000
\$171,925,000 2023 Series due in annual installments of \$2,290,000 to \$12,085,000 with interest due at 4.00% to 5.25%. Final payment due 2049.	-	171,925,000	-	171,925,000	2,785,000
\$8,680,000 2023A Series due in annual installments of \$320,000 to \$595,000 with interest due at 2.83% to 4.13%. Final payment due 2044.	-	8,680,000	-	8,680,000	-
	1,251,640,000	<u>\$ 180,605,000</u>	<u>\$ 48,625,000</u>	1,383,620,000	<u>\$ 54,305,000</u>
Total bonds outstanding					
Less current maturities	<u>(48,625,000)</u>			<u>(54,305,000)</u>	
Total long term portion	<u>\$1,203,015,000</u>			<u>\$1,329,315,000</u>	

**Direct placement revenue bonds*

Interest costs incurred on revenue bonds totaled \$52,982,680 in 2024 and \$39,267,641 in 2023.

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12. REVENUE BONDS (Continued)

Water and Wastewater Utility Fund Annual Debt Service Requirements

Year Ending February	Revenue Bonds		Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 43,325,000	\$ 53,434,032	\$ 10,980,000	\$ 3,071,018
2026	44,075,000	49,882,509	11,290,000	3,011,854
2027	45,805,000	48,266,835	11,545,000	2,863,696
2028	47,295,000	46,770,017	11,600,000	2,700,385
2029	49,010,000	45,082,475	11,660,000	2,521,263
2030 - 2034	256,595,000	193,589,879	63,560,000	9,133,842
2035 - 2039	230,745,000	139,356,915	44,730,000	2,427,260
2040 - 2044	192,630,000	92,468,069	2,735,000	400,850
2045 - 2049	217,735,000	48,242,676	595,000	12,287
2050 - 2053	87,710,000	8,110,356	-	-
	<u>\$ 1,214,925,000</u>	<u>\$ 725,203,763</u>	<u>\$ 168,695,000</u>	<u>\$ 26,142,455</u>

On April 1, 2021, EPWater issued \$76,310,000 in Water and Sewer Revenue Refunding Bonds, Taxable Series 2021A with an average interest rate of 1.70% to refund the following outstanding bonds:

Series	Amount	Average Coupon
2014	\$ 34,705,000	4.76%
2015	32,035,000	4.63%

The liabilities associated with these bonds were removed from the related payables. As of February 29, 2024 and February 28, 2023, \$66,740,000 and \$66,740,000 of the bonds remained outstanding with an estimated escrow balance of \$68,224,183 and \$71,188,323.

The refunding of the 2014 and 2015 bonds reduced debt service by \$5,110,663 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$4,834,217.

On April 1, 2022, EPWater issued \$305,900,000 in Water and Sewer Revenue Improvement and Refunding Bonds, Series 2022 with an average interest rate of 4.97% to finance water and sewer construction projects throughout the City of El Paso and refund \$80 million of Water and Sewer Commercial Paper Notes with an average interest rate of 0.46%.

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12. REVENUE BONDS (Continued)

On September 15, 2022, EPWater issued \$267,585,000 in Water and Sewer Revenue Improvement and Refunding Bonds, Series 2022A with an average interest rate of 4.25% to finance water and sewer construction projects throughout the City of El Paso and refund \$80 million of Water and Sewer Commercial Paper Notes with an average interest rate of 1.76%.

On June 1, 2023, EPWater issued \$171,925,000 in Water and Sewer System Revenue Improvement and Refunding Bonds, Series 2023 with an average interest rate of 4.93% to refund \$40 million of Water and Sewer Commercial Paper Notes with an average interest rate of 3.15%, and to finance \$150 million of capital improvement projects for the water and wastewater system.

On November 1, 2023, EPWater issued \$8,680,000 in Water and Sewer System Revenue Bonds, Series 2023A, through a private placement with the Texas Water Development Board, through the Economically Distressed Areas Program, with an average interest rate of 3.70% to finance Phase II of the wastewater collection system in the Colonia of Montana Vista in El Paso County, Texas to provide first time wastewater services.

Municipal Drainage Utility

Municipal Drainage Revenue Bonds payable and direct placement revenue bonds for the Municipal Drainage Utility Fund in the amount of \$142,622,000 and \$126,385,000 as of February 29, 2024 and February 28, 2023, respectively, are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the net revenue of the Municipal Drainage Utility Fund which is presented in Note 19. The pledge of net revenue is in effect until the bonds are extinguished in 2053. The general purpose of the debt is to improve the drainage services EPWater provides to area residents. The Revenue Bonds payable and direct placement revenue bonds as of February 29, 2024 and February 28, 2023 include the following individual issues:

	Amounts Outstanding 2/28/23	Issued	Retired/ Refunded	Amounts Outstanding 2/29/24	Due Within One Year
*\$2,163,000 2009A Series due in annual installments of \$107,000 to \$108,000 with interest at 0.00%. Final payment due 2031.	\$ 965,000	\$ -	\$ 108,000	\$ 857,000	\$ 108,000
\$22,240,000 2015 Series due in annual installments of \$975,000 to \$1,665,000 with interest due at 5.00%. Final payment due 2035.	16,410,000	-	925,000	15,485,000	975,000
\$19,790,000 2016 Series due in annual installments of \$860,000 to \$1,565,000 with interest due at 5.00%. Final payment due 2036.	16,175,000	-	815,000	15,360,000	860,000
\$48,940,000 2017 Series due in annual installments of \$820,000 to \$4,815,000 with interest due at 4.00% to 5.00%. Final payment due 2039.	37,905,000	-	3,255,000	34,650,000	3,480,000
*\$8,945,000 2021 Series due in annual installments of \$665,000 to \$1,000,000 with interest due at 1.60%. Final payment due 2032.	8,825,000	-	770,000	8,055,000	710,000

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12. REVENUE BONDS (Continued)

	Amounts Outstanding 2/28/23	Issued	Retired/ Refunded	Amounts Outstanding 2/29/24	Due Within One Year
\$13,330,000 2021A Series due in annual installments of \$460,000 to \$905,000 with interest due at 2.00% to 5.00%. Final payment due 2041.	12,865,000	-	440,000	12,425,000	460,000
*\$9,490,000 2022 Series due in annual installments of \$315,000 to \$320,000 with interest due at 0.00%. Final payment due 2052.	9,490,000	-	320,000	9,170,000	320,000
\$23,750,000 2022A Series due in annual installments of \$250,000 to \$2,095,000 with interest due at 4.25% to 5.00%. Final payment due 2042.	23,750,000	-	-	23,750,000	250,000
\$22,870,000 2023 Series due in annual installments of \$250,000 to \$1,900,000 with interest due at 4.00% to 5.00%. Final payment due 2043.	-	22,870,000	-	22,870,000	250,000
Total bonds outstanding	126,385,000	<u>\$ 22,870,000</u>	<u>\$ 6,633,000</u>	142,622,000	<u>\$ 7,413,000</u>
Less current maturities	<u>(6,633,000)</u>			<u>(7,413,000)</u>	
Total long term portion	<u>\$ 119,752,000</u>			<u>\$ 135,209,000</u>	

*Direct placement revenue bonds

Interest costs incurred on revenue bonds totaled \$5,664,087 in 2024 and \$4,866,897 in 2023.

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12. REVENUE BONDS (Continued)

Municipal Drainage Utility Fund Annual Debt Service Requirements

Year Ending February	Revenue Bonds		Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 6,275,000	\$ 5,922,632	\$ 1,138,000	\$ 123,200
2026	7,120,000	5,351,894	1,092,000	112,200
2027	7,490,000	4,986,644	1,337,000	99,600
2028	7,890,000	4,602,144	1,352,000	84,920
2029	8,305,000	4,197,269	1,362,000	70,040
2030 - 2034	35,080,000	15,692,417	5,816,000	126,320
2035 - 2039	31,885,000	7,466,840	1,575,000	-
2040 - 2044	20,495,000	1,743,721	1,575,000	-
2045 - 2049	-	-	1,575,000	-
2050 - 2053	-	-	1,260,000	-
	<u>\$ 124,540,000</u>	<u>\$ 49,963,561</u>	<u>\$ 18,082,000</u>	<u>\$ 616,280</u>

On April 1, 2022, EPWater issued \$9,490,000 in Municipal Drainage Revenue Bonds, Series 2022 through a private placement with the Texas Water Development Board, through the Flood Infrastructure Fund Program, with an average interest rate of 0.00% to finance the construction of a detention basin at the Will Ruth Pond to reduce flooding in the Northeast area of El Paso, Texas.

On May 15, 2022, EPWater issued \$23,750,000 in Municipal Drainage Revenue Refunding Bonds, Series 2022A with an average interest rate of 4.66% to refund \$25 million of Municipal Drainage Revolving Notes with an average interest rate of 1.38%.

On June 1, 2023, EPWater issued \$22,870,000 in Municipal Drainage Revenue Refunding Bonds, Series 2023 with an average interest rate of 4.65%, to refund \$25 million of Municipal Drainage Revolving Notes with an average interest rate of 4.23%.

Arbitrage - The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. Arbitrage is evaluated and estimated on an annual basis by a third party arbitrage rebate service company. The company has estimated and EPWater accrued a liability for the Water and Wastewater Utility fund and the Municipal Drainage Utility fund of \$4,681,854 and \$768,888, respectively, as of February 29, 2024. No liability was estimated for EPWater as of February 28, 2023.

EPWater is required to comply with various requirements in the ordinances authorizing the bond issuances. EPWater management has indicated they are in compliance with all significant requirements.

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13. COMMERCIAL PAPER

In October 1997, EPWater, through the City of El Paso, approved a Commercial Paper Program in the amount of \$50 million and in August 2021, the City of El Paso Council approved an increase to the program up to \$80 million. The purpose of the Commercial Paper Program is to provide funds for the interim financing of a portion of the costs of capital improvements to the system.

The borrowings under the Commercial Paper Program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the Commercial Paper Program and (ii) borrowing under and pursuant to the revolving credit agreement.

On August 1, 2015, EPWater, through the City of El Paso and Bank of America, N.A., entered into a direct placement Revolving Credit Agreement pursuant to which Bank of America, N.A. is obligated under the Credit Agreement to loan to the City amounts not to exceed \$40 million for the purpose of paying amounts due on the Commercial Paper Program. Any borrowing under the Credit Agreement is equally and ratably secured by and payable from the above-described sources pledged for payment of the Commercial Paper Program and from a pledge of the Net Revenues of the Water and Wastewater Utility, such pledge being subordinate to the pledge of Net Revenues securing all Senior Lien Obligations. Per the Agreement, the outstanding commercial paper resulting from direct borrowing have a termination event for failure to pay any interest or principal on the loan note, or commitment fees when due for a period of five business days from the date given by the bank. The revolving credit agreement also contains a clause to accelerate payment of principal and accrued interest to become immediately due, if EPWater defaults on any payment on specified debt within the agreement or any other "events of default" as defined in the agreement. Management intends to continue the remarketing of the tax exempt commercial paper notes as it intends to maintain a portion of its debt in variable rates. On August 14, 2018, the first amendment to the credit agreement was executed to extend the contract until August 23, 2021, and reduced the commitment fee rate from 0.040% to 0.037%. On August 20, 2021, the second amendment to the credit agreement was executed to extend the contract until August 21, 2026, and with an option to increase the Commitment (as defined in the credit Agreement), from time to time, in a maximum aggregate amount not to exceed \$80 million.

Since the commercial paper represents activity that is the result of EPWater’s Water and Wastewater Utility long-term financing plan, the amounts outstanding are presented as long-term. The “paper” can be sold in \$100,000 increments and matures from one to 270 days. As of February 28, 2023, there was \$10 million outstanding and as of February 29, 2024, the following amounts were outstanding:

	2024	Maturity Date	Coupon Rate
\$	20,000,000	03/01/2024	3.60%
	20,000,000	03/05/2024	3.28%
	20,000,000	05/13/2024	3.60%
\$	60,000,000		

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February 29, 2024 and February 28, 2023

14. REVOLVING NOTE

EPWater, through the City of El Paso and Bank of America, N.A., entered into a five year directly placed Note Purchase Agreement on June 19, 2018, with an expiration date of June 19, 2023, with an available commitment of \$25 million and the program was not extended.

The borrowings under the agreement are ratably secured by and are payable from (i) the proceeds from the sale of additional bonds hereafter issued and to be used to pay outstanding Notes, (ii) borrowings under the agreement, (iii) the amounts held in the Note Payment Fund until the amounts deposited therein are used for authorized purposes, (iv) the Net Revenues, such lien and pledge of Net Revenues, however, being subordinated to the prior and superior lien on and pledge of securing the payment of borrowings made under and pursuant to the agreement, (v) the amounts remaining on deposit in the Note Construction Fund after the payment of all project costs; and the principal of and interest on the Notes and any amounts due under the agreement shall be and hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereby identified. Per the Agreement, the outstanding notes resulting from direct borrowing have a termination event for failure to pay any interest or principal on the loan note, or commitment fees when due for a period of five business days from the date such obligation was due. The Revolving Credit Agreement also contains a clause to accelerate payment of principal and accrued interest to become immediately due, if EPWater defaults on any payment on specified debt within the agreement or any other "events of default" as defined in the agreement.

Since these notes represent activity that is the result of EPWater's Municipal Drainage Utility's long-term financing plan, the amounts outstanding are presented as long term. As of February 28, 2023, there was \$15 million outstanding and as of February 29, 2024, the note program had expired and \$0 was outstanding.

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15. EXTENDABLE COMMERCIAL PAPER NOTES (ECP)

On May 9, 2023, the City Council of the City of El Paso, approved an ordinance establishing an Extendable Commercial Paper Program (ECP) for the Municipal Drainage Utility in the amount of \$60 million with an expiration date of April 1, 2053. The purpose of the ECP program is to provide funds for interim financing of a portion of the costs of the capital improvements to the stormwater system.

On June 1, 2023, EPWater through the City and Morgan Stanley & Co. LLC entered into a Dealer Agreement with an expiration date of April 1, 2053, to solicit and arrange sales of the ECP Notes.

The ECP Notes are special obligations of EPWater’s Municipal Drainage Utility fund and the payment of the principal and interest on the ECP Notes are secured by and payable only from a lien on and pledge of (i) the Net Revenues, and the Net Revenues are further pledged to the establishment and maintenance of the Payment Fund; provided that the pledge of Net Revenues securing the ECP Notes is expressly made subordinate and inferior to the lien on and pledge of Net Revenues securing Bonds Similarly Secured, and the ECP Notes shall constitute Subordinate Lien Obligations, as provided in the ordinances authorizing the Bonds Similarly Secured, (ii) the Proceeds from the sale of ECP Notes to refinance maturing ECP Notes (i.e., "roll") and the proceeds of Refunding Bonds to be issued by the City, and (iii) all amounts in the funds and accounts created or maintained pursuant to the Ordinance and the Issuing and Paying Agent Agreement, and such amounts constitute funds held for that purpose, subject only to the provisions of the Ordinance and the Issuing and Paying Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein. The ordinance contains a clause for remedies for default if EPWater defaults on any specified debt resulting from ECP program for failure to pay any interest or principal on the loan note when due for a period of five business days from the date such obligation was due.

Since these notes represent activity that is the result of EPWater's Municipal Drainage Utility's long-term financing plan, the amounts outstanding are presented as long term. The "notes" can be sold in denominations of \$100,000 or in integral multiples of \$1,000 in excess thereof with an initial maturity not to exceed 90 days and a final maturity if extended, of not more than 270 days from the issue date. As of February 29, 2024, the following amount of ECP Notes were outstanding:

2024	Maturity Date	Coupon Rate
\$ 10,000,000	03/14/2024	3.80%
10,000,000	04/26/2024	3.80%
10,000,000	05/02/2024	3.80%
10,000,000	05/03/2024	3.80%
20,000,000	05/21/2024	3.80%
\$ 60,000,000		

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16. LEASE LIABILITIES

As discussed in Note 1, EPWater implemented GASB No. 87, Leases, as of March 1, 2021. The Water and Wastewater Utility has entered into lease agreements as a lessee to lease land with terms ranging from three to 38 years from two different landlords. A right to use lease liability of \$5,233,606 for existing leases at March 1, 2021 has been established based on the present value calculations of future minimum lease payments and estimated incremental borrowing rates that range between 0.28% and 1.63%. A stated rate for one agreement was applied at 7.50%. The agreements call for monthly payments during the lease terms. Principal payments made by the Water and Wastewater Utility during fiscal year 2024 and 2023 for the land leases were \$46,940 and \$46,520, respectively and interest expense recognized was \$381,979 and \$383,205, respectively.

Principal and interest requirements to maturity for right to use leases are as follows:

Year Ending February	Principal	Interest	Total Requirements
2025	\$ 29,517	\$ 379,982	\$ 409,499
2026	32,925	376,575	409,500
2027	35,482	374,018	409,500
2028	38,237	371,263	409,500
2029	40,121	369,379	409,500
2030 - 2034	257,674	1,789,826	2,047,500
2035 - 2039	374,479	1,673,021	2,047,500
2040 - 2044	544,271	1,503,229	2,047,500
2045 - 2049	790,405	1,257,095	2,047,500
2050 - 2054	1,150,019	897,481	2,047,500
2055 - 2059	1,671,680	375,820	2,047,500
2060 - 2063	101,152	1,222	102,374
	<u>\$ 5,065,962</u>	<u>\$ 9,368,911</u>	<u>\$ 14,434,873</u>

The Water and Wastewater Utility has entered into lease agreements as a lessee to lease office equipment with a 4-year lease term. A right to use lease liability of \$241,602 for the existing lease at March 1, 2021 has been established based on the present value calculations of future minimum lease payments and an estimated incremental borrowing rate 0.32%. The agreement calls for monthly payments during the lease term. Principal payments made by the Water and Wastewater Utility during fiscal year 2024 and 2023 for office equipment leases were \$61,111 and \$60,915, respectively and interest expense recognized was \$281 and \$482, respectively.

Principal and interest requirements to maturity for right to use leases are as follows:

Year Ending February	Principal	Interest	Total Requirements
2025	\$ 56,191	\$ 90	\$ 56,281
	<u>\$ 56,191</u>	<u>\$ 90</u>	<u>\$ 56,281</u>

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16. LEASE LIABILITIES (Continued)

The Water and Wastewater Utility has entered into lease agreements as a lessee to lease golf cart vehicles with a 3-year term. A right to use lease liability of \$341,082 for this existing lease at March 1, 2021 was been established based on the present value calculations of future minimum lease payments and an estimated incremental borrowing rate of 0.28%. The agreement calls for monthly payments during the lease term. Principal payments made by the Water and Wastewater Utility during fiscal year 2024 and 2023, were \$104,072 and \$103,777, respectively and interest expense recognized was \$221 and \$526, respectively.

Principal and interest requirements to maturity for right to use leases are as follows:

Year Ending February	Principal	Interest	Total Requirements
2025	\$ 26,064	\$ 12	\$ 26,076
	\$ 26,064	\$ 12	\$ 26,076
	\$ 26,064	\$ 12	\$ 26,076

17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

As discussed in Note 1, EPWater implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, as of March 1, 2022.

The Water and Wastewater Utility has entered into various agreements for software licenses and hosted subscriptions with terms ranging from two to five years. A liability of \$3,692,442 for existing arrangements as of March 1, 2022 has been established and initial liabilities of \$76,559 and \$160,859 for new arrangements entered into during fiscal years 2023 and 2024, respectively, have been recorded based on present value calculations of future minimum lease payments and estimated incremental borrowing rates that range between 0.33% to 3.02%. The agreements call for annual payments during the subscription terms. Principal payments made by the Water and Wastewater Utility during fiscal years 2024 and 2023 were \$1,352,190 and \$1,127,993, respectively, and interest expense recognized was \$11,996 and \$15,058, respectively. In addition, variable costs of \$13,993 and \$15,075 for fiscal years 2024 and 2023, respectively, were incurred for additional capacity.

Principal and interest requirements to maturity for SBITAs of the Water and Wastewater Utility are as follows:

Year Ending February	Principal	Interest	Total Requirements
2025	\$ 907,665	\$ 10,938	\$ 918,603
2026	525,486	4,536	530,022
2027	16,526	449	16,975
	\$ 1,449,677	\$ 15,923	\$ 1,465,600
	\$ 1,449,677	\$ 15,923	\$ 1,465,600

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**17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)
(Continued)**

The Municipal Drainage Utility has entered into an agreement for software licenses with a term of four years. A liability of \$58,865 for this existing arrangement at March 1, 2022 has been established based on the present value calculations of future minimum lease payments and an estimated incremental borrowing rate of 0.55%. The agreement calls for annual payments during the subscription term. Principal payments made by the Municipal Drainage Utility during fiscal years 2024 and 2023 were \$19,532 and \$18,747, respectively, and interest expense recognized was \$172 and \$276, respectively.

Principal and interest requirements to maturity for SBITAs of the Municipal Drainage Utility are as follows:

Year Ending February	Principal	Interest	Total Requirements
2025	\$ 20,586	\$ 114	\$ 20,700
	\$ 20,586	\$ 114	\$ 20,700
	\$ 20,586	\$ 114	\$ 20,700

18. OTHER GOVERNMENT PAYABLE

During the fiscal year ending February 28, 2010, EPWater entered into a wholesale contract with Fort Bliss to provide water services for a 20 year period effective June 1, 2009. The El Paso Water Utility is to credit Fort Bliss \$3,300,000 with an interest rate of 4.5% totaling \$5,010,583 over 20 years (\$20,877 monthly) for the engineering/environmental analysis in connection with the Desalination Plant. The following is a list of the principal and interest payments due to Fort Bliss as of February 29, 2024:

Year Ending February	Principal	Interest	Total
2025	\$ 202,034	\$ 48,495	\$ 250,529
2026	211,316	39,214	250,530
2027	221,023	29,506	250,529
2028	231,177	19,352	250,529
2029	241,797	8,732	250,529
2030	62,166	466	62,632
	\$ 1,169,513	\$ 145,765	\$ 1,315,278
	\$ 1,169,513	\$ 145,765	\$ 1,315,278

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19. REVENUE PLEDGED AND DEBT SERVICE COVERAGE

Water and Wastewater Utility

The bond ordinances require EPWater to maintain revenues in each fiscal year, after deductions for maintenance and operation expenses, in an amount equal to at least 1.5 times the debt service requirements in such year for the Water and Wastewater Utility Fund. The computations of this ratio are summarized below for the years ended February 29, 2024 and February 28, 2023.

Revenues available for debt service are determined as follows:

	2024	Restated 2023
Water and wastewater revenue	\$ 367,642,334	\$ 297,734,966
Operating revenue deductions	162,147,520	134,010,086
Net water and wastewater revenue	205,494,814	163,724,880
Other revenues available for debt service:		
Interest income	30,034,874	13,508,438
Administration fees - City Environmental Services	891,840	892,771
Other miscellaneous operating revenue	4,669,324	3,888,676
Gain on sale of miscellaneous assets	465,835	3,955,125
Other nonoperating revenues	2,742,909	2,673,044
Pension recovery credit	15,602	-
Less: Other miscellaneous expenses	(6,358,124)	(9,546,956)
Net other revenues available for debt service	32,462,260	15,371,098
Revenues available for debt service	\$ 237,957,074	\$ 179,095,978

Comparison of pledged revenues to debt requirements:

	2024	Restated 2023
Revenues available for debt service	\$ 237,957,074	\$ 179,095,978
Debt service requirements		
Principal	48,625,000	46,490,000
Interest	46,728,122	27,549,575
Total requirements	\$ 95,353,122	\$ 74,039,575
Debt service ratio	2.50	2.42

As calculated above, the approximate amount of pledged revenue for the years ended February 29, 2024 and February 28, 2023 were \$237,957,074 and \$179,095,978, respectively.

The proportion of the specific revenue stream that has been pledged to cover the debt requirements to the total revenue was 61.60% and 57.02% for the years ended February 29, 2024 and February 28, 2023, respectively.

The bonds, both principal and interest, are secured by a first lien and pledge of the net revenues of the Water and Wastewater Utility Fund.

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19. REVENUE PLEDGED AND DEBT SERVICE COVERAGE (Continued)

Municipal Drainage Utility

The bond ordinances require EPWater to maintain revenues in each fiscal year, after deductions for maintenance and operation expenses, in an amount equal to at least 1.25 times the debt service requirements in such year for the Municipal Drainage Utility Fund. The computations of this ratio are summarized below for the years ended February 29, 2024 and February 28, 2023.

Revenues available for debt service are determined as follows:

	2024	Restated 2023
Municipal drainage utility revenue	\$ 33,517,191	\$ 28,815,723
Operating revenue deductions	9,723,279	8,332,921
Net municipal drainage utility revenue	23,793,912	20,482,802
Other revenues available for debt service:		
Interest income	1,766,963	942,080
Administration fees - City Environmental Services	382,217	382,616
OPEB recovery credit	51,975	30,310
Other miscellaneous operating revenue	50,445	110,014
Other nonoperating revenues	60,628	88,051
Less: Other miscellaneous expenses	(465,659)	(469,967)
Net other revenues available for debt service	1,846,569	1,083,104
Revenues available for debt service	\$ 25,640,481	\$ 21,565,906

Comparison of pledged revenues to debt requirements:

	2024	Restated 2023
Revenues available for debt service	\$ 25,640,481	\$ 21,565,906
Debt service requirements		
Principal	6,633,000	6,073,000
Interest	5,025,959	4,449,426
Total requirements	\$ 11,658,959	\$ 10,522,426
Debt service ratio	2.20	2.05

As calculated above, the approximate amount of pledged revenue for the years ended February 29, 2024 and February 28, 2023 were \$25,640,481 and \$21,565,906, respectively.

The proportion of the specific revenue stream that has been pledged to cover the debt requirements to the total revenue were 75.41% and 73.51% for the years ended February 29, 2024 and February 28, 2023, respectively.

The bonds, both principal and interest, are secured by a first lien and pledge of the net revenues of the Municipal Drainage Utility Fund.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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20. RISK MANAGEMENT

EPWater is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters and is covered under certain policies purchased from independent insurance carriers. Additionally, EPWater, through the City of El Paso, maintains insurance policies acquired from independent insurance carriers covering material structural properties.

EPWater, in conjunction with the City of El Paso, provides health benefits and workers' compensation benefits for eligible employees and a fully insured health benefit plan for retirees. EPWater and the City of El Paso fund these plans separately, and EPWater is responsible for the costs incurred related to the employees and retirees of EPWater. EPWater, in conjunction with the City of El Paso, provides basic life insurance for eligible employees and dependents through a commercial carrier.

The City maintains group health insurance administered through Aetna which is self-insured for active employees and their eligible dependents and fully insured for retired employees and their eligible dependents. Reinsurance coverage limits the annual liability of EPWater to \$275,000 per claim per covered member for the self-insured plans. Effective January 1, 2022, the amount increased to \$300,000, and beginning January 1, 2024, the amount increased again to \$350,000. Contributions are shared by EPWater, participating employees, and retirees. Eligible health expenses and liabilities are paid and recorded separately for the City of El Paso and EPWater.

Claims Administrative Services administers the workers' compensation self-insurance program. A separate bank account is used to pay all claims for workers' compensation, and EPWater accrues estimated future liabilities for workers' compensation claims filed as of the end of the fiscal year based on an actuarial study performed every two years. Management feels that the contributions made during the year for workers' compensation will offset any claims paid during the year.

For the years ended February 29, 2024, February 28, 2023, and February 28, 2022, the amount of settlements did not exceed insurance coverage and there were no significant reductions in the coverage from the prior year. The estimated liability for unpaid health claims is based upon the claim lag report. The estimated liability for unpaid workers' compensation claims is the discounted future payments, as actuarially determined, of case reserves plus claims incurred but not reported as of the actuarial report date of February 29, 2024. Accrued liabilities for these self-insurance programs are summarized below for the years ended February 29, 2024, February 28, 2023, and February 28, 2022:

	2024	2023	2022
Health Insurance	\$ 97,117	\$ 46,760	\$ 119,758
Workers' Compensation	711,237	966,092	966,092
Total payable	808,354	1,012,852	1,085,850
Less current portion	365,396	176,723	537,929
Estimated long-term portion	\$ 442,958	\$ 836,129	\$ 547,921

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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20. RISK MANAGEMENT (Continued)

Changes in accrued liabilities for self-insurance programs were as follows:

	2024	2023	2022
Total payable, beginning of year	\$ 1,012,852	\$ 1,085,850	\$ 1,140,112
Additional claims incurred	2,635,396	1,676,246	3,469,976
Claims paid during the year	(2,839,894)	(1,749,244)	(3,524,238)
Total payable, end of year	\$ 808,354	\$ 1,012,852	\$ 1,085,850

21. PENSION AND RETIREMENT PLAN

General - The Public Service Board - El Paso Water Utilities contributes to the City of El Paso Employees Retirement Trust (CERT) which is a single-employer Public Employee Retirement System defined benefit pension plan. However, in accordance with GASB Statement No. 68, as a component unit of the City, EPWater reports its proportionate share of the collective net pension liability as if it was a cost-sharing employer.

Plan Description - The CERT was established in accordance with authority granted by Chapter 2.64 of the El Paso City Code and is a component unit (fiduciary fund type) of the City. It is the responsibility of the CERT to function as an investment and administrative agent for the City of El Paso and EPWater with respect to the pension plan. The CERT is not required to maintain any legally required reserves.

Basis of Accounting - The accounting policies of the CERT have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The CERT is accounted for on an economic resources measurement focus using the accrual basis of accounting.

Pension Plan Fiduciary Net Position - Detailed information about the City of El Paso Employees Retirement Trust fiduciary net position is available in separately issued audited plan financial statements, including required supplementary information (RSI). That report may be obtained from the City of El Paso Employees Retirement Trust Administrative Office at 1039 Chelsea St., El Paso, Texas 79903, or online at <http://eppension.org/fund-overview.php>.

The collective net pension liability was measured as of August 31, 2023 and August 31, 2022. The total pension liability is based on the actuarial valuation as of September 1, 2022 and September 1, 2020, respectively, and update procedures were used to roll forward the total pension liability to the measurement dates of August 31, 2023 and August 31, 2022.

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21. PENSION AND RETIREMENT PLAN (Continued)

	2023	2022
Total Pension Liability	\$ 1,195,447,246	\$ 1,118,495,801
Less: Fiduciary Net Position	(914,311,891)	(908,273,911)
Net Pension Liability	\$ 281,135,355	\$ 210,221,890
Fiduciary Net Position as a percentage of the Total Pension Liability	76.48%	81.20%

Benefits Provided: Substantially all full-time employees of the City (including EPWater) are eligible to participate in the Plan. Non-employer contributions are limited to participating employees. Participation is mandatory for classified employees (except permanent part-time employees). For non-classified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the CERT. The designated purpose of the CERT is to provide retirement, death, and disability benefits to participants or their beneficiaries. The CERT is administered by the CERT Board of Trustees, which is comprised of two members of the City Council, two citizens of the City who are not officers or employees of the City, four city employees who are qualified to participate in the trust, and one retired city employee receiving pension benefits from the trust. The CERT Board contracts with an independent pension custodian, investment managers, an investment consultant, an actuary and an attorney to assist in managing the CERT.

Members who were first participants prior to September 1, 2011, accrue benefits based on Tier I provisions as follows:

- Participants who leave the Plan before completion of five years of service receive a refund of their contributions. Participants leaving the Plan with more than five years but less than ten years of service may receive a refund of their contributions plus interest at 5.5%, compounded annually, provided they are not eligible for normal retirement. Participants become fully vested after reaching forty years of age and ten years of service or forty-five years of age and seven years of service. Normal retirement is the earlier of (i) fifty-five years of age with ten years of service, (ii) sixty years of age with seven years of service or (iii) thirty years of service, regardless of age. Participants who have met the minimum vesting requirements may retire but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, or 2.5% of the average monthly base salary received by the employee during the year immediately prior to retirement, or 2.5% of the monthly base salary pay for the month immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus .2083 of 1% of such average for each additional completed or fractional part of a month of service.

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

21. PENSION AND RETIREMENT PLAN (Continued)

Members who were first participants on or after September 1, 2011, accrue benefits based on Tier II provisions as follows:

- Participants who leave the plan before completion of seven years of service receive a refund of their contributions. Participants leaving the plan with more than seven years but less than ten years of service may receive a refund of their contributions plus interest at 3%, compounded annually, provided they are not eligible for normal retirement. Participants become fully vested after reaching forty-five years of age and seven years of service. Normal retirement is the earlier of (i) sixty years of age with seven years of service or (ii) thirty-five years of service, regardless of age. Participants who have met the minimum vesting requirements may retire but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.25% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, multiplied by the number of completed years of service, plus .1875 of 1% of such average for each additional completed or fractional part of a month of service, limited to 90% of the three year average final pay.

A pension benefit is available to surviving spouses and dependents. The plan includes no automatic increase in retirement benefits, including automatic COLAs. However, the Board, at its discretion after consideration of a recent actuarial review of the funding status, may provide ad hoc cost of living or other increases in retirement benefits. There were no ad-hoc payments issued for the plan years ended August 31, 2023 and August 31, 2022.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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February 29, 2024 and February 28, 2023

21. PENSION AND RETIREMENT PLAN (Continued)

For the September 1, 2022 and September 1, 2020 actuarial valuations, rolled forward to the measurement dates of August 31, 2023 and August 31, 2022, respectively, the entry-age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the fair value of investments over a five-year period. The actuarial assumptions at September 1, 2022 and at September 1, 2020 included a 7.25% investment rate of return (net of expenses), projected salary increases of 2.5%, which is solely due to the effect of inflation on salaries, with no allowance for future membership growth. The remaining amortization period at September 1, 2022 and at September 1, 2020 was 25 years using closed periods (“layers”). For the September 1, 2022 and September 1, 2020 actuarial valuations, rolled forward to August 31, 2023 and August 31, 2022, respectively, mortality rates for active and deferred participants were based on the RP-2014 employee tables with Blue Collar adjustment projected with Scale MP-2019 on a fully generational basis. Mortality rates for healthy retirees and survivors were based on the 2014 healthy annuitant tables with Blue Collar adjustment (92% of male rates and 100% of female rates) projected with Scale MP-2019 on a fully generational basis. Mortality rates for disabled participants were based on the RP-2014 disabled annuitant table projected with Scale MP-2019 on a fully generational basis. The actuarial assumptions and methods used in the September 1, 2022 and the September 1, 2020 valuations were based on the experience study for the period September 1, 2014 through August 31, 2018, and the funding policy that was formalized in 2019.

Changes of Assumptions since August 31, 2022 - There were no changes in the actuarial assumptions or other reports that affected measurement of the total pension liability since the prior measurement date.

There were no changes of benefit terms that affected the measurement of the total pension liability since the prior measurement date.

There were no changes between the measurement date of the collective net pension liability and the employer’s reporting date that are expected to have a significant effect on the EPWater’s proportionate share of the collective net pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of returns by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the CERT’s asset allocations as of August 31, 2023 and August 31, 2022 are summarized in the following table:

Asset Class	2023 Target Allocation	2022 Target Allocation	2023 Long- term Expected Real Rate of Return	2022 Long- term Expected Real Rate of Return
Domestic Equity	31%	31%	6.34%	7.26%
International Equity	21%	21%	6.77%	6.24%
Fixed Income	24%	24%	1.74%	0.78%
Real Estate	10%	10%	5.11%	4.17%
Private Equity	13%	13%	11.86%	10.72%
Cash	1%	1%	-	-

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February 29, 2024 and February 28, 2023

21. PENSION AND RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.25 percent for plan years ended August 31, 2023 and August 31, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be based on the rates established by Ordinance. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Contributions Required and Contributions Made - Contribution rates for the CERT are based upon local statutes as enacted by the El Paso City Council and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial accrued liability (using entry-age-normal cost method) over twenty-five years. As of the most recent actuarial valuation, the contribution rate was 23 percent of annual covered payroll with employer contributions of 14.05 percent and employee contributions of 8.95 percent.

EPWater Contributions for the years ended February 29, 2024 and February 28, 2023 were as follows:

	2024 - Contributions Required and Made		2023 - Contributions Required and Made	
	Water and Wastewater Utility	Municipal Drainage Utility	Water and Wastewater Utility	Municipal Drainage Utility
Employer contributions	\$ 7,614,139	\$ 338,838	\$ 5,969,988	\$ 278,167
Employee contributions	4,850,322	216,293	3,802,477	177,258
Total contributions	\$ 12,464,461	\$ 555,131	\$ 9,772,465	\$ 455,425

Sensitivity to Changes in the Discount Rate: The following presents EPWater's proportionate share for the Water and Wastewater Utility and Municipal Drainage Utility of the resulting net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

8/31/2023 - Water and Wastewater Utility's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Water and Wastewater Utility	\$ 78,611,335	\$ 53,560,388	\$ 34,125,027
8/31/2023 - Municipal Drainage Utility's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Municipal Drainage Utility	\$ 3,501,302	\$ 2,385,548	\$ 1,519,908

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February 29, 2024 and February 28, 2023

21. PENSION AND RETIREMENT PLAN (Continued)

8/31/2022 - Water and Wastewater Utility's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Water and Wastewater Utility	\$ 64,114,725	\$ 39,970,941	\$ 19,880,393

8/31/2022 - Municipal Drainage Utility's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Municipal Drainage Utility	\$ 2,988,661	\$ 1,863,216	\$ 926,710

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At February 29, 2024, EPWater reported a net pension liability for its proportionate share of the CERT's net pension liability of \$53,560,388 for the Water and Wastewater Utility and \$2,385,548 for the Municipal Drainage Utility. At February 28, 2023, EPWater reported a net pension liability for its proportionate share of the CERT's net pension liability of \$39,970,941 for the Water and Wastewater Utility and \$1,863,216 for the Municipal Drainage Utility. EPWater's net pension liability reported at February 29, 2024 was measured at August 31, 2023. EPWater's net pension liability reported at February 28, 2023 was measured at August 31, 2022.

EPWater's proportion of the net pension liability was based on EPWater's contributions to the pension plan relative to the contributions of the City to the plan for the periods from September 1, 2022 through August 31, 2023 and September 1, 2021 to August 31, 2022. At August 31, 2023 and August 31, 2022, EPWater's proportion of the collective net pension liability was 19.90 percent.

For the years ended February 29, 2024 and February 28, 2023, EPWater recognized pension expense as measured in accordance with GASB Statement No. 68, of \$8,840,741 and \$3,099,599, respectively, for the Water and Wastewater Utility, and \$294,691 and \$8,524, respectively, for the Municipal Drainage Utility.

At February 29, 2024 and February 28, 2023, EPWater reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to the CERT from the following sources:

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21. PENSION AND RETIREMENT PLAN (Continued)

	2024- Water and Wastewater Utility		2024 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual pension experience	\$ 9,219,296	\$ -	\$413,898	\$ -
Changes of assumptions	2,036	-	98	-
Net difference between projected and actual earnings on pension assets	10,422,650	-	446,258	-
Changes in proportionate share	678,927	317,254	21,960	214,570
Employer contributions subsequent to the measurement date	4,260,330	-	191,276	-
Total	<u>\$ 24,583,239</u>	<u>\$ 317,254</u>	<u>\$ 1,073,490</u>	<u>\$ 214,570</u>

	2023 - Water and Wastewater Utility		2023 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual pension experience	\$ 879,002	\$ -	\$ 49,371	\$ -
Changes of assumptions	2,644	-	128	-
Net difference between projected and actual earnings on pension assets	7,652,589	-	318,628	-
Changes in proportionate share	400,136	412,606	9,192	241,568
Employer contributions subsequent to the measurement date	3,381,375	-	156,690	-
Total	<u>\$ 12,315,746</u>	<u>\$ 412,606</u>	<u>\$ 534,009</u>	<u>\$ 241,568</u>

For the year ended February 29, 2024, EPWater reported \$4,260,330 for the Water and Wastewater Utility and \$191,276 for the Municipal Drainage Utility as deferred outflows of resources related to pensions resulting from EPWater contributions subsequent to the measurement date and prior to year-end. These amounts will be recognized as a reduction of the net pension liability for the year ending February 28, 2025.

For the year ended February 28, 2023, EPWater reported \$3,381,375 for the Water and Wastewater Utility and \$156,690 for the Municipal Drainage Utility as deferred outflows of resources related to pensions resulting from EPWater contributions subsequent to the measurement date and prior to year-end. These amounts were recognized as a reduction of the net pension liability for the year ending February 29, 2024.

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February 29, 2024 and February 28, 2023

21. PENSION AND RETIREMENT PLAN (Continued)

For the year ended February 29, 2024, the amount recognized as pension expense for the deferred outflows and inflows related to pensions was \$5,007,675 for the Water and Wastewater Utility and \$123,960 for the Municipal Drainage Utility. For the year ended February 28, 2023, the amount recognized as pension (recovery)/expense for the deferred outflows and inflows related to pensions was \$1,664,461 for the Water and Wastewater Utility and (\$58,374) for the Municipal Drainage Utility.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended February	Water and Wastewater Utility	Municipal Drainage Utility
2025	\$ 2,714,967	\$ 29,248
2026	3,893,709	108,010
2027	9,169,560	377,963
2028	3,078,320	110,542
2029	1,149,099	41,881
Thereafter	-	-
Total	\$ 20,005,655	\$ 667,644

Payable to the Pension Plan: At February 29, 2024 and February 28, 2023, EPWater reported a payable, including accruals where applicable, of \$441,806 for the Water and Wastewater Utility and \$19,577 for the Municipal Drainage Utility and \$299,563 for the Water and Wastewater Utility and \$13,719 for the Municipal Drainage Utility, respectively, for the outstanding amount of contributions to the pension plan required for each fiscal year.

22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - EPWater through the City of El Paso offers its employees a single employer defined healthcare plan with OPEB benefits for retirees. The City sponsors and administers the informal plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and who receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents unless the retiree is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the healthcare plan but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

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22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Benefits Provided - The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage for health care benefits for retirees under age 65 is the same as the coverage provided to active City employees. Retirees over age 65 are covered through a Medicare Advantage Plan. Retirees pay premiums ranging from \$144 per month to \$2,900 per month depending on the coverage elected. The cost of retiree health care benefits in the form of a share of the premiums is recognized on a pay-as-you go financing method and is recorded as an expense as liabilities are incurred. Retirees contributed approximately 53% of the total current year cost.

Employees Covered by Benefit Terms - At February 29, 2024 and February 28, 2023, the following employees were covered by the benefit terms:

	2024		2023	
	Water and Wastewater Utility	Municipal Drainage Utility	Water and Wastewater Utility	Municipal Drainage Utility
Inactive employees or beneficiaries currently receiving benefits	134	1	142	1
Active employees	918	50	784	46
Total	1052	51	926	47

Total OPEB Liability - EPWater’s total OPEB liability of \$13,883,605 and \$12,917,792 reported at February 29, 2024 and February 28, 2023, respectively, is based on the actuarial valuation performed as of January 1, 2023. Update procedures were used to roll forward the total OPEB liability to the measurement dates of February 29, 2024 and February 28, 2023.

Actuarial assumptions and other inputs - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial assumptions for OPEB are based on the experience study for the period September 1, 2014 through August 31, 2018 performed for the pension plan. OPEB specific assumptions, such as healthcare trend rates and plan participation, are reviewed during each full actuarial valuation.

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22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The EPWater’s total OPEB liability is based on the actuarial valuation as of January 1, 2023 and was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	3.92% as of February 29, 2024 4.06% as of February 28, 2023
Inflation	2.50%
Salary Increases	2.75% to 4.50%
Demographic Assumptions	The demographic assumptions are the same as those used in the City of El Paso Employees Retirement Trust actuarial valuation as of September 1, 2022.
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Tables with Blue Collar Adjustment (92% of male rates and 100% of female rates) were used, projected using Scale MP-2019 on a fully generational basis.
Health Care Trend Rates	Pre-65 - Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years. Post-65 - Initial rate of 6.10% declining to an ultimate rate of 4.25% after 11 years.
Participation Rates	35% for eligible employees retiring between the ages of 50 and 65. 40% for eligible employees retiring at the age of 65 or older. 0% for eligible employees retiring before the age of 50. 45% of retirees were assumed to elect 2-person coverage.

The discount rate at February 29, 2024 and at February 28, 2023 is based on the Fidelity 20-Year Municipal GO AA Index.

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22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Total OPEB Liability:

	2024	
	Water and Wastewater Utility	Municipal Drainage Utility
Balance at March 1, 2023	\$ 12,201,866	\$ 715,926
Changes for the year:		
Service cost	704,984	38,398
Interest	501,982	27,341
Differences between expected and actual experience	(33,363)	(1,817)
Changes of assumptions	220,224	11,995
Change in proportionate share	48,686	(48,686)
Benefit payments	(477,902)	(26,029)
Net changes	964,611	1,202
Balance at February 29, 2024	<u>\$ 13,166,477</u>	<u>\$ 717,128</u>

Changes of assumptions reflect the change in the discount rate from 4.06% as of February 28, 2023 to 3.92% as of February 29, 2024. Of the total OPEB liability at February 29, 2024, \$568,654 and \$30,972 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, reflect the expected benefits to be paid within one year and are reported within the current liabilities category. The remaining amounts of \$12,597,823 and \$686,156 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, are reported within noncurrent liabilities.

	2023	
	Water and Wastewater Utility	Municipal Drainage Utility
Balance at March 1, 2022	\$ 16,939,348	\$ 954,970
Changes for the year:		
Service cost	1,008,192	59,154
Interest	406,285	23,838
Differences between expected and actual experience	(3,005,779)	(176,360)
Changes of assumptions	(2,581,663)	(151,475)
Change in proportionate share	(36,764)	36,764
Benefit payments	(527,753)	(30,965)
Net changes	(4,737,482)	(239,044)
Balance at February 28, 2023	<u>\$ 12,201,866</u>	<u>\$ 715,926</u>

Changes of assumptions reflect the change in the discount rate from 2.37% as of February 28, 2022 to 4.06% as of February 28, 2023. Additionally, the health care trend rates were reset to better reflect the plan's anticipated experience. Of the total OPEB liability at February 28, 2023, \$476,002 and \$27,928 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, reflect the expected benefits to be paid within one year and are reported within the current liabilities category. The remaining amounts of \$11,725,864 and \$687,998 for the Water and Wastewater Utility and the Municipal Drainage Utility, respectively, are reported within noncurrent liabilities.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of EPWater by utility, calculated using the discount rate of 3.92% as of February 29, 2024, and 4.06% as of February 28, 2023, as well as what EPWater's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the respective discount rate:

02/29/2024	1% Decrease (2.92%)	Discount Rate (3.92%)	1% Increase (4.92%)
Water and Wastewater Utility			
Total OPEB Liability	\$ 14,928,832	\$ 13,166,477	\$ 11,714,028

02/29/2024	1% Decrease (2.92%)	Discount Rate (3.92%)	1% Increase (4.92%)
Municipal Drainage Utility			
Total OPEB Liability	\$ 813,117	\$ 717,128	\$ 638,019

02/28/2023	1% Decrease (3.06%)	Discount Rate (4.06%)	1% Increase (5.06%)
Water and Wastewater Utility			
Total OPEB Liability	\$ 13,816,005	\$ 12,201,866	\$ 10,867,286

02/28/2023	1% Decrease (3.06%)	Discount Rate (4.06%)	1% Increase (5.06%)
Municipal Drainage Utility			
Total OPEB Liability	\$ 810,633	\$ 715,926	\$ 637,621

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of EPWater by utility, calculated using the assumed trend rates, as well as what EPWater's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

02/29/2024	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Water and Wastewater Utility			
Total OPEB Liability	\$ 11,328,798	\$ 13,166,477	\$ 15,479,933

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

02/29/2024	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Municipal Drainage Utility			
Total OPEB Liability	\$ 617,037	\$ 717,128	\$ 843,134

02/28/2023	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Water and Wastewater Utility			
Total OPEB Liability	\$ 10,604,492	\$ 12,201,866	\$ 14,200,467

02/28/2023	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Municipal Drainage Utility			
Total OPEB Liability	\$ 622,202	\$ 715,926	\$ 833,191

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB -
For fiscal years ended February 29, 2024 and February 28, 2023, EPWater recognized OPEB (recovery)/expense of (\$15,602) and \$164,923, respectively, for the Water and Wastewater Utility, and (\$51,975) and (\$30,310), respectively, for the Municipal Drainage Utility.

At February 29, 2024 and February 28, 2023, EPWater reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024 - Water and Wastewater Utility		2024 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$6,853,731	\$ -	\$412,377
Changes of assumptions	2,954,733	3,803,637	185,556	227,887
Change in proportionate share	237,565	28,340	28,340	237,565
Total	\$ 3,192,298	\$ 10,685,708	\$ 213,896	\$ 877,829

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2024 and February 28, 2023

22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

	2023 - Water and Wastewater Utility		2023 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,086,882	\$ -	\$ 487,088
Changes of assumptions	3,392,710	4,461,133	215,135	267,406
Change in proportionate share	236,332	32,552	32,552	236,332
Total	<u>\$ 3,629,042</u>	<u>\$ 12,580,567</u>	<u>\$ 247,687</u>	<u>\$ 990,826</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended February	Water and Wastewater Utility	Municipal Drainage Utility
2025	\$ (1,222,568)	\$ (117,714)
2026	(1,222,568)	(117,714)
2027	(1,222,568)	(117,714)
2028	(1,226,216)	(118,002)
2029	(1,516,024)	(117,212)
Thereafter	<u>(1,083,466)</u>	<u>(75,577)</u>
Total	<u>\$ (7,493,410)</u>	<u>\$ (663,933)</u>

23. DEFERRED COMPENSATION

The EPWater through the City of El Paso offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

The plan, available to all EPWater employees, permits them to defer a portion of their salaries until future years. EPWater does not make any contributions to the plan. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. The investments are managed by an outside administrator and investment options are made by participants.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants.

In management's opinion, EPWater has no liability for losses under the Plan. The City of El Paso has the duty of due care that would be required of an ordinary, prudent fiduciary.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

24. WHOLESALE WATER SUPPLY AND WASTEWATER TREATMENT CONTRACTS

EPWater has entered into various wholesale water supply and wastewater treatment contracts to supply water and provide wastewater treatment to several Municipal Utility Districts and other entities who provide retail service to their customers. The contracts vary in length from 5 years to over 40 years with renewal options available with the consent of both parties. The wholesale rates are updated annually based on cost of service including specific cost credits or offsets to specific entities due to grant proceeds related to specific water and wastewater service areas.

The following is a summary of wholesale water and wastewater rates to each entity served by EPWater:

Name of Entity	Water Rate	Wastewater Rate
Lower Valley Water District	\$2.15 per ccf	\$3.26 per ccf
Haciendas Del Norte WID	\$2.64 per ccf	N/A
Gaslight Square MHE	\$4.00 per ccf	\$3.55 per ccf
Paseo del Este MUD (includes fixed base differential rate of \$0.26 for water and \$0.33 for wastewater)	\$4.31 per ccf	\$3.79 per ccf
Fort Bliss	\$1.76 per ccf	\$2.63 per ccf
Village of Vinton	\$4.44 per ccf	\$3.75 per ccf
*County East Montana Water and Wastewater Systems	\$4.09 per ccf	\$3.92 per ccf

**Effective May 1st 2022 East Montana, Mayfair/Nuway and Shuman, Colonia Revolucion, and Square Dance consolidated into "County East Montana Water and Wastewater Systems"*

Transactions with these entities are summarized below:

	<u>2024</u>	<u>2023</u>
Water Sales	<u>\$ 15,243,834</u>	<u>\$ 13,113,475</u>
Wastewater Services	<u>\$ 10,438,155</u>	<u>\$ 8,218,570</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

25. SURFACE WATER CONTRACTS

The EPWater purchases all its Rio Grande Project surface water from the El Paso County Water Improvement District #1 (District) through various contracts, briefly described below, among the United States Department of Interior-Bureau of Reclamation, the Lower Valley Water District (LVWD), and the City of El Paso, through EPWater.

In calendar year 2023, EPWater was allocated approximately 31,692.96 acre feet (AF) of District water under two contracts titled the "1941 Contract" and the "1962 Contract." The 1941 Contract authorizes EPWater to purchase up to 2,000 acres of water rights land and to receive the water appurtenant to such land. The 1962 Contract authorizes EPWater to lease the water rights from residential land tracts inside the city limits and to receive the annual water allotment up to a maximum of 3.50 AF per acre. Under these two contracts, EPWater currently receives water based on its full land purchase authorization of 2,000 acres and 5,923.24 acres of leased water rights, whose terms are for 75 years. During calendar year 2023, the cost of the water purchased from the District for the water associated with the land owned was composed of two parts; a tax assessment fee of \$25 per acre, plus a water allotment assessment fee of \$10 per AF. These two charges plus a one-time administrative fee of \$100 and an annual account service charge of \$20 per lease, which was increased from \$12 in 2021, also applies to the water acquired through leases. EPWater also receives water rights associated with land owned and land leased on 4,730.61 acres within the LVWD. During a full allocation year, these LVWD water rights are equivalent to 18,922.44 AF worth of raw surface water.

In April of 2001, EPWater executed a contract titled "2001 Implementing Third Party Contract" (ITPC) which allows EPWater to purchase up to 28,116 AF of District water, and as little as zero AF, based on the District's annual water allotment. EPWater currently owns a total 2,910.73 acres of water rights land. Under the terms of the ITPC (as amended March 2010), EPWater paid \$15 per AF in the initial year of the contract for water allotted to EPWater owned acreage in excess of 2,000 acres, up to a 2,250 acre maximum. This price is adjusted annually by the "Consumer Price Index-All Urban Consumers, All Items." For calendar years 2023 and 2022, the price per AF was \$25.59 and \$24.03, respectively. For all other water made available by the District under this contract, EPWater paid \$193.50 per AF for the calendar year commencing January 1, 2001, escalating to \$260 per AF for the calendar year commencing January 1, 2010. In March of 2010, the PSB and the District executed a First Amendment to the ITPC in which the parties agreed to increase said price by the CPI starting on January 1, 2013, with the price for the 2011 and 2012 calendar years set at \$260 per AF. For calendar years 2023 and 2022, the price per AF was \$336.09 and \$315.72, respectively. This amendment also increased the quantity of water allotted pursuant to PSB owned acreage in excess of 3,000 acres to 3,250 acres.

Also, under the terms of the ITPC, in any year when the Directors of the District determine that the annual water allotment is two AF or greater, then for each AF of usable sewage effluent discharged by EPWater from the Haskell R. Street Wastewater Treatment Plant into the American Canal, the District allows the City a credit against any charges of the District equal to the current year's price per AF multiplied by one-half. The maximum allowable credit for usable sewage effluent for any given year is 15,000 AF.

In addition to the price of District water, EPWater pays the federal revenue component on all District water delivered to EPWater. This federal revenue component is \$5 per AF or 5% of current year's contract price of the water, whichever is greater. In calendar year 2023, EPWater received an allotment of 4.0 AF per acre of surface water and treated 45,863 AF of this water for distribution to its customers.

This note is intended to summarize major components of the contracts; however, it is recommended that the contracts be reviewed, in their entirety, by interested parties.

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February 29, 2024 and February 28, 2023

26. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Through the ordinary course of its operations, EPWater becomes subject to various claims and litigation. As of the date of these financial statements, EPWater was named in various legal actions. To the extent the outcome of such litigation is determined to result in probable loss to the EPWater, such loss is accrued in the financial statements. However, as of February 29, 2024 and February 28, 2023, no amounts have been accrued because legal counsel has not determined that the litigation will result in a probable loss to EPWater since the outcomes cannot be determined at this time. Management and legal counsel are of the opinion that settlement of these claims and pending litigation will not have a materially adverse effect on EPWater's financial statements.

In August 2021, EPWater experienced several breaks to a 36 and a 42 inch wastewater force main caused by corrosion of the steel pipelines resulting in the discharge of 10 million gallons daily of wastewater on the westside of El Paso. The wastewater was diverted to the Rio Grande River to protect public health and safety between August 2021 and January 2022. To mitigate the impacts to the river and ecological habitats, EPWater diverted the wastewater into cement lined canals and pumped some of the wastewater so it could be treated at two of its wastewater treatment plants. Prior to the breaks in 2021, a new replacement pipeline was already being installed, and it was accelerated and completed in December 2021. By early January 2022, discharge of wastewater into the Rio Grande was stopped. Impacts to the river continue to be assessed but no adverse impacts have currently been observed. Further, EPWater developed a remediation approach to remove impacted in-stream sediments, improve water quality, and restore impacted ecological habitats. The removal of impacted in-stream sediments was completed in May 2022 and water quality samples continue to be collected. Results show the river water quality has returned to baseline, pre-discharge levels. A notice of enforcement was received on June 9, 2022, for alleged violations of regulations under the New Mexico Water Quality Act or the New Mexico Water Quality Control Commission Regulations and fined EPWater \$1.2 million. EPWater filed litigation against the New Mexico Environment Department (NMED) in federal court challenging the Orders. On July 12, 2024 NMED agreed to fully and finally withdraw both of these Compliance Orders which includes the release of all claims that EPWater violated New Mexico law and also includes dismissal of the \$1.2 million fine and any associated costs. The Environmental Protection Agency has not issued any financial penalties or fines as part of their investigation of this incident. As to the Texas Commission on Environmental Quality (TCEQ), an Agreed Order was approved in September 2023 which allowed El Paso Water to avoid paying the \$2,016,000 penalty in exchange for EPWater's performance of a Supplemental Environmental Project which included cleanup and remediation.

EPWater has received federal and state financial assistance for specific purposes that are subject to review and audit by the grantor agencies. Although management believes compliance with grant guidelines is adhered to, grantor audits could result in requests for reimbursement of expenditures determined to be disallowed. Management believes such disallowances, if any, will be immaterial.

EPWater has ongoing construction projects under non-cancelable contracts. At February 29, 2024 and February 28, 2023, the Water and Wastewater Utility had appropriations and estimated commitments for services yet to be performed that totaled \$992,976,431 and \$689,770,448, respectively. At February 29, 2024 and February 28, 2023, the Municipal Drainage Utility had appropriations and estimated commitments for services yet to be performed totaling \$68,550,378 and \$64,172,408, respectively.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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27. RELATED PARTY TRANSACTIONS WITH CITY OF EL PASO

From time to time, EPWater may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter.

The Public Service Board - El Paso Water Utilities makes payments to the City of El Paso based upon a percentage of water sales. In addition, EPWater acts as a billing and collecting agent for environmental services for the City. The following is a summary of those transactions:

	2024	2023
Revenues from City:		
Water and Wastewater Sales	\$ 9,516,761	\$ 7,537,606
Billing and Collecting Agent fees	1,274,057	1,275,387
Drainage fees	786,063	672,703
Interest earnings	264,359	272,803
Expenses to City:		
10% of Water Sales	20,090,922	17,495,902
5% on gain on sale of land	135,706	97,412
Interest paid on garbage collection fees	383,880	154,654
Franchise fee	6,550,000	6,550,000
Receivable:		
Accounts Receivable from City	25,674,912	26,498,329
Payable:		
Garbage collections fees payable to City	10,673,541	12,089,453
10% of water sales payable to City	1,293,596	1,000,231
Franchise fee payable to City	545,833	545,833
Property and health insurance payable to City	86,285	91,235
City projects and other expenses payable to City	4,126,102	149,431

28. FRANCHISE FEE DUE TO THE CITY OF EL PASO

Effective September 1, 2014, City Council established a franchise fee to be paid by EPWater 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). Effective March 1, 2020, the fee increased to Six Million Five Hundred Fifty Thousand and No/100 Dollars (\$6,550,000). For fiscal year ended February 29, 2024, \$6,550,000 has been billed of which \$6,004,167 has been paid to the City of El Paso. For fiscal year ended February 28, 2023, \$6,550,000 has been billed of which \$6,004,167 has been paid to the City of El Paso.

29. RESTRICTED NET POSITION

Amounts have been restricted for construction projects and for payment of bonded debt.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

30. GASB 96 IMPLEMENTATION

As part of EPWater's implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, a restatement was necessary to establish the beginning balances as of March 1, 2022 for the right to use SBITA assets and liabilities. As a result, the financial statements for the fiscal year ended February 28, 2023 presented in this report for both the Water and Wastewater Utility fund and the Municipal Drainage Utility fund are restated.

For the Water and Wastewater Utility fund, the restatement for the beginning balance of right to use SBITA assets is \$3,707,942, which includes a prepayment of \$15,500. The restatement for the SBITA liability is \$3,692,442. The difference of \$15,500 between the SBITA assets and the related liability is reported as a prior period adjustment to the beginning net position as of March 1, 2022, thereby increasing the beginning net position. Additionally, adopting the new accounting principle as of March 1, 2022, increased the change in net position for the fiscal year ended February 28, 2023 by \$145,393.

For the Municipal Drainage Utility fund, the restatement for the beginning balance of both the right to use SBITA asset and corresponding liability is \$58,865. As a result, there is no change in the beginning net position as of March 1, 2022. Additionally, adopting the new accounting principle as of March 1, 2022, increased the change in net position for the fiscal year ended February 28, 2023 by \$1,971.

31. NEW ACCOUNTING PRONOUNCEMENTS

EPWater has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- No. 99, *Omnibus*, the requirements in paragraphs 26-32 are effective upon issuance; the requirements in paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter; the requirements in paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023, and all reporting period thereafter. GASB No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees.
- GASB No. 100, *Accounting Changes and Error Corrections - an amendment of GASB No. 62*, effective for fiscal years beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections, to provide more understandable, reliable, relevant, consistent, and comparable information for making or assessing accountability.
- GASB No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

32. SUBSEQUENT EVENTS

On April 30, 2024, the Public Service Board - El Paso Water Utilities closed on \$54,145,000 in Municipal Drainage Utility System Revenue Refunding Bonds, Series 2024 with an average interest rate of 4.87%, to refund \$60,000,000 of Municipal Drainage Extendable Commercial paper notes with an average interest rate of 3.86%.

On May 7, 2024, the City of El Paso, approved an Extendable Commercial Paper Notes (ECP), Series A (Tax-Exempt) program for the Water and Wastewater Utility in the amount not to exceed \$300 million to provide interim funding to support the Capital Improvement Program for the Water and Wastewater Utility System. On May 1, 2024, the Public Service Board - El Paso Water Utilities (PSB), through the City of El Paso, entered into an agreement with Morgan Stanley & Co. LLC for the purpose of establishing a Tax-Exempt Extendable Commercial Paper Notes Program for the Water and Wastewater Utility with an aggregate principal amount not to exceed \$300 million.

On May 20, 2024, S&P Ratings lowered its long-term rating to “AA” from “AA+” on El Paso, Texas's outstanding water and wastewater debt, and at the same time assigned its “A-1+” short-term rating on the \$300 million water and wastewater extendable commercial paper (ECP) notes.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

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IN REGARD to the authorization and issuance of the “City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2025,” dated April 15, 2025, in the principal amount of \$[] (the “Bonds”), we have examined into their issuance by the City of El Paso, Texas (the “City”), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City’s outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on March 1 in each of the years specified in the pricing certificate (the “Pricing Certificate”) executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the “Bond Ordinance” and, jointly with the Pricing Certificate, the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, a sufficiency certification (the “Refunded Bonds Sufficiency Certification”) of Computershare Trust Company, N.A. (the “Refunded Bonds Paying Agent”), as paying agent/registrar for the Refunded Bonds (as defined in the Ordinance), a sufficiency certification (the “Refunded ECP Notes Sufficiency Certification”) of Zions Bancorporation, National Association (the “Refunded ECP Notes Paying Agent”), as issuing and paying agent for the Refunded ECP Notes (as defined in the Ordinance), and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City, and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and, together with certain outstanding parity lien revenue bonds of the City, are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues (as defined in the

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2025"

- Bond Ordinance) of the City's Municipal Drainage Utility System, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.
2. The outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in each respective fund with the Refunded Bonds Paying Agent and the Refunded ECP Notes Paying Agent in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the Refunded Bonds Sufficiency Certification and the Refunded ECP Notes Sufficiency Certification as to the sufficiency of the cash deposited with the Refunded Bonds Paying Agent and the Refunded ECP Notes Paying Agent, respectively, for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.
 3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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Re: "City of El Paso, Texas, Municipal Drainage Utility System Revenue Refunding Bonds,
Series 2025"

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