



FINANCIAL FORECAST MYFO FY 2020-2024



Long-range forecast is intended to serve as a planning tool and not a budget

The Multi-Year Financial Outlook model is a tool used in the budget development process

Long-Term Financial Planning

Purpose

- Stimulates long-term and strategic thinking
- Highlights strategic challenges of customer expectations with limited resources
- Considers future scenarios and helps identify challenges

Budget Challenges

- Limited revenue growth with competing priorities
- Low tax base, primarily residential, and highly dependent on property taxes (45% of budget)
- Sales taxes are volatile and reflect economy situation
- Franchise fees charged to utilities for right-of-way access – dependent on weather conditions and usage
- Bridges – impacted by the peso and Mexico violence
- HB/SB 2 potential impact on property tax rate cap

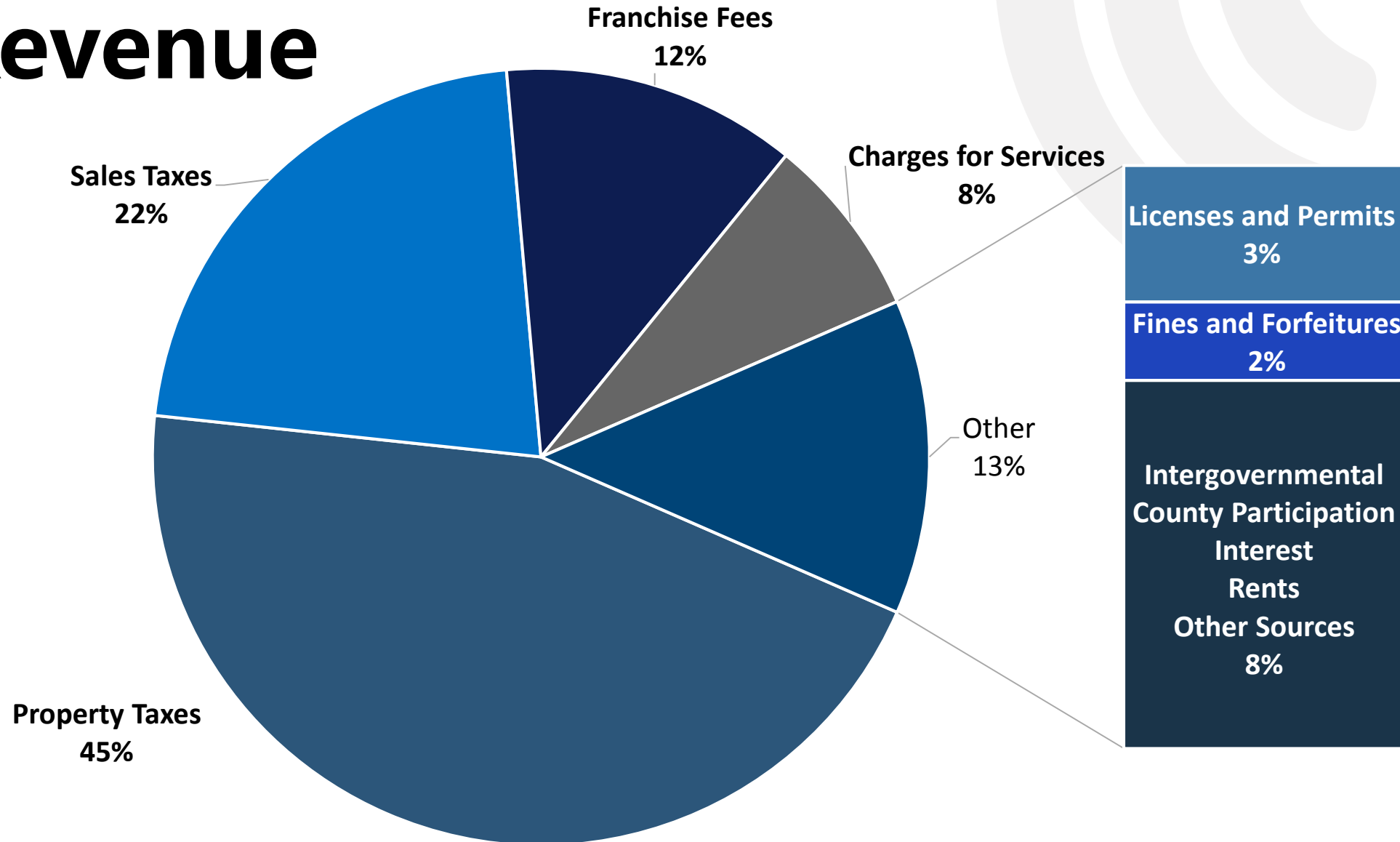
Revenue Forecast Assumptions

- Forecast based on historical data and known factors
- Assumes no changes to current fees or tax rate
- Includes property valuation and exemption estimates
- Also includes estimated sales tax growth
- Assumes normal weather conditions along with flat utility (water, electric and natural gas) rates
- Assumes a steady and healthy regional economy

Expenditure Forecast Assumptions

- Maintains current service levels, excluding police staffing plan and quality of life operating costs
- Includes estimates for public safety costs related to contractual obligations (collective bargaining agreement)
- Includes civilian compensation and healthcare costs increases
- Includes issuing remaining voter approved debt
- Assumes 2.2% inflation factor in contracts, materials, and supplies

FY2019 General Fund Budget - Revenue

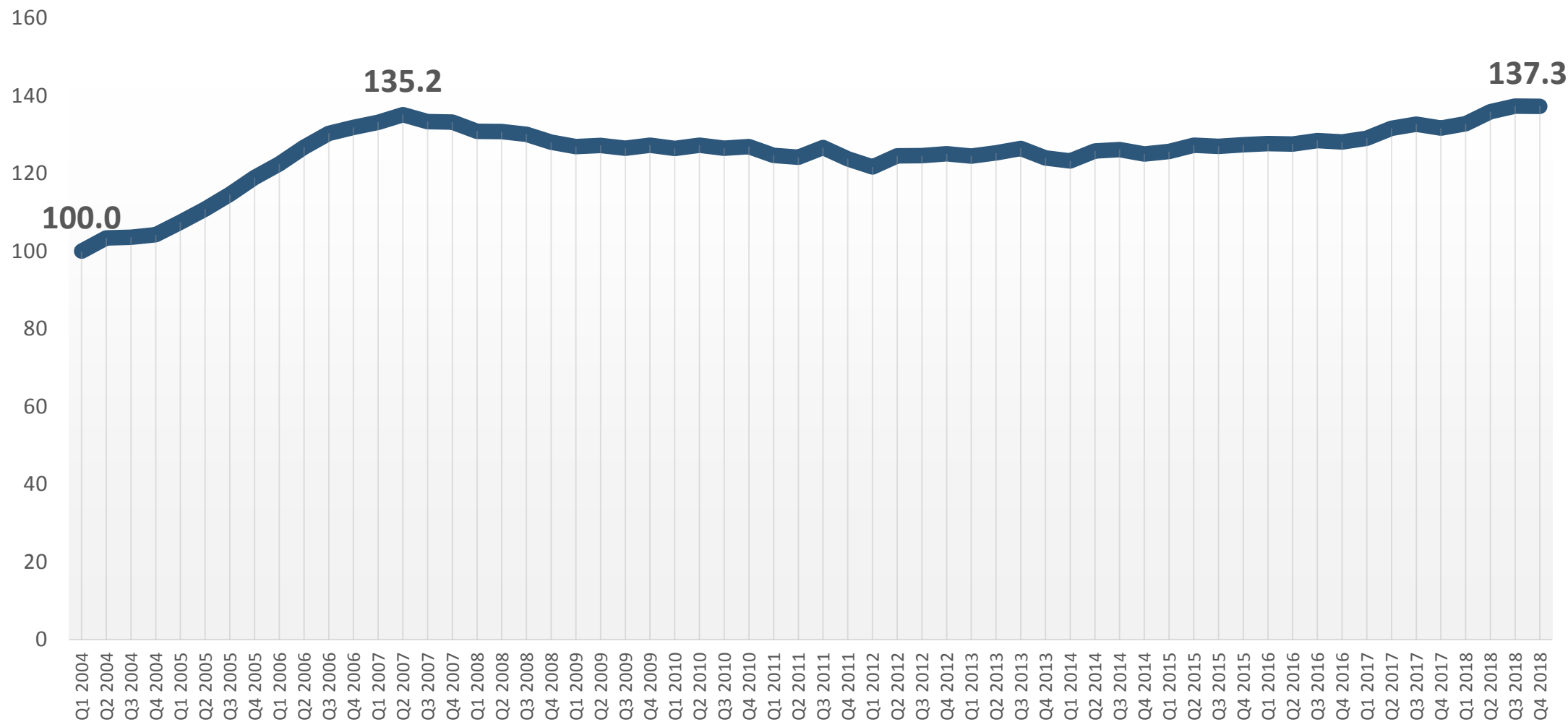


Average Value Home

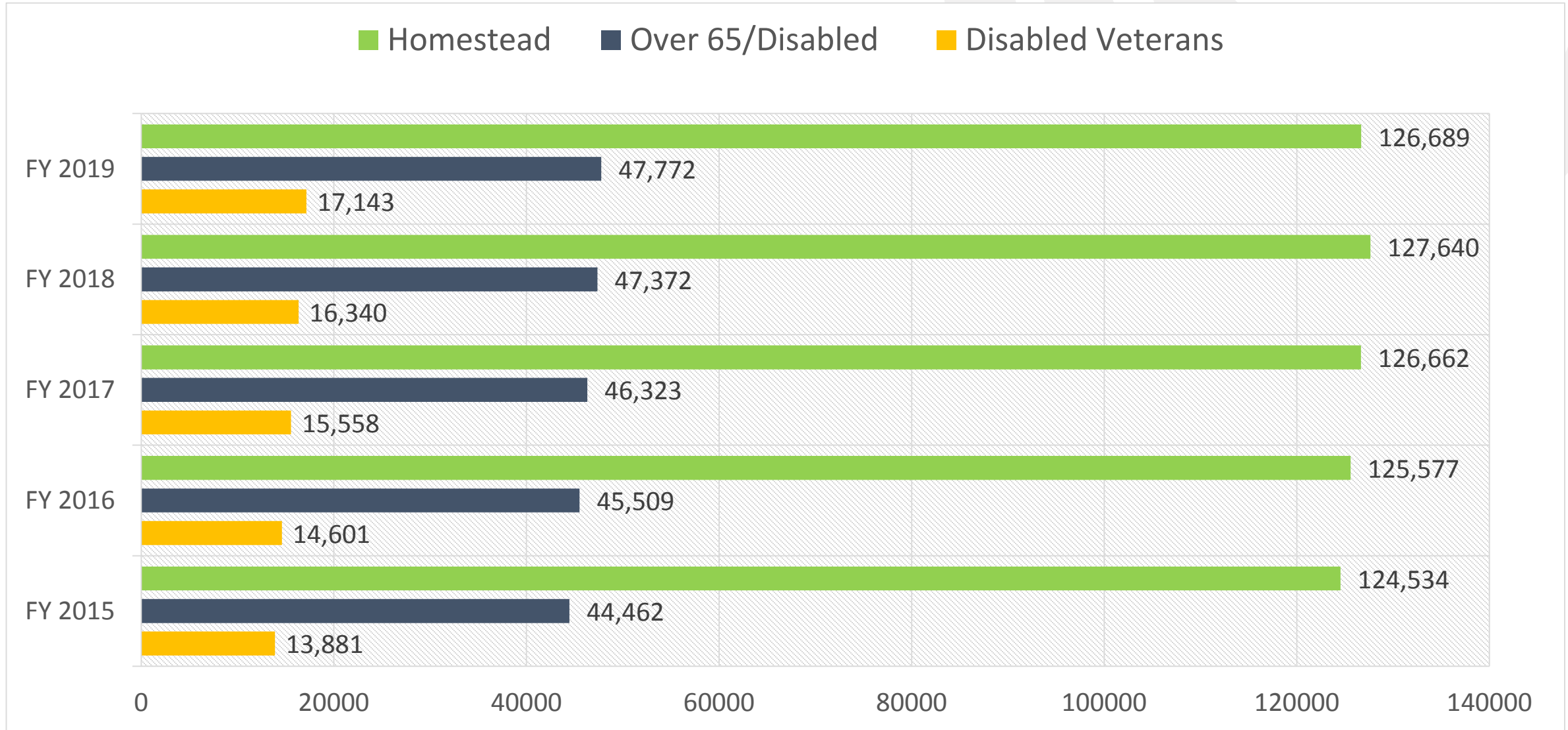
(\$ in Thousands)



El Paso Home Price Index

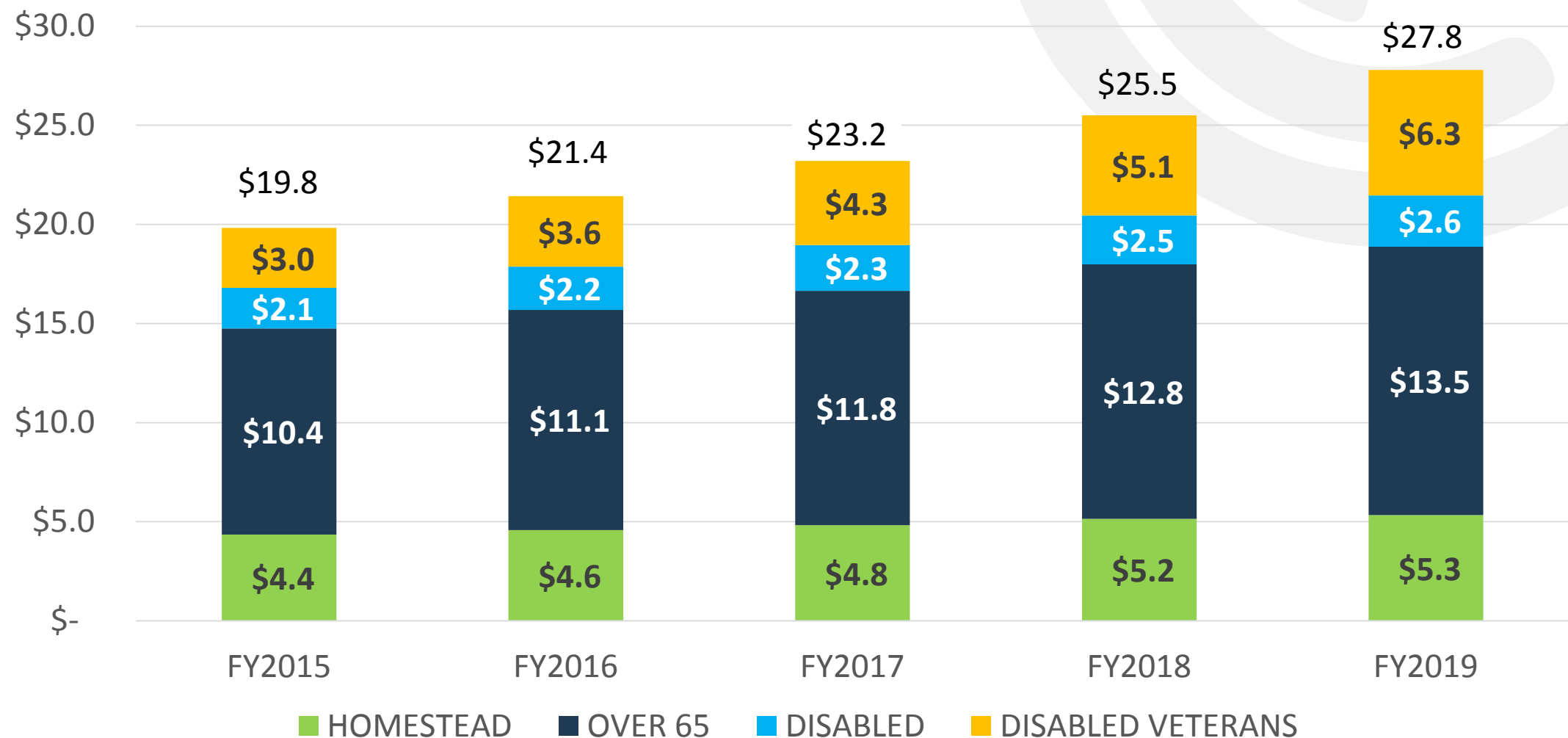


PROPERTY TAX EXEMPTIONS (#)

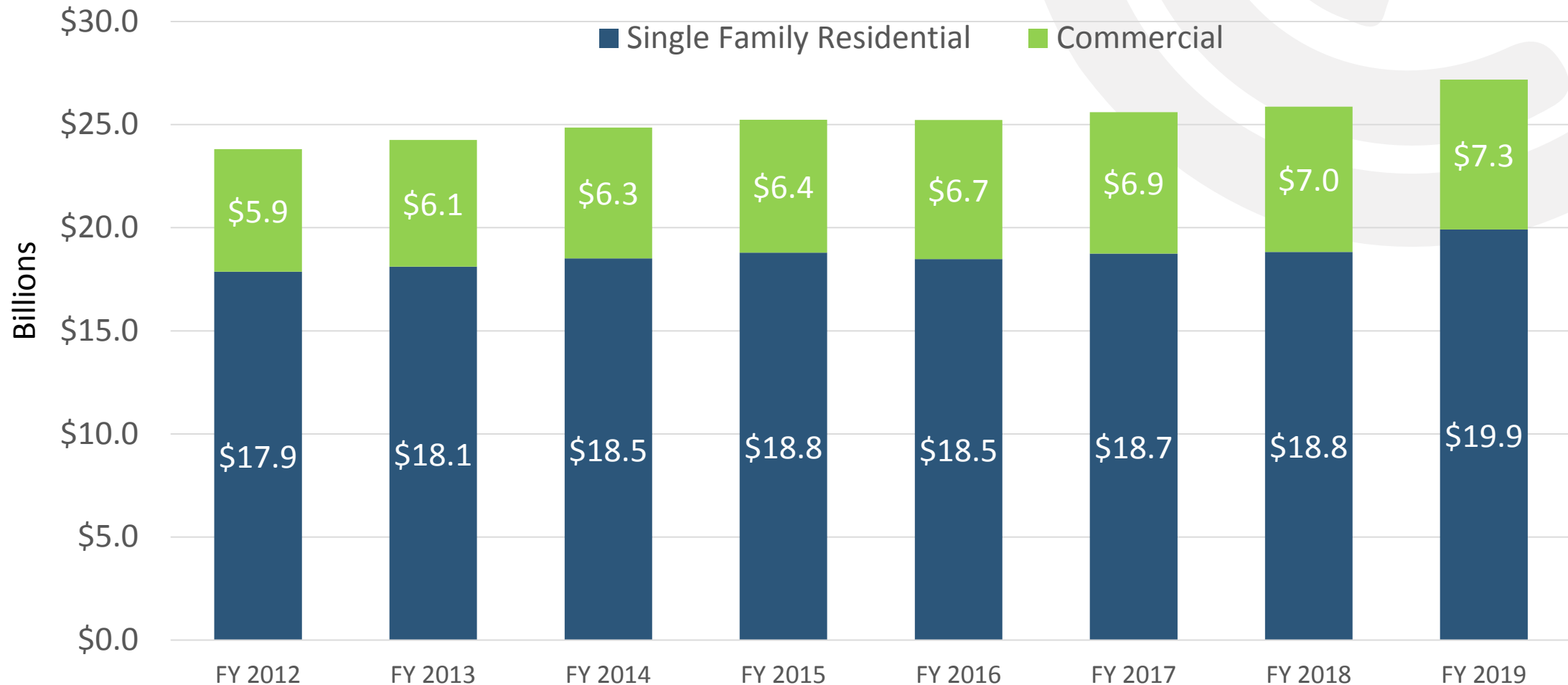


PROPERTY TAX DISCOUNTS

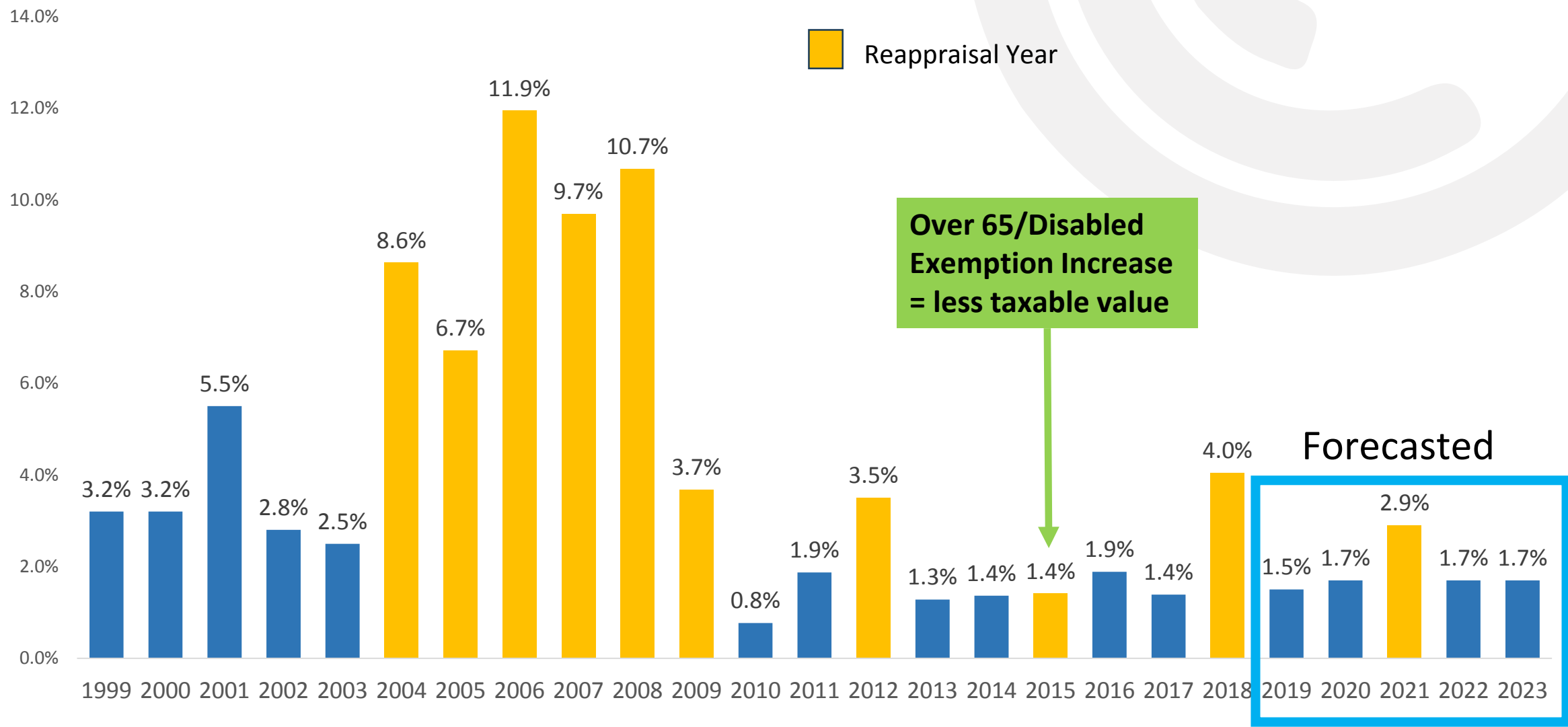
(\$ IN MILLIONS)



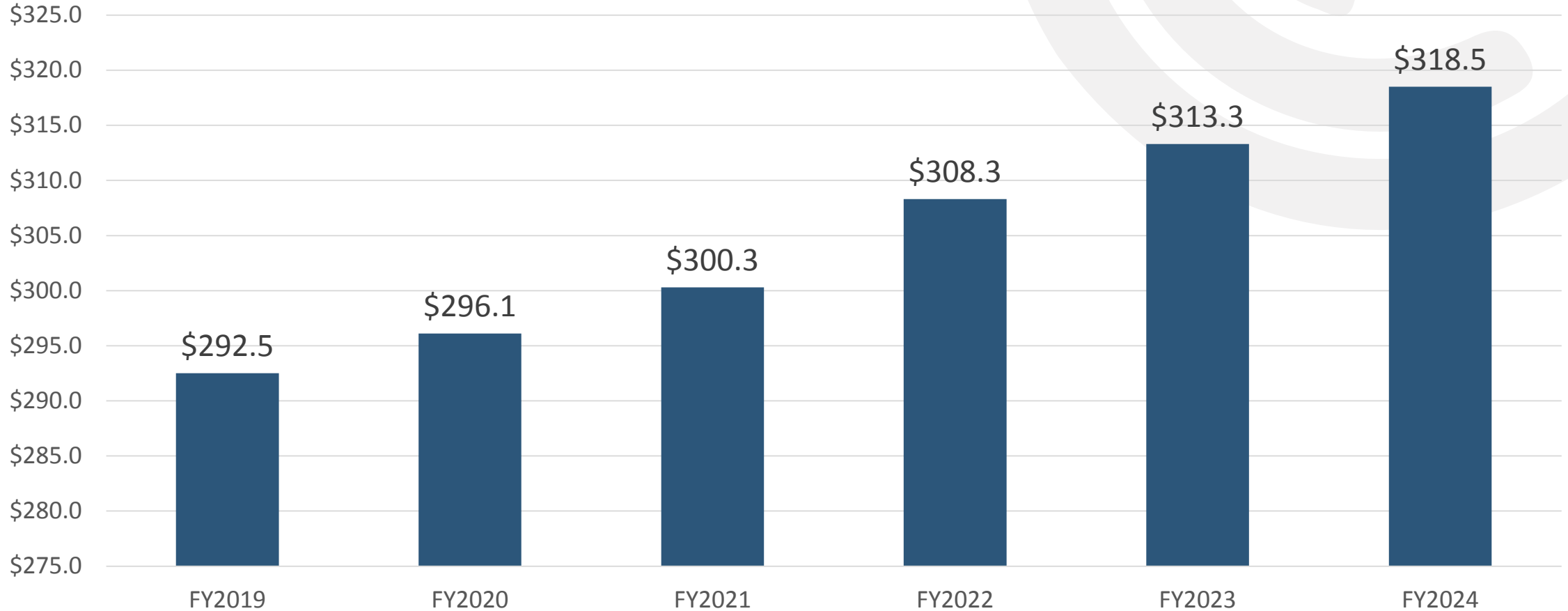
Taxable Property Valuation



Property Tax Valuation Forecast



Total Property Tax Revenue (\$ in millions)



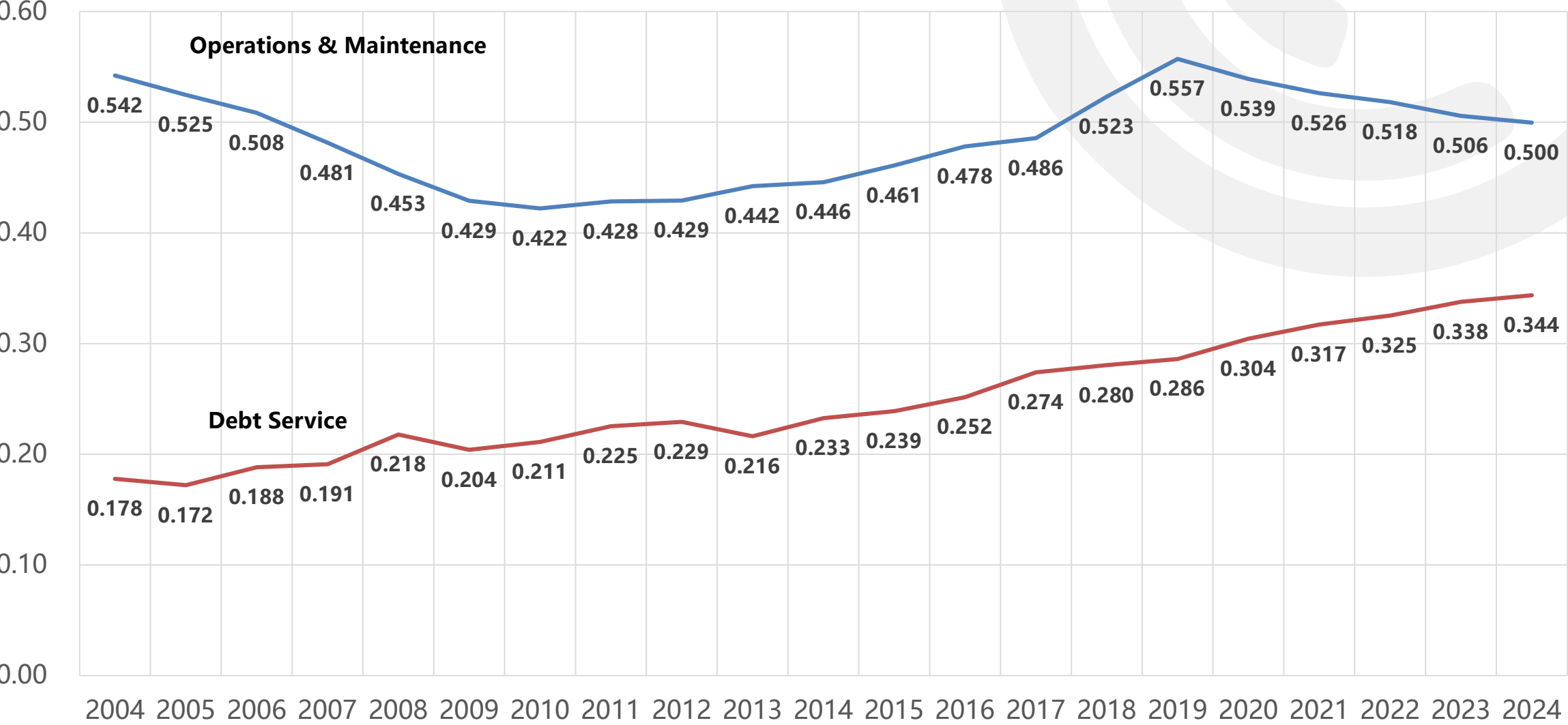
- 1) These figures are only estimates based on various assumptions and factors
- 2) Assumes property tax rate remains flat at \$0.843332

Property Tax Revenue

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
O&M	\$193,054,893	\$189,016,689	\$187,126,898	\$189,168,624	\$187,702,035	\$188,398,796
Debt Requirement	99,433,545	107,064,945	113,176,290	119,165,000	125,702,035	130,057,271
Total Debt and O&M	\$292,488,438	\$296,081,634	\$300,303,188	\$308,333,624	\$313,307,307	\$318,456,067

- 1) These figures are only estimates based on various assumptions and factors
- 2) Assumes property tax rate remains flat at \$0.843332
- 3) Figures do not include estimated increases related to debt service payments

Property Tax Rate



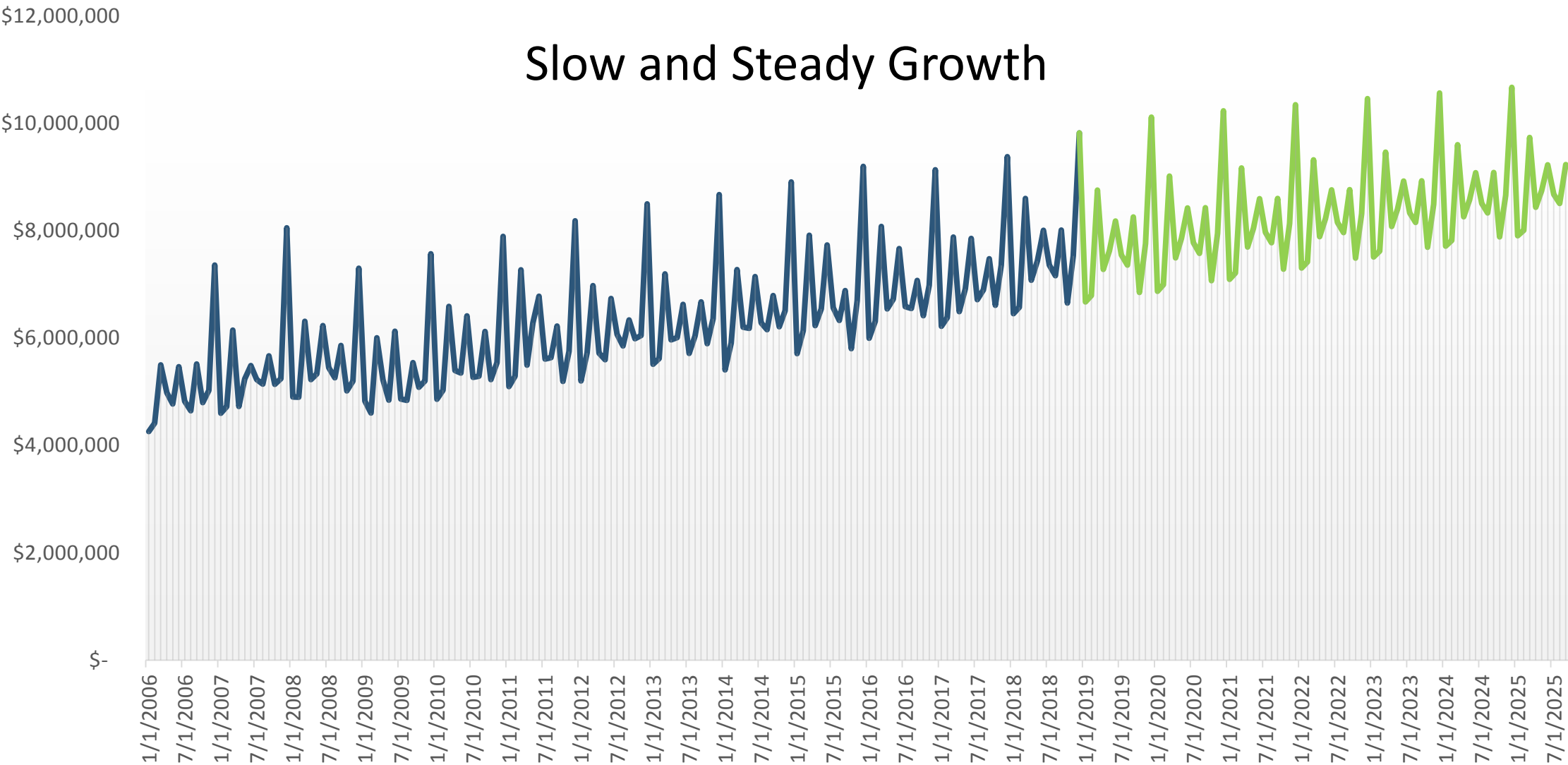
Legislative Challenge

Property Taxes

- HB/SB 2 proposes a reduction on the property tax rate cap a city can impose from 8% to 2.5%
- Changes to how Certificate of Obligations are paid back (debt requirement vs. operation and maintenance)

Monthly Sales Tax Collections

5-YR Forecast

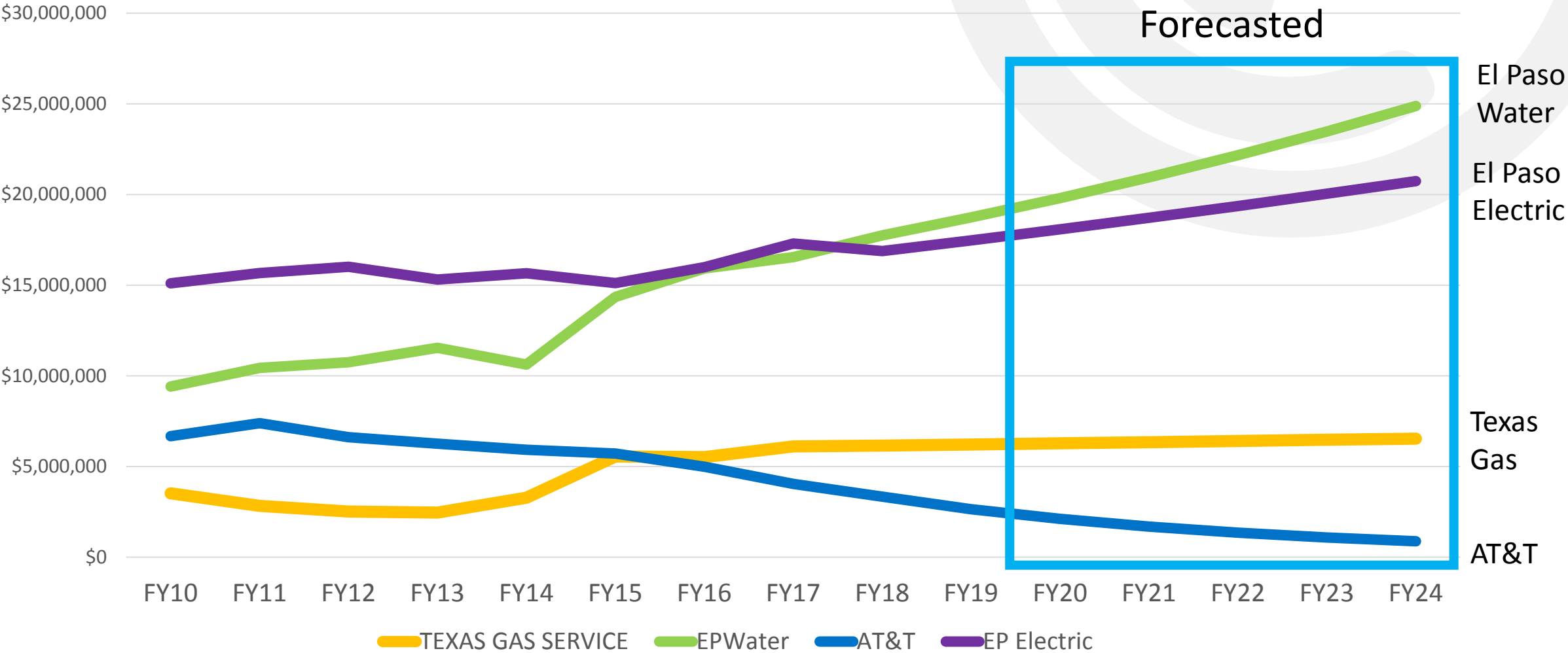


Sales Tax Revenue Projection (\$ in millions)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Sales Tax Revenue	\$91.0	\$93.7	\$96.4	\$99.2	\$102.1	\$105.1
Growth Rate		3.0%	3.0%	3.0%	3.0%	3.0%

- 1) These figures are only estimates based on various assumptions and factors
- 2) Assumes continued growth for the regional economy

Franchise Fee 5-YR Forecast



Franchise Fee Revenue

(\$ in millions)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Texas Gas Service	\$6.2	\$6.3	\$6.3	\$6.4	\$6.5	\$6.5
EPWater	18.7	19.8	20.9	22.2	23.5	24.9
EP Electric Co.	17.5	18.1	18.7	19.4	20.0	20.7
AT&T	2.7	2.1	1.7	1.4	1.1	0.9
Other	7.6	7.6	7.8	7.7	7.8	7.9
Total	\$52.7	\$53.9	\$55.4	\$57.1	\$58.9	\$61.0

- 1) These figures are only estimates based on various assumptions and factors
- 2) Assumes normal weather conditions
- 3) Assumes flat utility rates

Cost Drivers



Public Safety



Quality of Life



Streets



Economic Development



Debt Service



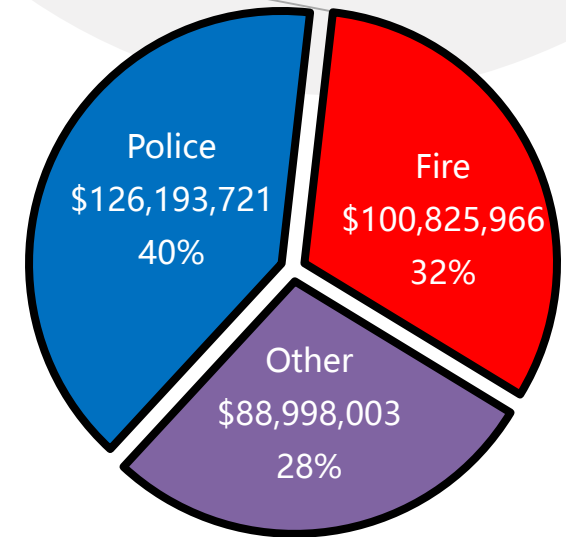
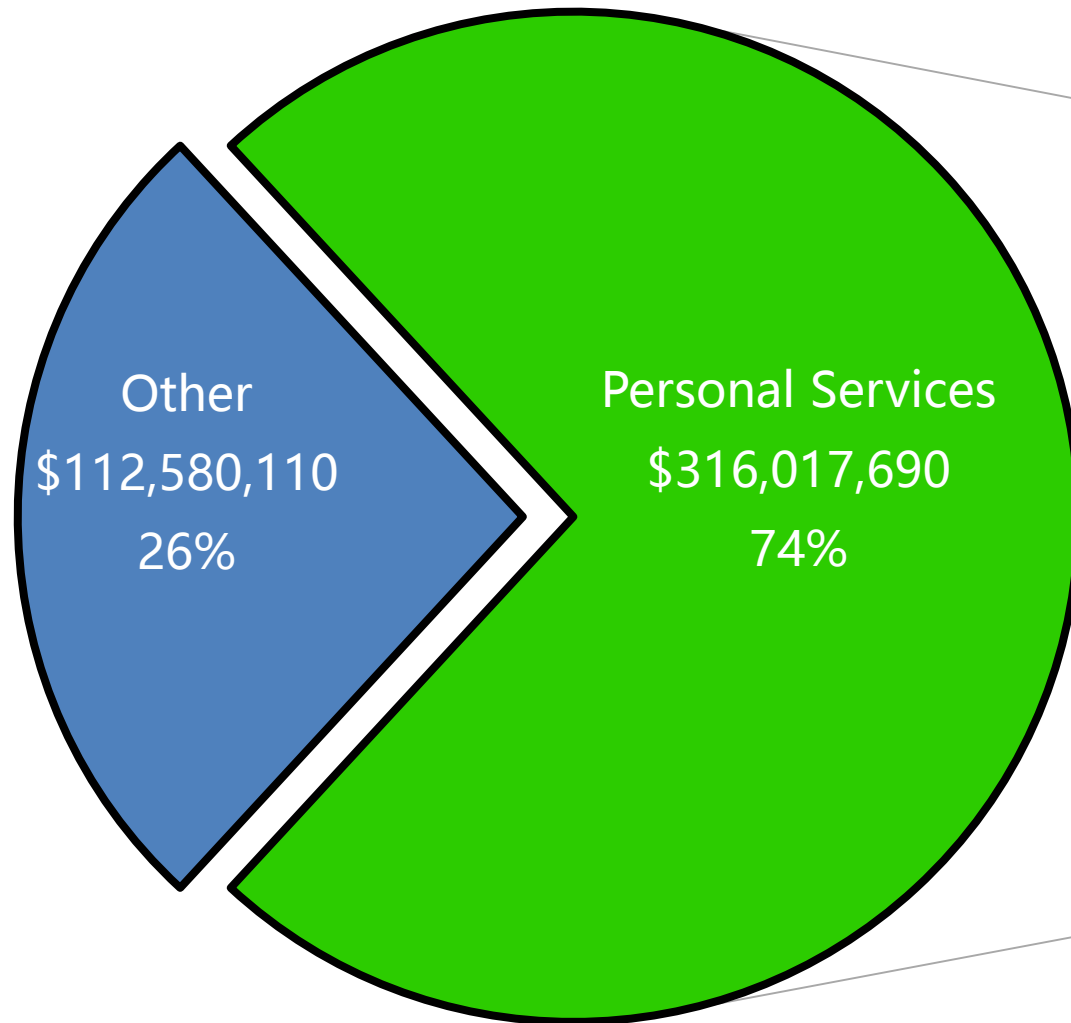
Workforce Focus



Utilities

Budget Cost Drivers

FY 2019 General Fund Budget - \$428,597,800

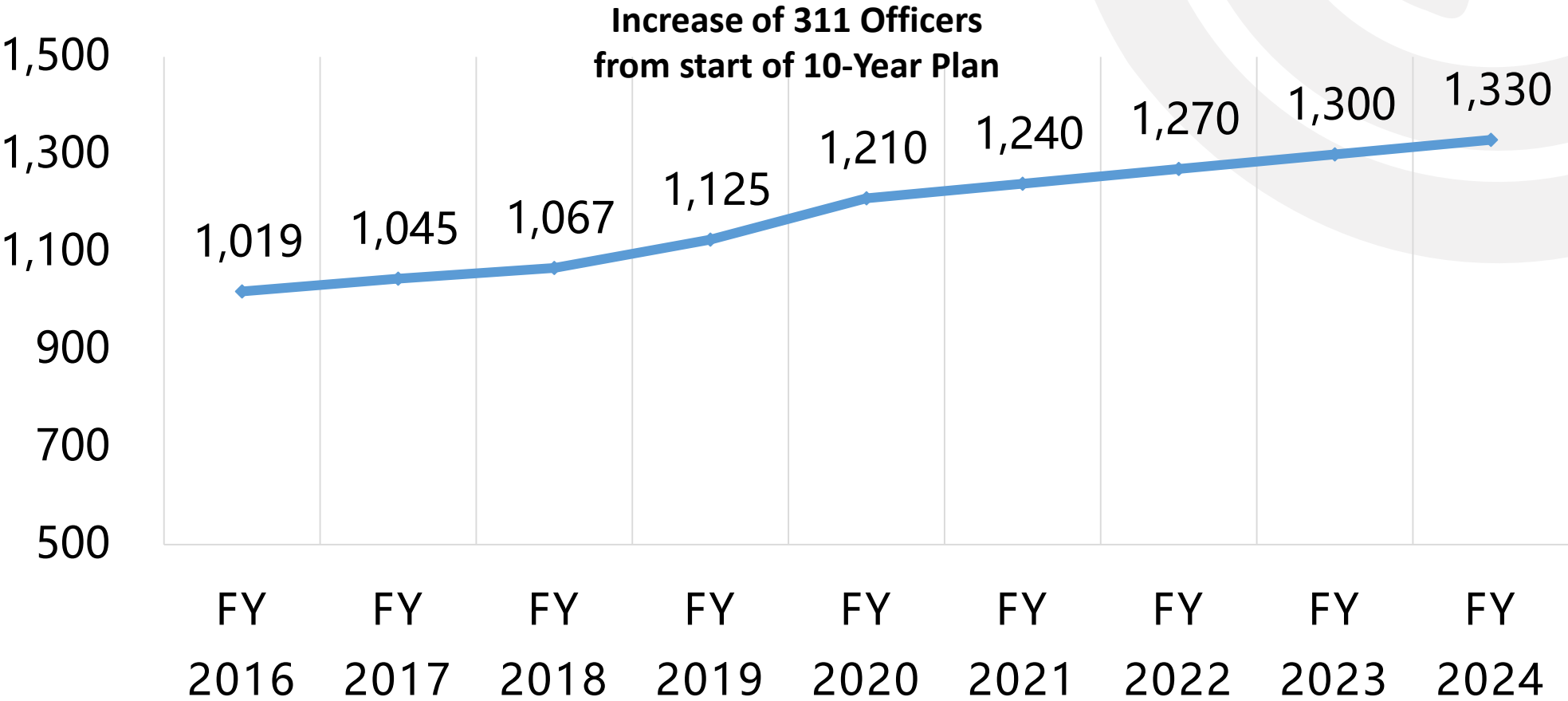


Public Safety

- Significant investments in public safety
 - Police staffing finally back to 2010 level (over 100 new officers in last three years)
 - Implemented Crisis Intervention Team
 - Increased funding for 911 communicators
 - Replacement of 300 new police vehicles
 - City Council has funded the replacement plan for fire trucks and ambulances

Budget Cost Drivers

Police Uniform Staffing



- FY 2019 - 2024 are year-end estimate

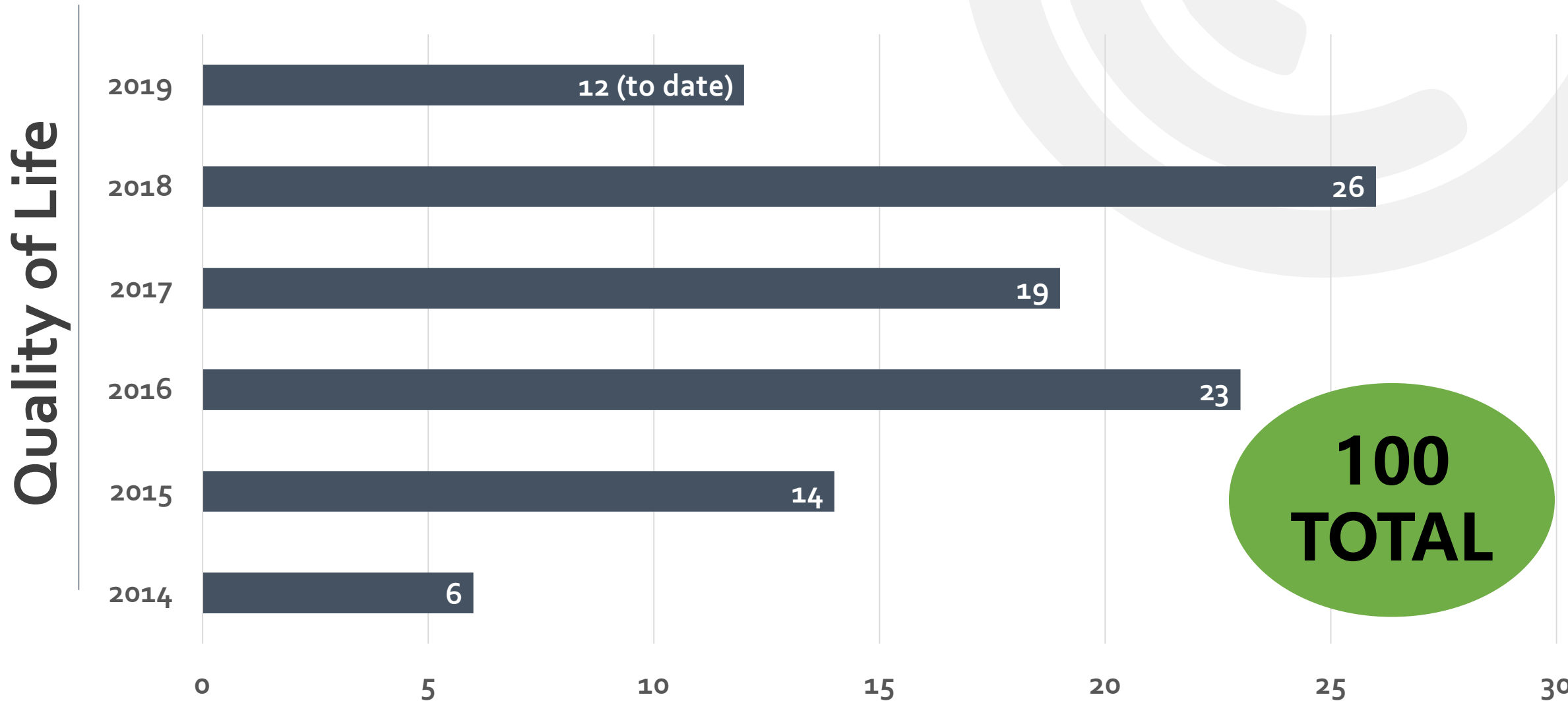
Budget Cost Drivers

Quality of Life



- Quality of Life projects require proper operating and maintenance costs to maintain exceptional offerings (staffing, materials and supplies, and utilities)
- Costs within the forecast have been prorated based on completion date
- City Council has approved accelerating completion of projects
- The City has not issued all of the debt related to these projects, which is resulting in increased debt service

Completed Projects per Fiscal Year



FY2020: Anticipated Completion

22 Projects

Project	
Adrian Garcia Park	Joey Barraza and Vino Memorial Park Maintenance Storage
Alameda Recreation Center and Library Combo	Joey Barraza and Vino Memorial Park Phase II
Bartlett Park	Lomaland Recreation Center
Chamizal Recreation Center and Library Combo	Memorial Library
District 2 Neighborhood Water Park	Paseo Del Sol Park
District 4 Neighborhood Water Park	Shawver Sports Field Rehabilitation
District 5 Neighborhood Water Park	Veterans Recreation Center
District 7 Neighborhood Water Park	Zoo Animal Holding II
Eastside Regional Park Phase I	Zoo Chihuahuan Desert
Eastside Senior Center	Zoo Leopard
Joey Barraza and Vino Memorial Park Lighting	Zoo South American Pavilion Restrooms

Budget Cost Drivers

Street Maintenance

- Annual “pay-go” funding only addresses small percentage of the need
- City Council approval to accelerate the completion of the resurfacing projects
- Higher level of median maintenance (2013 landscaping ordinance)
- City responsible for taking on maintenance of TXDOT streets

Budget Cost Drivers

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

Budget Cost Drivers

Debt

- Long term investments in streets, infrastructure, public safety, and quality of life
- Projects have been accelerated from original schedules
- Remaining debt to be issued from 2012 Quality of Life, 2012 Streets CIP, and 2017 – 2019 Capital Plans is factored into the forecast

Budget Cost Drivers

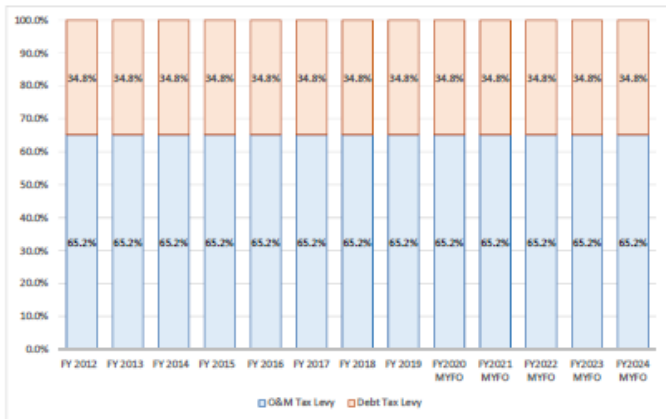
Employees

- Competitive salaries
- Healthcare costs
- Pension costs

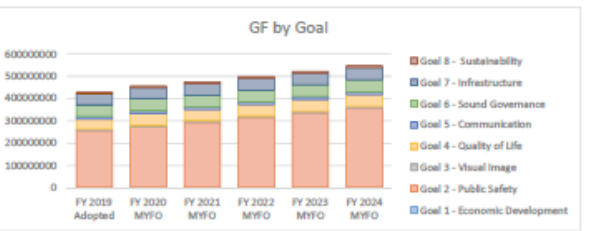
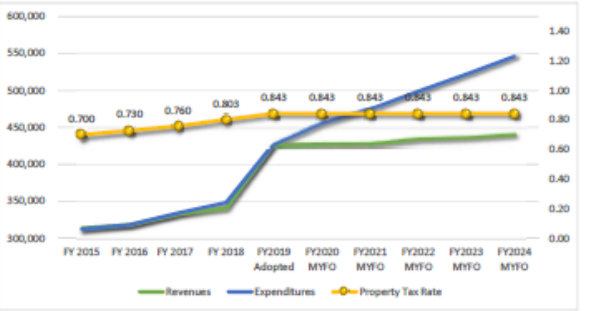
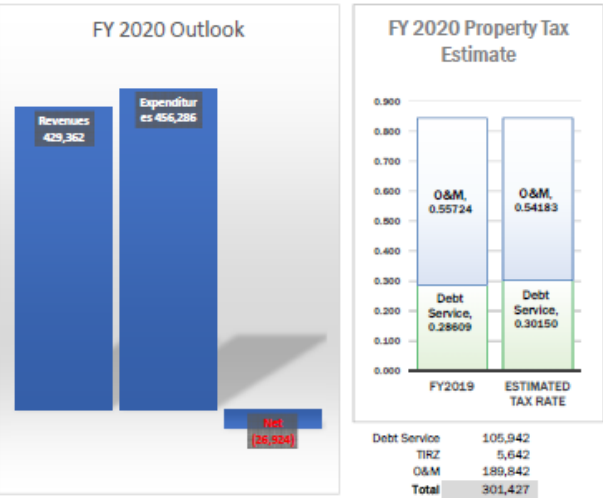
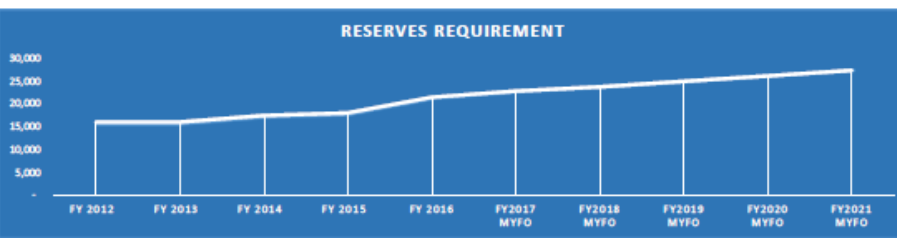
Multi-Year Financial Outlook

MYFO 2020 - 2024

Key Revenue Assumptions		FY20 MYFO	FY21 MYFO	FY22 MYFO	FY23 MYFO	FY24 MYFO
Sales Tax Current Period	Recession Scenario	3.1%	3.0%	3.0%	3.0%	3.0%
	No Recession	3.0%	3.0%	3.0%	3.0%	3.0%
Building Permits		5.0%	5.0%	5.0%	5.0%	5.0%
Net Taxable %		4.0%	1.4%	1.4%	2.8%	1.3%
Property Tax Rate		0.8433	0.8433	0.8433	0.8433	0.8433
(Insert # pennies increase)		0	0	0	0	0
O&M		0.5572	0.5418	0.5248	0.5164	0.5026
Debt		0.2861	0.3015	0.3185	0.3269	0.3407
			(0.015)	(0.017)	(0.008)	(0.014)
						(0.009)
Key Expenditures Assumptions		FY20 MYFO	FY21 MYFO	FY22 MYFO	FY23 MYFO	FY24 MYFO
Civilians	<50k	2.5%	2.5%	2.5%	2.5%	2.5%
	50k to 100k	2.0%	2.0%	2.0%	2.0%	2.0%
	100k>	2.0%	2.0%	2.0%	2.0%	2.0%
Prorated Impact (in months)		-	-	-	-	-
Uniform	Cadets - Fire # +/-	32	30	30	30	30
	Cadets - Police # +/-	140	133	75	75	75
Health Care - Police		15.0%	15.0%	15.0%	15.0%	15.0%
Health Care - Fire		15.0%	15.0%	15.0%	15.0%	15.0%
Health Care - Civilian		3.0%	3.0%	3.0%	3.0%	3.0%
Inflation Factor		2.7%	2.7%	2.7%	2.7%	2.7%

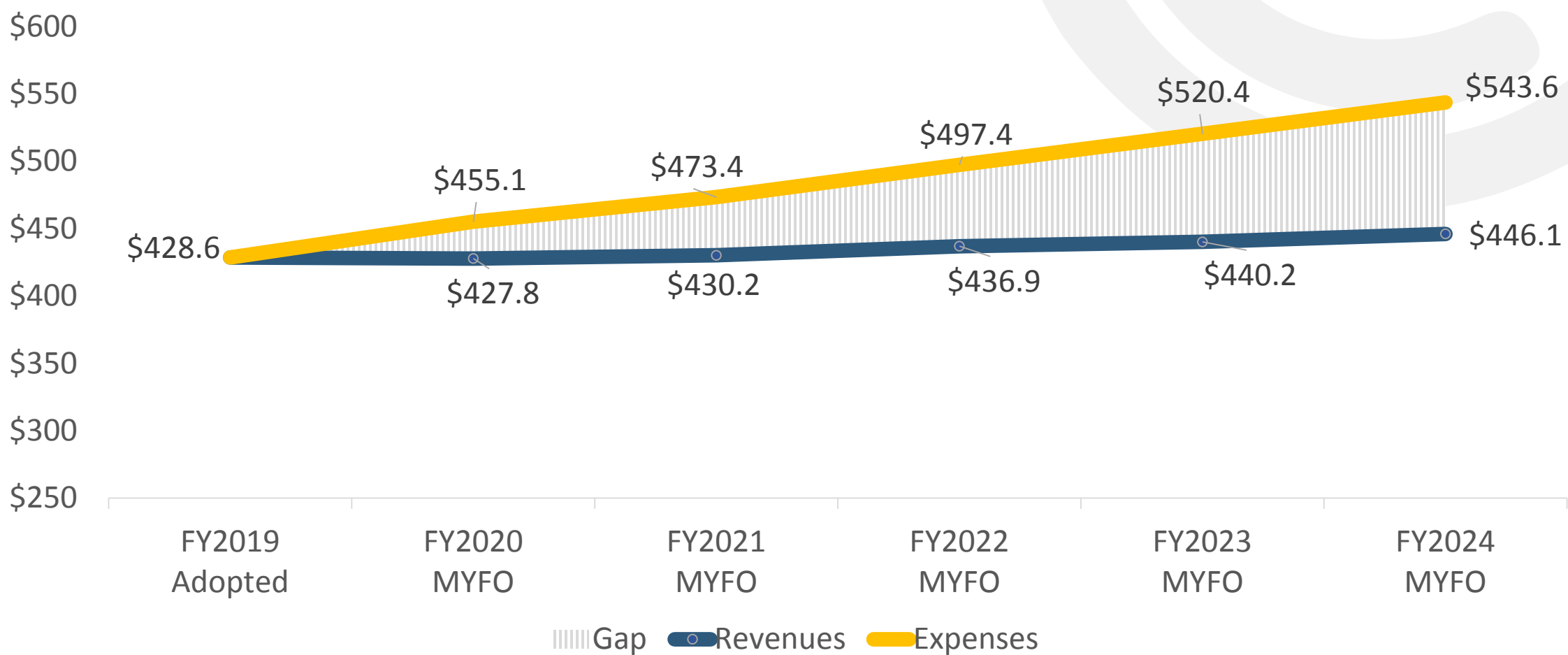


In 000	FY2019 Adopted	FY2019 Adjusted	FY2019 Projected	FY2020 MYFO	FY2021 MYFO	FY2022 MYFO	FY2023 MYFO	FY2024 MYFO
REVENUES								
Property Taxes	193,555	193,555	193,555	190,353	186,442	188,155	185,320	183,849
Sales Taxes	93,764	93,764	93,764	96,532	99,387	102,323	105,345	108,453
Franchise Fees	52,661	52,661	52,661	53,926	55,406	57,081	58,938	60,969
Charges for Services	32,518	32,518	32,518	32,577	32,647	32,717	32,788	32,859
Fines and Forfeitures	7,541	7,541	7,541	7,308	7,080	6,864	6,659	6,464
Licenses and Permits	13,149	13,149	13,149	13,256	13,368	13,486	13,610	13,740
Intergovernmental Revenues	447	447	447	447	447	447	447	447
County Participation	537	537	537	537	537	537	537	537
Interest	200	200	200	200	200	200	200	200
Rents and Other	2,241	2,241	2,241	2,241	2,241	2,241	2,241	2,241
Other Sources (Uses)	31,984	31,984	31,984	31,984	31,984	31,984	31,984	31,984
Total Revenues	428,598	428,598	428,598	429,362	429,740	436,036	438,069	441,744
EXPENDITURES								
510 Salaries & Wages Uniform	201,787	201,787	201,787	217,438	239,404	260,017	280,998	303,499
511 Salaries & Wages Civilian	114,231	114,231	114,231	114,632	113,480	113,769	114,071	112,619
520 Contractual Services	37,143	37,143	37,143	38,146	39,176	40,234	41,320	42,436
521 Materials and Supplies	18,531	18,531	18,531	19,031	19,545	20,073	20,615	21,172
522 Operating Expenditures	23,831	23,831	23,831	22,996	29,293	29,859	31,375	31,070
523 Non-Operating Expenditures	2,055	2,055	2,055	2,111	2,168	2,226	2,286	2,348
524 Intergovernmental Expenditures	1,787	1,787	1,787	1,835	1,884	1,935	1,988	2,041
530 Other Uses	29,122	29,122	29,122	30,682	29,414	30,730	29,291	31,027
531 Capital Outlay	111	111	111	114	117	120	123	127
Total Expenditures	428,598	428,598	428,598	456,286	474,481	498,763	522,068	546,338
Net	0	0	(0)	(26,924)	(44,741)	(62,727)	(83,999)	(104,594)
Fund Balance - Unassigned	0	0	(0)	(26,924)	(71,665)	(134,392)	(218,391)	(322,985)
Current Year Impact	0	0	0	(2,675)	(11,829)	(19,442)	(25,945)	(31,618)



MYFO 5-YEAR PROJECTION

(\$ in millions)



Budget Challenges

- Reoccurring (annual) funding sources for maintenance and capital
 - Street maintenance
 - Facilities
 - Vehicles and equipment
 - Parks amenities (shades, lighting, etc)
 - IT infrastructure

Budget Challenges

- Potential state legislative changes
- Future funding for implementing recommendations from masterplans or corridor studies
- City match for State or Federal projects
- Pension (Unfunded Liability)
- Reserves
- Retiree Healthcare (OPEB unfunded liability)



QUESTIONS/ COMMENTS