

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: City Manager - Office of Management & Budget
AGENDA DATE: April 17, 2018
CONTACT PERSON/PHONE: Robert Cortinas, Interim Director of Municipal Financial Operations, (915) 212-1092
DISTRICT(S) AFFECTED: All
SUBJECT:
Budget Update – FY 2018 Financial Update and FY 2019-2023 Forecast

BACKGROUND / DISCUSSION:

Provide management updates on FY 2018 and five year forecast.

PRIOR COUNCIL ACTION:

N/A

AMOUNT AND SOURCE OF FUNDING:

N/A

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD: _____

Robert Cortinas

DATE: _____

4/10/18

FY 2018 Financial Update and FY 2019 – 2023 Forecast

April 17, 2018

General Overview

- Current year data is a key factor in the development of next year's budget
- Review of where we've been and where we are now, in order to provide context into how the budget is developed
- Budget Update presentations have included information on our contractual obligations and fiduciary responsibility related to public safety, quality of life, street maintenance, and on-going operating and maintenance costs

















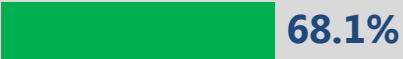
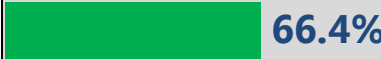
Budget Timeline

- **May 6**: Deadline to receive Council and Community budget input
- **June 11 – 21**: One-on-one Council Budget Briefings
- **July 9 – 12**: Goal Team Budget Presentations
- **July 25**: Received Certified Property Valuations from Central Appraisal District
- **July 30**: Special City Council meeting to review Certified Valuations and Introduce FY 2019 Tax Rate
- **August 7**: 1st Public Hearing on Tax Rate
- **August 14**: 2nd Public Hearing Tax Rate
- **August 21**: Council adopts FY 2019 budget and tax rate



















FY 2018 2ND Quarter Financial Update

Starting Fund Balance (9/1/17)	\$44,820,435
Plus Estimated Revenues	\$395,815,233
Less Estimated Expenses	\$395,750,768
Estimated Ending Fund Balance (8/31/18)	\$ 44,884,900
Estimated Surplus / (Deficit)	\$ 64,465

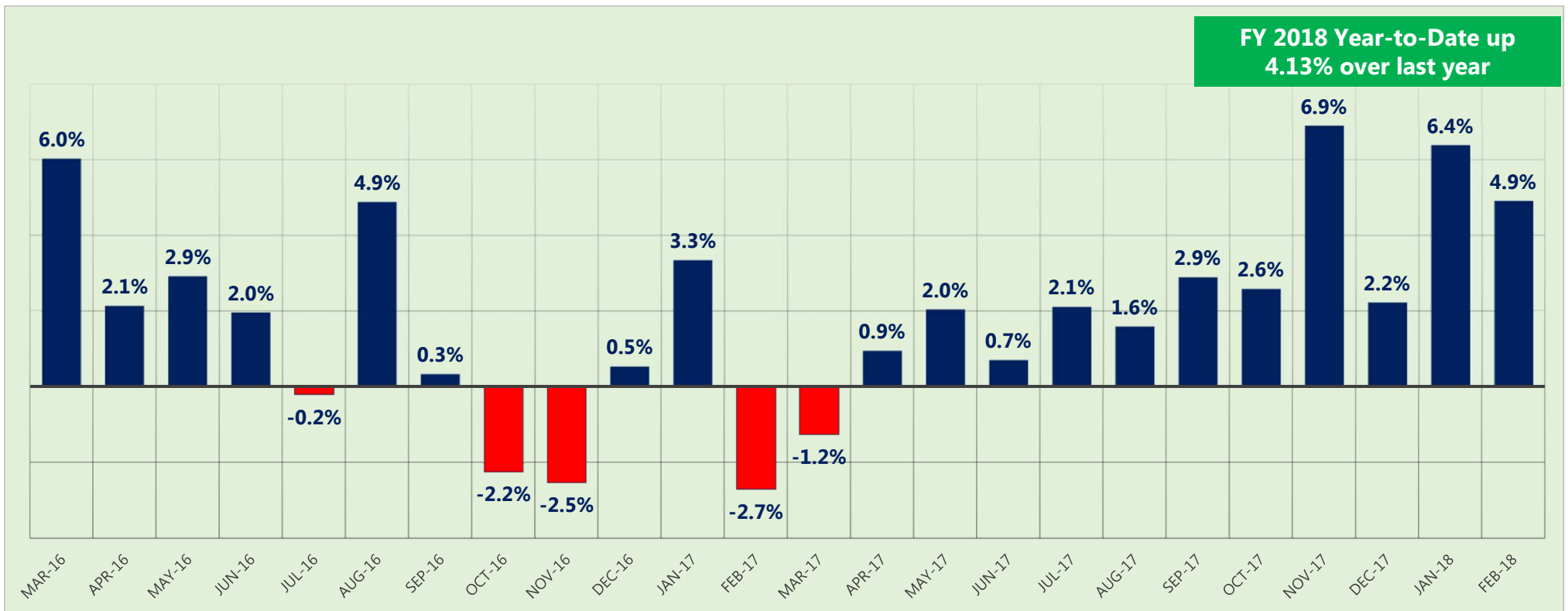
FY 2018 General Fund Revenues

REVENUE	FY 2018 Budget	FY 2018 Actual YTD (\$)	FY 2018 Actual YTD %	FY2017 Actual YTD %
Property Taxes	174,934,222	166,483,749	 95.2%	 95.4%
Sales Taxes	89,473,202	45,682,732	 51.1%	 50.1%
Franchise Taxes	55,660,606	24,521,196	 44.1%	 45.2%
Charges for Services	32,291,533	13,803,475	 42.7%	 34.9%
Fines and Forfeitures	9,162,749	3,637,070	 39.7%	 49.3%
Licenses and Permits	12,629,230	6,634,992	 52.5%	 43.4%
Intergovernmental	446,988	-1,500	0.0%	0.0%
County Participation	537,341	0	0.0%	0.0%
Interest	200,000	436	0.2%	0.0%
Rents and Other	2,314,025	797,639	 34.5%	 50.9%
Other Sources (Uses)	20,463,966	9,689,603	 47.3%	 42.3%
TOTAL REVENUE	\$398,113,862	\$271,249,391	 68.1%	 66.4%

FY 2018 General Fund Expenses

EXPENDITURES	FY 2018 Budget	FY 2018 Actual YTD (\$)	FY 2018 Actual YTD %	FY2017 Actual YTD %
Economic Development	1,916,326	839,811	 43.8%	 40.6%
Public Safety	234,675,489	109,087,221	 46.5%	 46.6%
Visual Image	7,757,931	3,443,172	 44.4%	 46.3%
Quality of Life	42,425,106	16,879,827	 39.8%	 42.0%
Communication	12,046,088	6,613,831	 54.9%	 57.0%
Sound Governance	49,068,187	20,623,217	 42.0%	 45.0%
Infrastructure	43,245,497	20,099,265	 46.5%	 47.6%
Healthy Community	6,979,237	2,766,402	 39.6%	 47.5%
TOTAL EXPENDITURES	\$398,113,862	\$180,352,747	 45.3%	 46.3%

Sales Tax – Current Period Collections



FY 2018 2ND Quarter Financial Update

- Key revenue highlights
 - Sales taxes continues to perform better than anticipated. Year-to-date current period collections up 4.13% compared to same period last year
 - Fines and forfeiture revenue continues to perform much lower than budgeted amount, although slight improvement in the last couple of months
 - Engineering charges reimbursed from capital projects continues to be lower than expected
- Key expenditure highlights
 - Overall expenses on target with budget
 - Both fuel and vehicle maintenance are currently slightly higher than same period last year
 - Water expenses in the Parks Department continues to increase due to rate increase and usage
 - Savings from vacant positions helping to offset minor overages

Where We Were (Prior to 2014)

Past Action

Impact

Optimistic revenue projections

Mid-year budget reductions, use of reserves

No employee compensation increases

Increased turnover, decreased employee morale

Delay/eliminate public safety academies

Decrease to size of force, less officers for growing city

Hiring freeze/elimination of positions

Poor customer service, employee overload resulting in increased turnover

Reduction to street, parks, and facility maintenance

Rapid deterioration of City assets, greater challenge to "catch up"

No consistent vehicle replacement

Critical fleet situation (ex. Police vehicles)



20^{IN}₂₀

EL PASO CITY STRATEGIC PLAN

Planning our goals for the future.

OUR MISSION

Deliver outstanding services to support a high quality life for residents, businesses and visitors.

OUR VISION

El Paso will have safe and beautiful neighborhoods, a vibrant regional economy and exceptional recreational, cultural and educational opportunities

OUR VALUES

Integrity
Respect
Excellence
Accountability
People

Where We Are (Since 2014)

- **Fiscal management**

- Improved forecasting
- Improved organizational stability (no mid-year reductions)
- 3 consecutive years of surplus (replenished fund balance by \$11.4 million)
- Improved grants compliance and reporting (no audit findings for last two years)

- **Employees**

- Pay raises (three consecutive years of increases)
- Various incentives and professional development
- Healthcare plan redesign and wellness initiatives to minimize healthcare increases
- Additional positions to key operational areas (grants, audit, legal, contract compliance, purchasing, Capital Improvement, Bridges, Animal Services)

Where We Are (Since 2014)

- **Public Safety**

- Regularly scheduled academies (Officers, Firefighters, 911 Communicators)
- Police staffing plan to add a net 300 new Officers over ten years
- Implementation of the Crisis Intervention Team
- Replacement of police and fire vehicles and equipment

- **Quality of Life**

- Budget now includes operating and maintenance costs
- Playground replacements and new spray parks in each District
- ADA on-demand funding
- More median maintenance funding
- Increased funding for residential street lighting
- More high speed internet sites and Wi-Fi access

Long-Term Financial Planning

- Early financial outlook as the budget development process begins for FY 2019
- Considers future scenarios and helps identify challenges
- Aligns financial capacity with long-term service objectives
- Stimulates long-term and strategic thinking
- Financial Forecast is a planning tool and not a budget

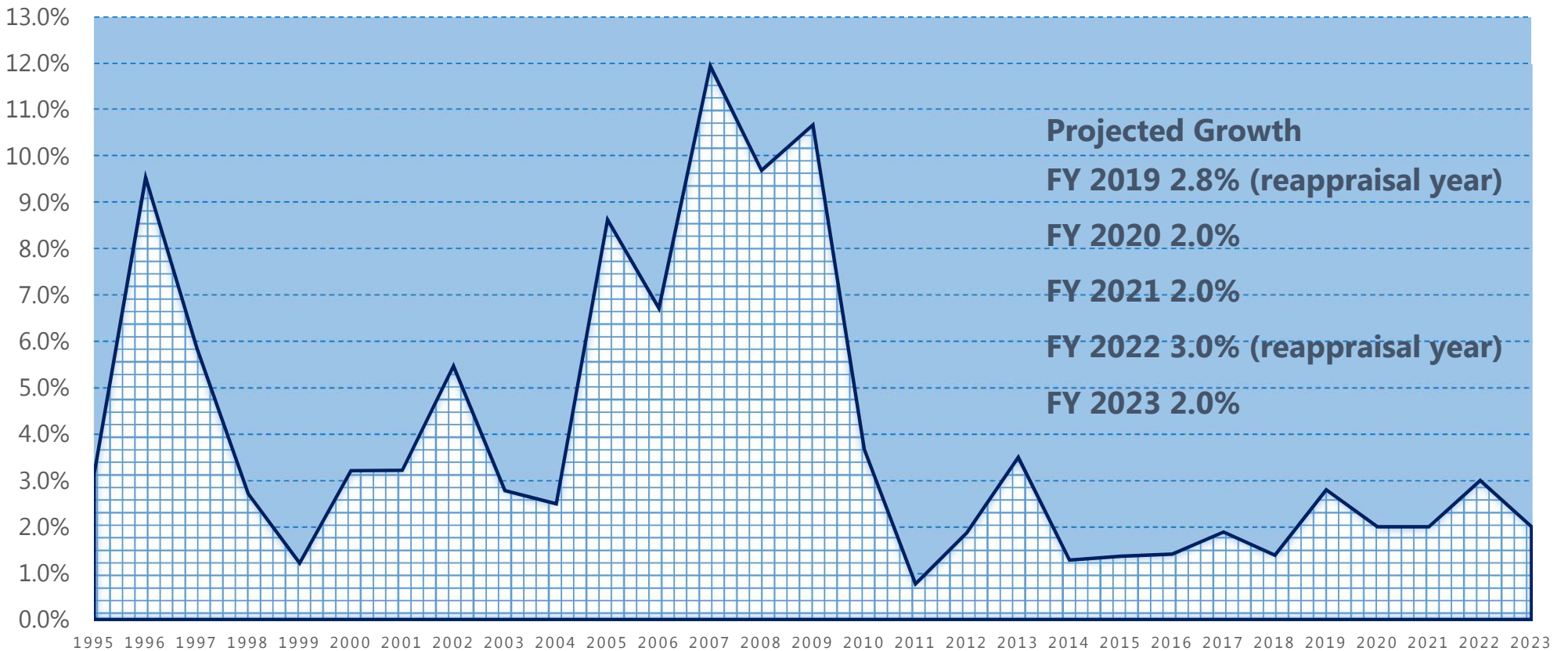
General Fund Assumptions

- Estimates based on historical data and known factors
- Assumes no changes to current fee schedule (ex. increase to fees or charges for service)
- Maintains current service levels
- Includes property valuation growth
- Includes sales tax collections growth
- Reflects revenue generated from Quality of Life bond projects

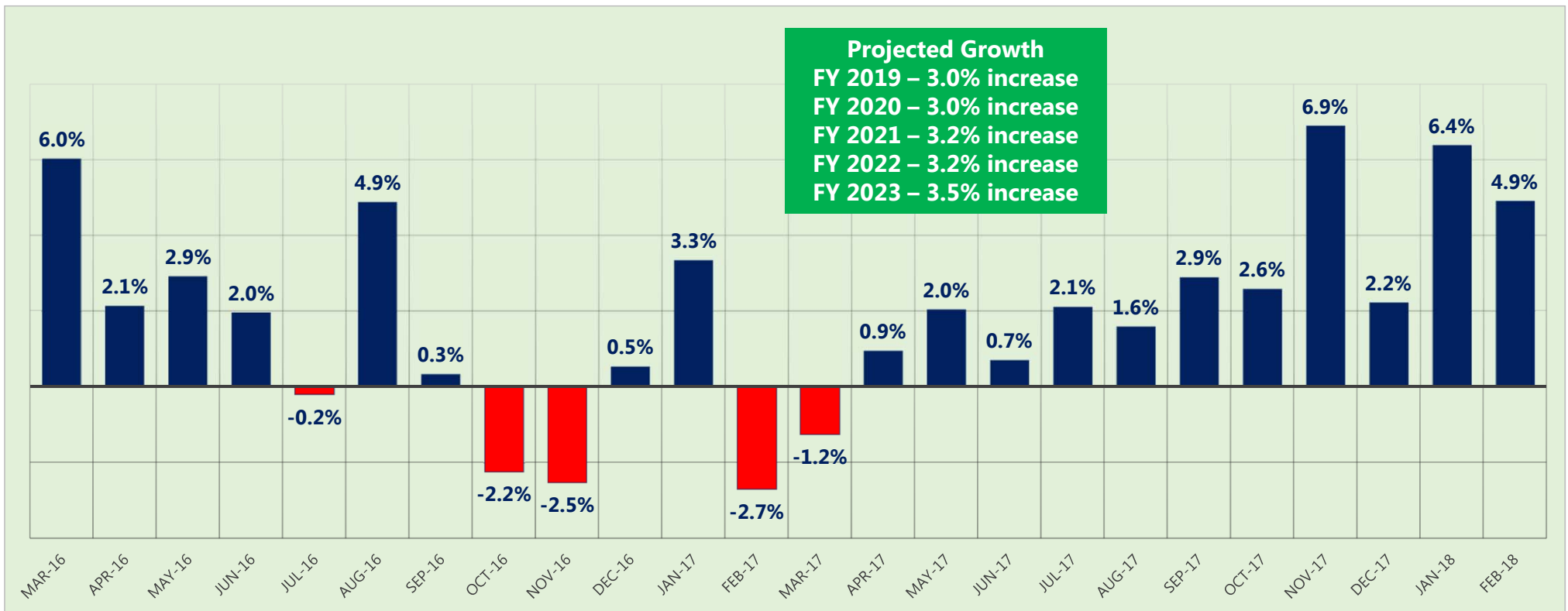
General Fund Assumptions

- Includes estimates for **public safety** costs related to contractual obligations (collective bargaining), academies, Crisis Intervention Team, and 911 Communicators
- Includes operating and maintenance costs related to **Quality of Life** bond projects
- Includes non-uniform employee costs such as **compensation** and **healthcare** increases
- Includes **Economic Development** Master City Incentives and property and sales tax rebates

Property Valuations



Sales Tax – Current Period Collections



Cost Drivers



Public Safety



Quality of Life



Workforce Focus



Animal Services



Economic Development



Street Repairs



Garbage/Recycling



Information Technology



Utilities

Revenue and Expenses Outlook

Base	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Projected Revenues	\$407.2	\$415.7	\$423.8	\$433.6	\$443.2
Projected Expenses	\$420.1	\$437.6	\$454.2	\$473.2	\$495.5
Projected Variance	(\$12.9)	(\$21.9)	(\$30.4)	(\$39.6)	(\$52.3)

- 1) These are only estimates based on various assumptions and factors
- 2) Long-range forecast is intended to serve as a planning tool and not a budget
- 3) Intended to stimulate long-term and strategic thinking
- 4) Figures do not include estimated increases related to debt service payments

Need More Funding...

- Streets, streets, streets
- Facility maintenance and repairs
- Vehicle and equipment replacement
- Parks field lighting and shade canopies
- Cyber security
- Reserves
- Long-term pension liability

Solutions

- Review services and identify those that could be reduced or eliminated
- Review processes and identify efficiencies
- Review and analyze staffing levels
- Public/Private partnerships
- Identify alternative/available sources of revenue
- Review fees for appropriate cost recovery (ex. Non-City residents)
- Expand tax base by retaining/attracting businesses
- Increase sales tax growth by bringing more entertainment/retail

Questions?

**CAPITAL IMPROVEMENT PROGRAM (CIP)
BUDGET TRANSFER REPORT
SECOND QUARTER FY 2018**

Date Completed	BT #	Justification
12/12/2017	2018-0214	Transfer appropriation of \$450,000.00 from various completed projects to the Richard Burges Library Renovation Project
12/12/2017	2018-0217	Transfer appropriation of \$451,921.00 from completed 2012_13 CO's bond cost project to Argal Park at Las Palmas project.
12/12/2017	2018-0218	Transfer appropriation of \$10,000.00 from completed Country Club Street & Drainage to HT Ponsford Walking Path project
12/12/2017	2018-0219	Transfer appropriation of \$30,000.00 from completed Country Club Street & Drainage to Rim / Hague Intersection project.
12/12/2017	2018-0220	Transfer appropriation of \$150,000.00 from various completed projects to the Sergio Troncoso Library Parking Lot Construction Project
12/12/2017	2018-0362	Increase approp by \$25,000 for design of CDB IV-Father Rahm to Kansas project sidewalks.
12/18/2017	2018-0393	Increase appropriation by \$600,000 to setup year 6 of Pedestrian Element Sidewalk and parkway (PCP13ST007Y6) from master plan.
12/19/2017	2018-0200	Increase appropriation by \$625,000 for the construction portion of the El Paso Wayfinding project funded by TXDOT.
12/19/2017	2018-0395	Add the construction portion for Riverbend Multimodal Improvement project funded by TXDOT
12/20/2017	2018-0394	Add the construction portion for Stanton POE Bluethooth CSJ 458 and Paso Del Norte POE Bluethooth CSJ 459 projects funded by TXDOT.
1/3/2018	2018-0388	This is a follow-up BT to reverse BT2017-0826. The projects have since been included in the FY17 - FY18 CO Issuance through BT2018-0016.
1/3/2018	2018-0408	Transfer 3,000,000 from Eastside Sports Complex to Eastside Regional Park to correct error on BT 2018-016.
1/4/2018	2018-0434	Transfer appropriation of \$5,000 to pay for settlement offer to the contractor for the Montoya Heights Drainage Improvement.

1/10/2018	2018-0455	Transfer appropriation of \$194.16 from Great ST & Corridor Plan to Edgemere Roundabout, the only remaining project in Fund 4650
1/11/2018	2018-0443	Transfer appropriation between accounts for the West Side Pool project
1/16/2018	2018-0442	Transfer appropriation of \$1,914.53 from N Carolina Speed Indicators to Clifford Pond Rockwall NIP
1/19/2018	2018-0487	Transfer appropriation from Salaries for El Paso Times Advertising.
1/25/2018	2018-0498	Transfer appropriation of \$12,254.55 from Summit Fillmore Canopy to Mt. View Park Improvements, NIP projects District 2.
1/28/2018	2018-0497	Transfer appropriation of \$8,351.80 from Balsam /Mimosa Sidewalk to Wayne Retention Pond Rockwall, NIP Projects in District 3
1/29/2018	2018-0463	Transfer appropriation between accounts for the Sergio Troncoso Library Modification project.
1/29/2018	2018-0464	Transfer appropriation between accounts for the Sergio Troncoso Library Parking Lot project.
1/29/2018	2018-0465	Transfer appropriation between accounts for the Judge Marquez Library Modification. No change in overall budget
1/30/2018	2018-0445	Close out fund 4030 by reducing 10 cents balance in this project to align with the cash balance
2/1/2018	2018-0496	Transfer appropriation of \$550,000.00 to separate Phase I (Spray Park) from Phase II of the Salvador Rivas Park Improvement Project. There is no overall increase to the budget.
2/2/2018	2018-0466	Budget additional appropriations of \$108,507 for Flower Recon Water/Sewer; and Alicia Recon \$145,504.80 Water/Sewer and \$328,850 Stormwater per updated PSB Commitment Letters.
2/2/2018	2018-0524	To change budget from all years to an annual budget. Part 1
2/5/2018	2018-0525	To change budget from all years to an annual budget. Part 2
2/6/2018	2018-0529	Transfer appropriation between accounts to purchase laptop for Fred Lopez
2/12/2018	2018-0514	Transfer appropriation of \$1,039,380.85 reprogrammed from the balance of the Carolina Bridge project approved by Council 12/18/17
2/12/2018	2018-0515	Transfer the design balance from P Hills Roundabouts project to the Construction portion of Edgemere Roundabout at RC Poe project

2/12/2018	2018-0545	Transfer appropriation of \$8,008.71 from capital accounts to equipment expense accounts per Comptrollers instructions.
2/12/2018	2018-0550	Transfer appropriation of \$64,080.95 between accounts to make payment to TXDOT.
2/22/2018	2018-0474	Set up appropriation of \$9,626,160.00 for Tom Lea Upper Park-Slope Stabilization project approved by Council 12/18/17
2/22/2018	2018-0532	Set up Downtown Sidewalks Improvement project for \$598,700 approved by City Council 12-18-17.
2/23/2018	2018-0527	Set up appropriations for Eastside Sports Complex Phase II approved by City Council 12/19/2017.
2/26/2018	2018-0583	Increase appropriation and revenue of \$85,912.00 for Recon Encino Clardy Fox Pump Station Project.
2/27/2018	2018-0585	To fund project PCP18IB003 to upgrade the OLA software to be more mobile user friendly allowing them to make payments and view statement in smart phones.
2/27/2018	2018-0610	Transfer of \$2,097,276.92 to Chihuahuan Desert Project from the Andean Bear approved by Council February 6, 2018.