



BUDGET UPDATE:

A RETROSPECTIVE LOOK

[MARCH 5, 2019]

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City Budget Retrospective

- Budget Challenges
- Tax rate, values, and exemptions
- Debt service
- Great recession impact
- Operational Impacts (mid-year budget reductions)
- 2012 Bond Projects - Ballpark, Quality of Life, and Streets
- ~~Reductions, stabilization, pay-go~~
- Addressing Challenges and Investing in Priorities

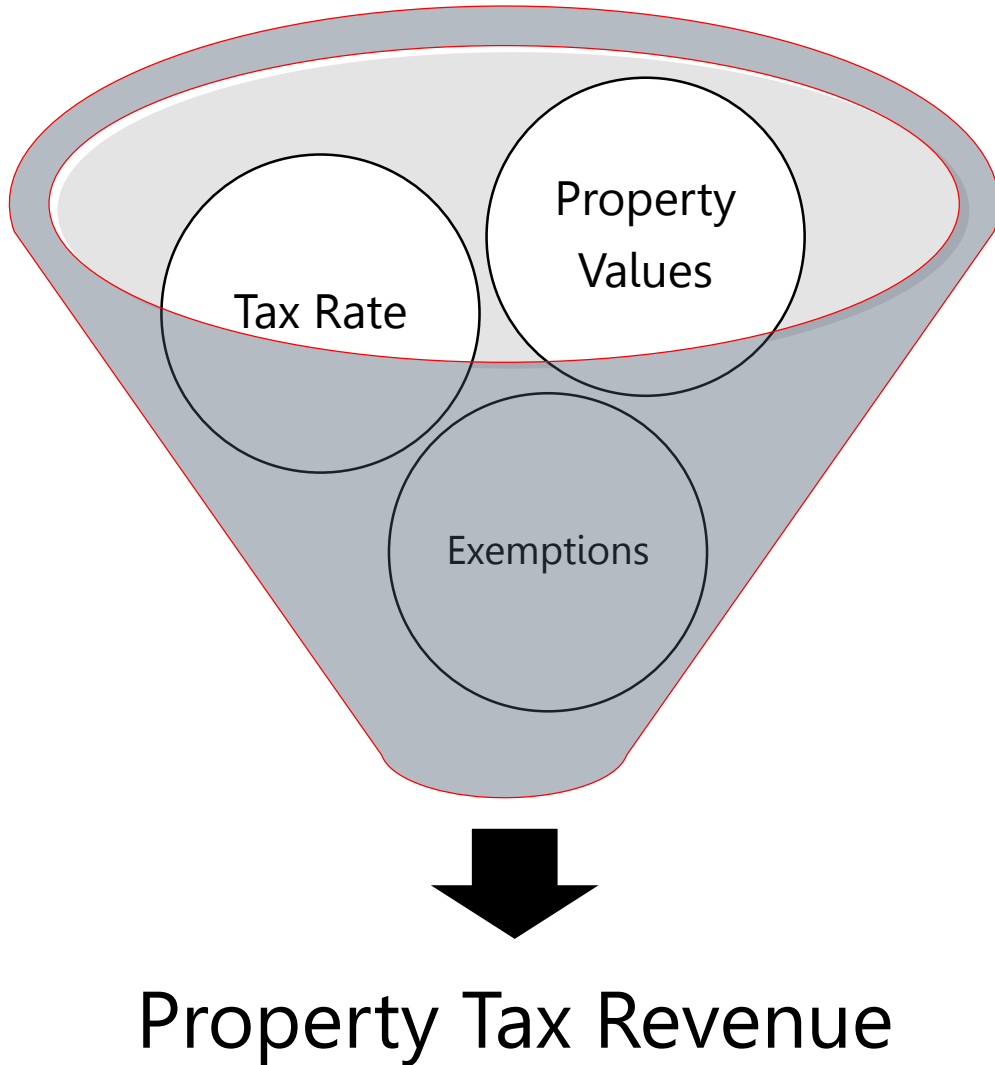
Budget Challenges

Deferred Investments Impacting Recent Budgets

- Between 2004 to 2010 – Operations & Maintenance tax rate lowered by 12 cents
- Vehicle and equipment – No replacement cycle
- Facilities – limited investment in older facilities
- Parks (playing fields, shade, lighting, playgrounds)
- Street maintenance
- Public safety staffing
- Use of fund balance (reserves)
- Pension and OPEB unfunded liabilities

Past practice was to utilize debt instead of creating "pay-go" funding

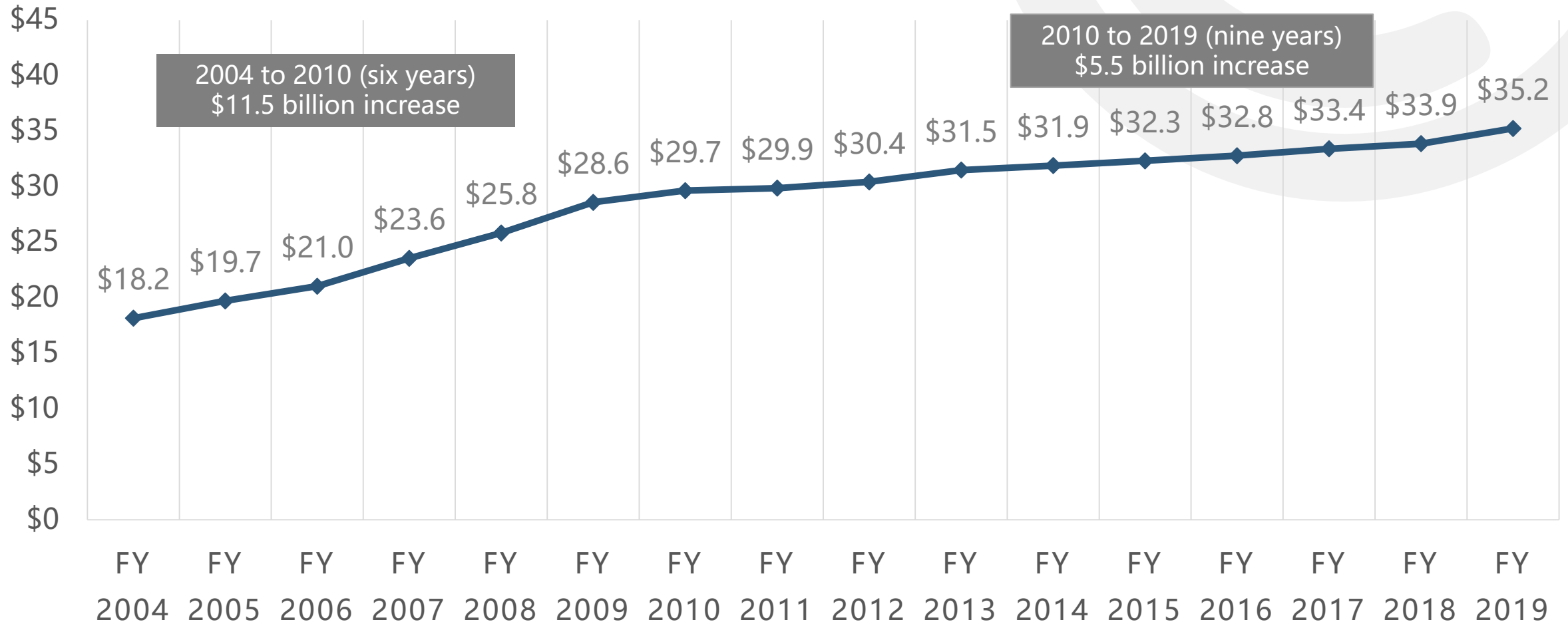
Property Tax Factors



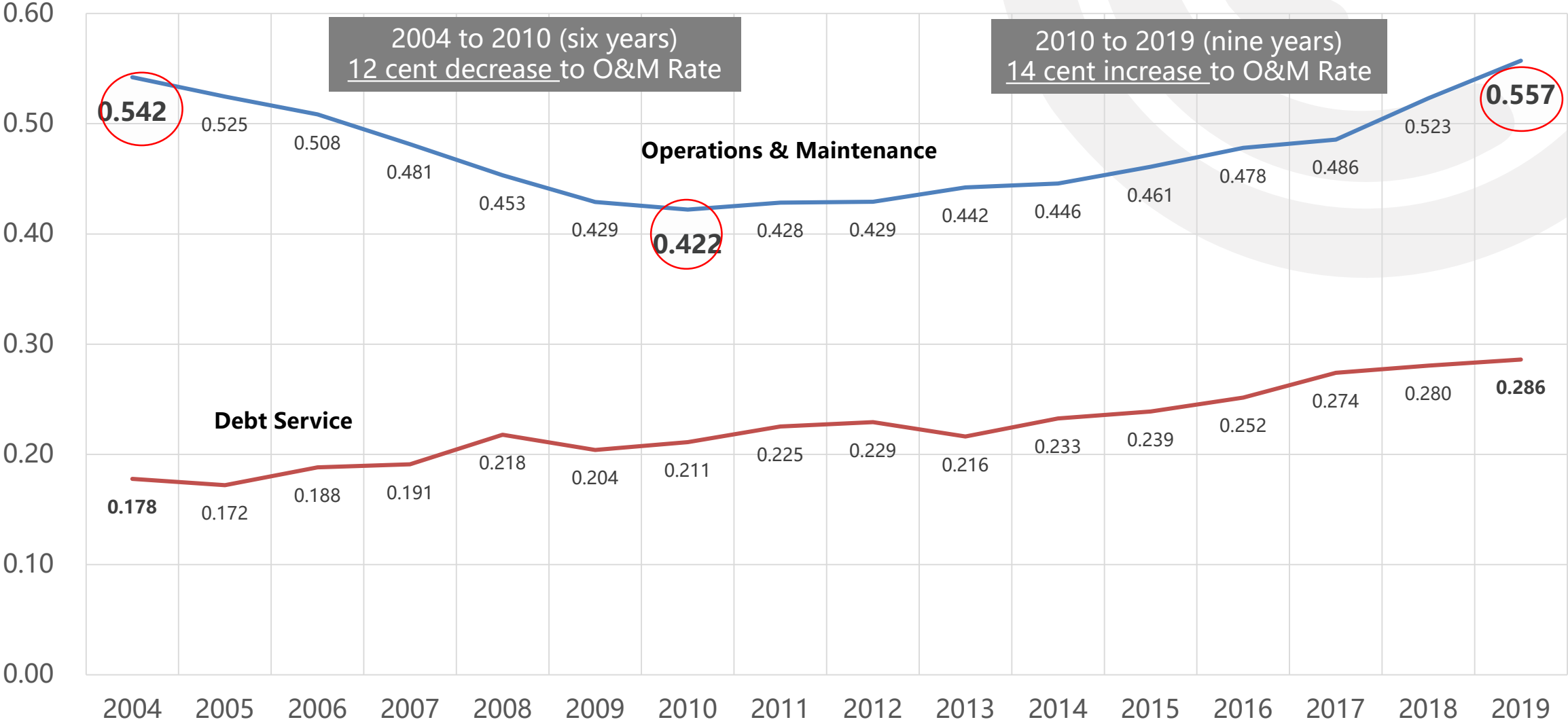
- **Property Tax Rate**
 - Approved by City Council
- **Property Values**
 - El Paso Central Appraisal District is responsible for appraising all real and business personal property within El Paso County
- **Exemptions**
 - City – homestead, over 65, disabled
 - State – disabled/surviving spouses veterans

Taxable Values

(\$ in Billions)



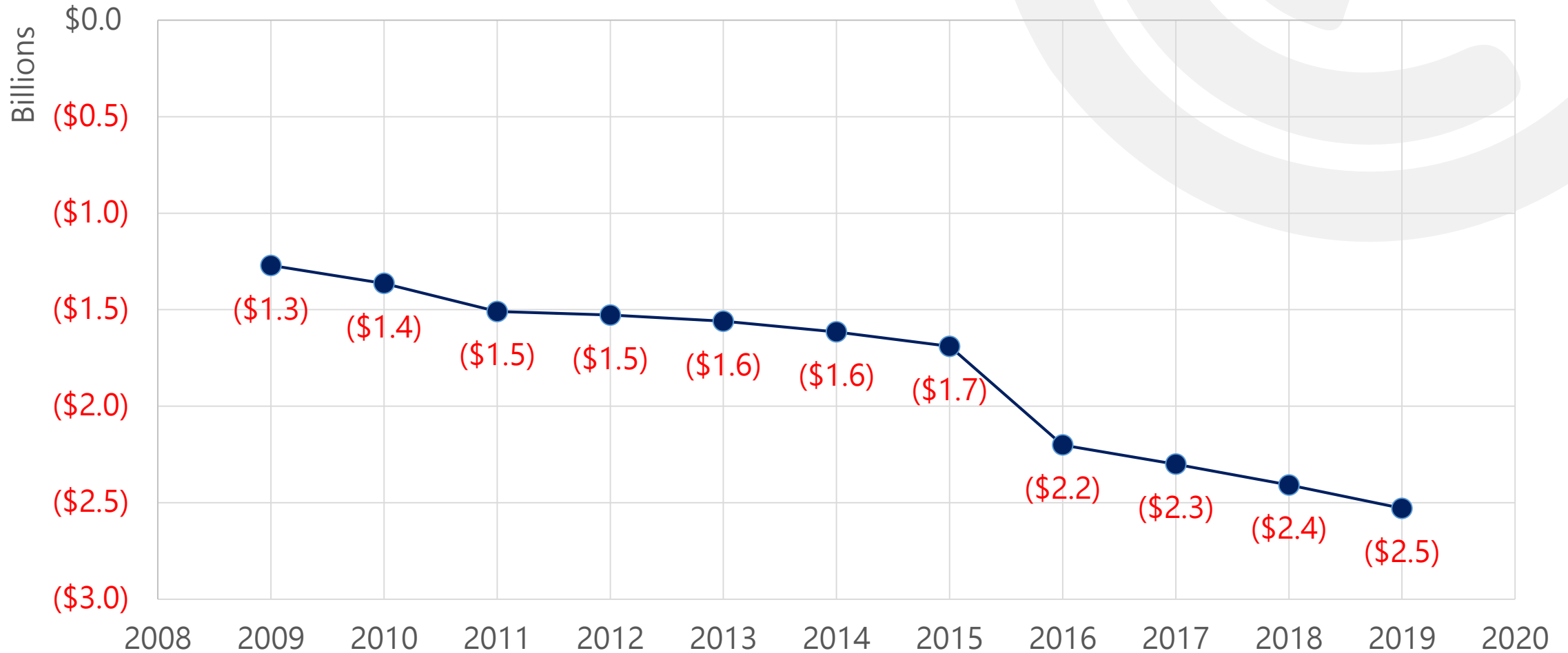
Property Tax Rate



Factors Affecting Taxes

- Property Tax Homestead Exemptions
 - Seniors, disabled, and disabled veterans
 - Approximately \$100 million decrease in taxable value annually

Over 65, Disabled, and Disabled Veterans Loss of Taxable Value to Exemptions (\$ in Billions)



Factors Affecting Taxes

- Debt Service
 - Storm 2006
 - Public Safety Pension Obligation Bonds
 - Mass transit
 - Vehicles and facility improvements
 - Quality of Life (2012)
 - Street CIP (2012)

Impact From the "Great Recession" 2009 and 2010

*Slide from July 7, 2009 presentation

SERVICE SOLUTIONS SUCCESS



FY 2010 Proposed Budget

	Adopted FY09	Adjusted FY09	Proposed FY10	\$ Variance Proposed FY10/ Adjusted FY09	% Variance Proposed FY10/ Adjusted FY09
General Fund	315,826,293	308,731,156	312,247,054	3,515,898	1.14%

FY2009

- Revenue and expenditure forecasts were adjusted for economic slowdown
- 1st Quarter FY09 - economy plummeted nationally
- Economic situation – led to reduction of \$11 million in operations from FY09 adopted budget of \$315,826,293

*Slide from July 6, 2010 presentation

SERVICE SOLUTIONS SUCCESS

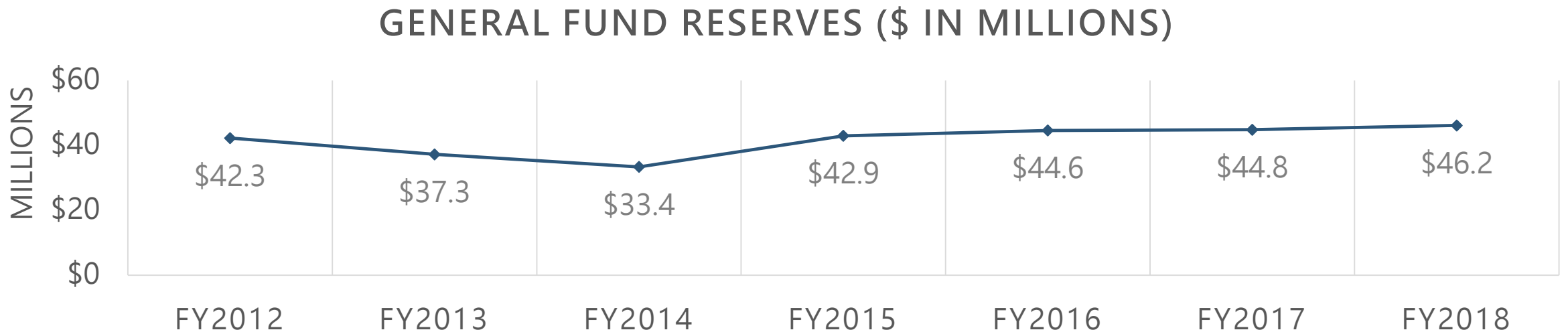


Additional Reductions

- Immediately freeze all pending capital projects for the next 12-18 months.
- Rethink opening certain new facilities or delay the timing for short-term savings.
- Re-evaluate service priorities in transportation, environmental services and quality of life.
- Carefully examine our public safety expectations as it relates to overall staffing, growth, current levels of service and compensation and set a targeted level of reduction.
- Cut or substantially reduce all outside agency contracts even though several of these support our economic development efforts.
- Impose across the board reductions recognizing most agencies have already been cut so we would be eliminating positions and substantially reducing services, possibly closing facilities based on the percentage level of reduction.

Operational Impacts

- 2012 to 2014
 - Mid-year budget reductions
 - Use of fund balance (reserves)



2012 Bond Projects

- \$754 million in projects (Quality of Life, Street CIP, Ballpark)
- Bond issuance and public art costs
 - \$473 million in Quality of Life bonds did not factor in these costs (typically 4% of total bond project cost)
 - Street CIP was amended to include \$8.4 million for these costs (from original \$210 million to \$218.4 million)
- Length of bond program and timing of projects, especially signature projects
- Benchmarking/feasibility studies
- Inflation costs or acquisition of land
- 2012 street CIP funds were being used for MPO city match (prior to 2014)

Reductions, Stabilization, Pay-Go

- August 2014 – City Council votes against \$3.5 million in proposed budget reductions
- December 2015 – City Council takes no action on recommendations for year-end savings to put \$4 million into a budget stabilization fund
- August 2016 – veto of proposed budget that included \$3.2 million for pay-go funding dedicated to vehicle replacement

Addressing Challenges and Investing in Communities Priorities

- Significant investments in public safety
 - Police staffing finally back to 2010 level (over 100 new officers in last three years)
 - Replacement of 300 new police vehicles
 - City Council has funded the replacement plan for fire trucks and ambulances

Addressing Challenges and Investing in Communities Priorities

- Quality of Life bond projects
 - Quality of Life projects require proper operating and maintenance costs to maintain **exceptional** offerings
 - City Council has approved expediting completion of projects
 - The City has not issued all of the debt related to these projects, which is resulting in increased debt service

Addressing Challenges and Investing in Communities Priorities

- Street Maintenance
 - City Council action last year to create “pay-go” funding residential street maintenance
 - City Council approval to accelerate the completion of the resurfacing projects
 - Increased budget for pothole patching materials
 - Higher level of median maintenance (2013 landscaping ordinance)
 - City responsible for taking on maintenance of TXDOT streets?

Addressing Challenges and Investing in Communities Priorities

- Economic Development
 - Attracting/retaining businesses and creating jobs
 - Significant public/private investment in downtown
 - New destination retail and entertainment options
 - City's lead in executing the regional strategy is providing an increase in tax revenue for other taxing entities



QUESTIONS?

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