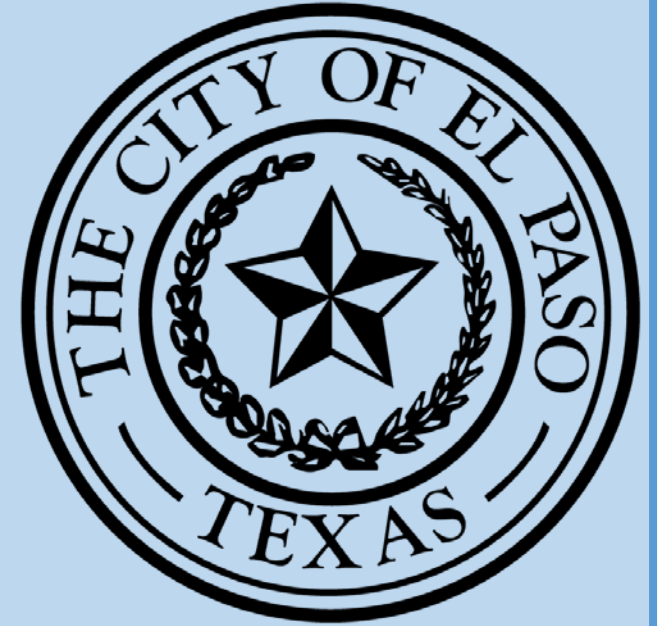


# City of El Paso FY 2019 Budget

August 21, 2018



POWER IN THE VISION

# Agenda

- Budget process/fiscal management
- Cost savings and continuous improvement
- Regional economic development strategy
- Leveraging city funds/identifying new sources
- Budget Overview



# 20<sup>IN</sup><sub>20</sub>

## 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



"Without strategy,  
execution is aimless.

Without execution,  
strategy is useless."

-Morris Chang

# Budget Process

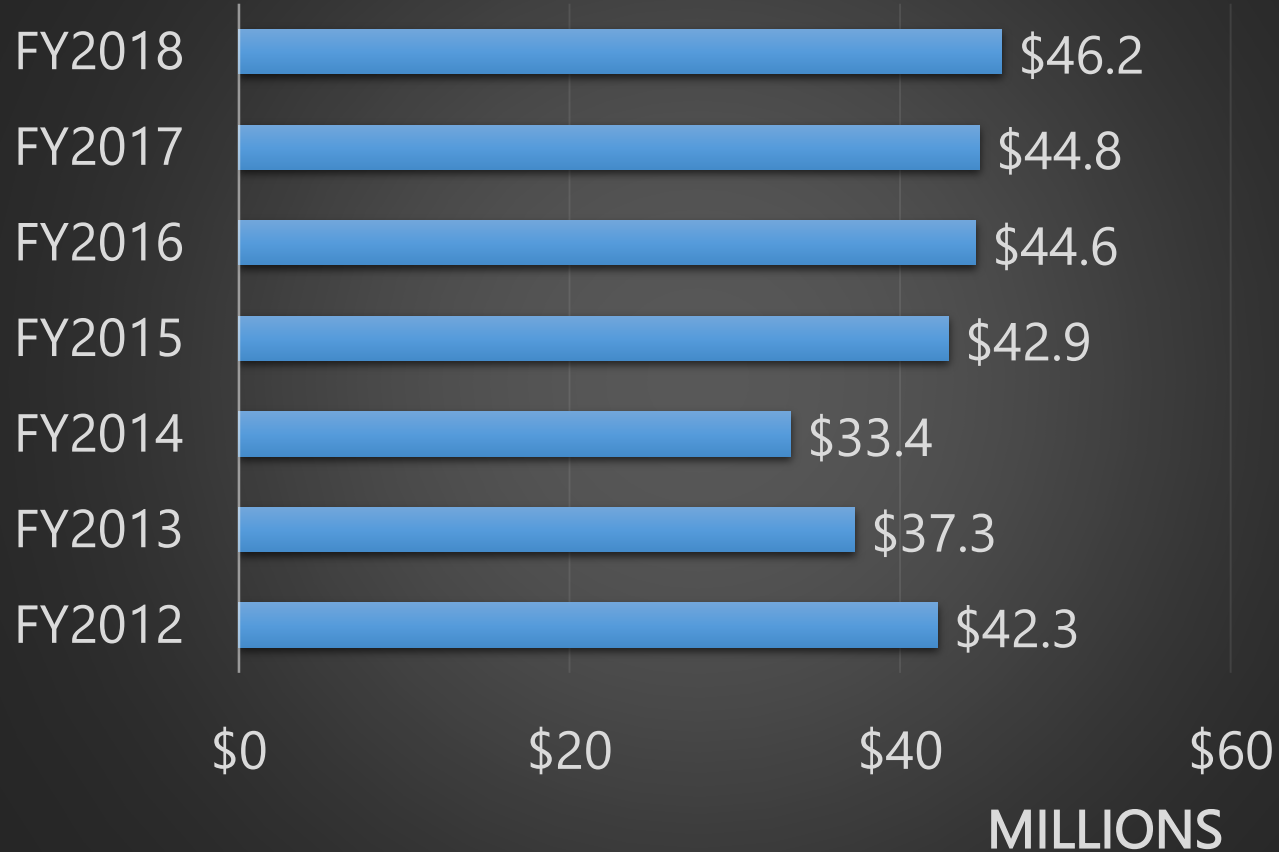
- Since 2015, budget developed/presented by strategic goal
- Year-round budget updates focusing on various topics
- Strategic Goal Team presentations to update performance results (prior to budget process)
- Improving community engagement (1,240 Chime-In responses)
- City Council one-on-one budget briefings
- Budget Advisory Committee coming soon

# Fiscal Management

- Realistic budget
  - Improved revenue forecasting over the last four years
  - Maintaining budget discipline (stay within budget)
  - Aligning budget to the strategic plan
  - Investing in core services and priorities

# Fiscal Management

## General Fund Reserves



- Surplus generated for four consecutive years (including FY2018 projected)
- Increased General Fund reserves by \$12.7 million since 2014

# Fiscal Management

- Long-term financial plan
  - Presented as a part of the budget process
  - Stimulates long-term and strategic thinking
  - Staff recommendations and Council action to improve long-term outlook
- Financial reporting
  - No audit findings in the last two years
  - Centralized grant division resulting in proactive monitoring/reporting



# Cost Savings/Efficiencies Since 2014

- \$8 million deficit eliminated in 2014
- \$3.4 million saved from organizational alignments
- \$3.3 million saved from healthcare plan redesign
- \$16.9 million saved from City debt refinancing
- \$11.0 million saved from Ballpark debt refinancing
- \$5.4 million in costs saved or avoided through Lean Six Sigma process improvements



# Performance Excellence – Lean Six Sigma

**\$5.4M+**

COST AVOIDANCE &  
SAVINGS

**85K+**

PROCESS HOURS SAVED &  
CAPACITY ADDED

**\$32M+**

NEW FUNDING SECURED

## INNOVATE

PURSuing INNOVATION



**\$2.6M+**

Information  
Technology cost  
avoidance & savings



**\$651,604**

Streets &  
Maintenance cost  
avoidance & savings



**\$451,249**

Fire Department  
cost avoidance &  
savings



**\$201,031**

Police Department  
cost avoidance &  
savings

## INTEGRATE

IMPROVING SERVICE DELIVERY

**1.5 DAYS TO  
1.62 HOURS**

Decreased work order  
process time at Airport  
warehouse

INCREASE IN  
POTHOLE  
PATCHING

**40%**

**16 DAYS TO  
1 HOUR OR  
LESS**

Reduction in issuing a  
Parks permit

## IMPROVE

IMPROVING OUR PROCESSES



**\$570,000**

Phone connect-to-  
disconnect project  
savings



**\$408,534**

Return to work  
project cost  
avoidance



**\$419,354**

Reduction in  
overtime project  
cost avoidance



**\$394,214**

Zoning inspection  
case project cost  
avoidance

## Continuous Results

# Regional Economic Development Strategy

- Job Growth – Jobs, Jobs, Jobs
- Wage Growth – Higher paying jobs
- Best Practices
- Quality of Place
  - 2<sup>nd</sup> Factor in BRAC
  - How Chicago won Boeing Headquarters over Dallas

## FACTS & STATS

**6<sup>TH</sup>**  
Largest city in Texas  
**19<sup>TH</sup>**  
Largest in the U.S.

**3** States  
**2** Nations  
**1** Economy  
(Texas, New Mexico, Chihuahua, Mexico)

**20+**  
Million Northbound  
Border Crossings In 2016

El Paso has the largest bilingual  
and bicultural workforce in the  
western hemisphere  
Young & Growing Population

**31**  
Median Age

**66.3%**  
Hotel Occupancy – May 2017

**\$952**  
Million New Capital Investment

**250,000+**  
Vehicles Per Day Drive I-10

**8.5**  
Million Annual Visitors  
Visit The Outlet Shoppes At El Paso

## TOP EMPLOYMENT GROWTH RATE

JUNE 2016 - JULY 2017



# Regional Economic Development Strategy

- No longer listed as an Economically Distressed Community by the Texas Workforce Commission
- Wage rates (Bureau of Labor Statistics)
  - Median 2015: \$12.70
  - Mean 2015: \$17.78
  - Median 2016: \$13.11
  - Mean 2016: \$18.00

# Where do your tax dollars go?



**SCHOOL  
DISTRICT  
46%**



**CITY  
26%**



**COUNTY/  
UMC  
23%**



**EPCC  
5%**

# Benefit to Taxing Entities (Over 20 Years)

## ECONOMIC DEVELOPMENT AGREEMENTS

El Paso County	EPISD	YISD	UMC
\$45,184,466 <sup>A</sup>	\$59,977,208	\$17,918,990	\$25,147,031
CISD	SISD	EPCC	DMD
\$40,144,576	\$9,955,460	\$14,137,226	\$1,512,338

Total
\$213,977,295

<sup>A</sup>: Projected number may be lower due to economic incentives provided by El Paso County.

\*Amounts listed above are projections provided by Economic and International Development and are subject to change.



# Leveraging City Funds/New Sources

- State Hotel Convention Center Program
- \$32 million in State funding for Bridges Intelligent Transportation Projects
- MPO funding – 20% City, 80% State
- \$97 million in State funding for the Streetcar project
- \$2.0 million State Defense Economic Adjustment Assistance Grant (partnership with Enviro Water Minerals Company to convert waste generated from the desalination process into drinkable water)
- \$1.7 million in delinquent Hotel Occupancy Taxes collected through new audits
- Creation of dedicated revenue for street maintenance and economic development projects

# Budget Overview

- Starting point for tax rate increase was **12 cents**
- Unfunded departments supplemental requests of \$17.6 million (a reduction of 5.1 cents)
- Recommended **3.99 cent** increase after:
  - Identifying budget reductions (ex. Reducing pay increases from 2% to 1.5%, reducing Police vehicle maintenance by \$500K)
  - Realigning budgets to actual expenditures
  - Natural revenue growth in sales tax and other miscellaneous sources



# FY 2019 Budget - We are listening

- 1,240 community responses to Chime-In survey
- Top 3 priorities identified were:
  1. Streets
  2. Public Safety
  3. Parks
- 138 Council Budget Requests closely align to citizens priorities – streets, public safety, and parks



# We are listening... (Examples of Chime-In Feedback)

“Street repair funds need to be increased. Some roads in town are in horrendous repair.”

“I have lived in El Paso since 1970. The street conditions are the worst I have ever seen.”

“Ramp up the reconstruction/repair of city streets. We should be ashamed of our shoddy streets.”

“Street improvements that are properly targeted with recent data”

“I believe that street repairs are imperative.”

“Street repairs are dire.”

“More street repairs in residential areas.”

# Streets



# We are listening....and Responding

- Streets \$7 million increase
  - 50 residential street projects – funded from increase in Environmental Services Franchise Fee
  - The Street CIP approved in 2012 included resurfacing projects that will only address 7% of street inventory
  - To meet a pavement replacement cycle of 25 years, at present dollars the City would need to invest over \$39 million annually

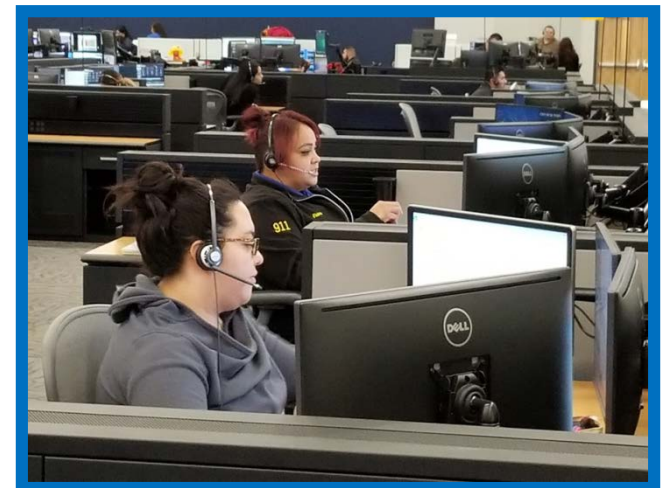
# We are listening....and Responding

- **Streets**

- Last year Council approved accelerating Street CIP resurfacing projects
- Recently approved Capital Plans projects include reconstruction, lighting, and median improvements on most travelled streets
- Pavement condition index study in progress
- \$500,000 annually to address ADA on-demand requests
- Completing over 45,000 pothole repairs annually



# Public Safety



# We are listening....and Responding

- Public Safety \$18 million increase
  - Entering year four of a ten year plan to add 300 new Officers
    - Net increase of 87 new Officers since plan implemented
    - On Oct. 1 – the Police Dept will be at 1,100 Officers for the first time since 2010
  - Implementation of the Crisis Intervention Team to assist with mental health responses
  - Police, Fire and 911 Communicator academies

# We are listening....and Responding

- Public Safety \$18 million increase
  - Replacement of Fire Station #12
  - 150 new police vehicles on the street by the end of August
  - 150 more new police vehicles on the street by August 2019
  - 3 Fire trucks and 2 ambulances replaced



# Quality of Life



# We are listening....and Responding

- Parks/Quality of Life Projects \$ 2 million increase
  - Park maintenance costs
  - Turf renovation program
  - Recent grand openings
    - Eastside sports complex
    - Asia Gateway and Endangered Species Carousel at the Zoo
- Upcoming projects
  - Groundbreaking for Eastside Regional Park August 23rd
  - 3 new recreation centers
  - Chihuahuan Desert at the Zoo

# Where do your tax dollars go?



**SCHOOL  
DISTRICT  
46%**



**CITY  
26%**



**COUNTY/  
UMC  
23%**



**EPCC  
5%**



# DISCOUNT & BENEFITS FOR SENIORS

## PROPERTY TAX DISCOUNTS

**\$5K**

General Residence Homestead Exemption



**\$42**  
annual  
savings

**\$40K**

Age 65 or older exemption (effective Jan. 1 of the tax year in which you become 65 yrs. old)



**\$337**  
annual  
savings

Citizens with the Age 65 or Older Exemption may qualify to pay current year taxes in 4 equal payments (If 1/4 of the current year tax amount is paid by January 31)



## SENIOR DISCOUNTS FOR CITY SERVICES

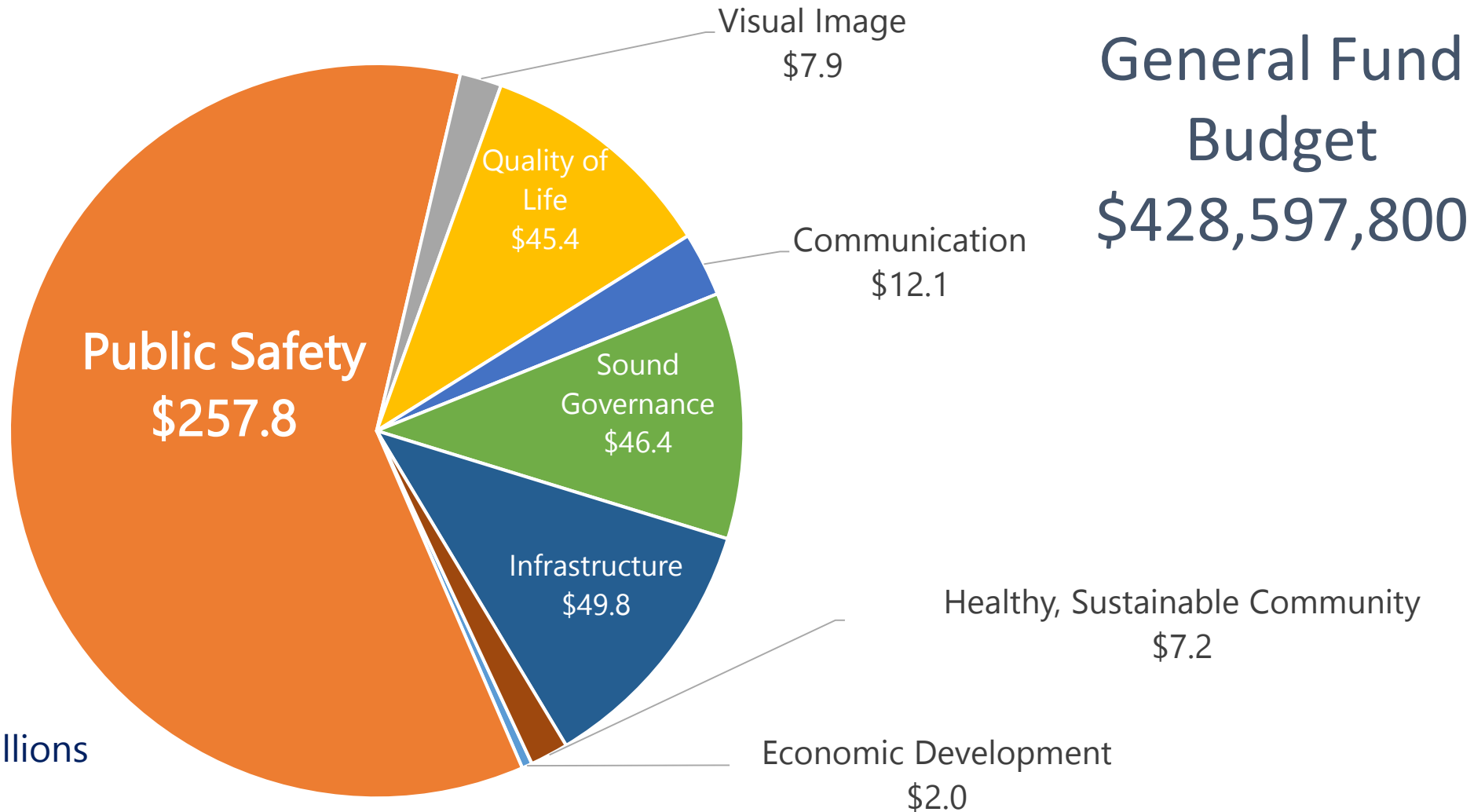
# City Tax Relief (Homestead Exemptions)

Local Exemption	# Exemptions	Property Tax Discounts
Homestead Exemption (\$5,000 value)	126,689	\$5.0 million
Over 65 Exemption (\$40,000 value)	40,124	\$12.0 million
Disabled Exemption (\$40,000 value)	7,648	\$2.2 million
Total		\$19.2 million

# Examples of Benefits or Discounts for Seniors

- Over 65 can qualify to pay current year taxes in 4 equal payments
- Garbage collection - 20% discount
- Discounts at Zoos, Museums, and Parks
- Sun Metro - discounted single or multiple ride passes
- Community Development - Foster Grandparent and Retired Senior Volunteer Program
- Fire - Flu shots and health screenings

# FY 2019 General Fund Budget

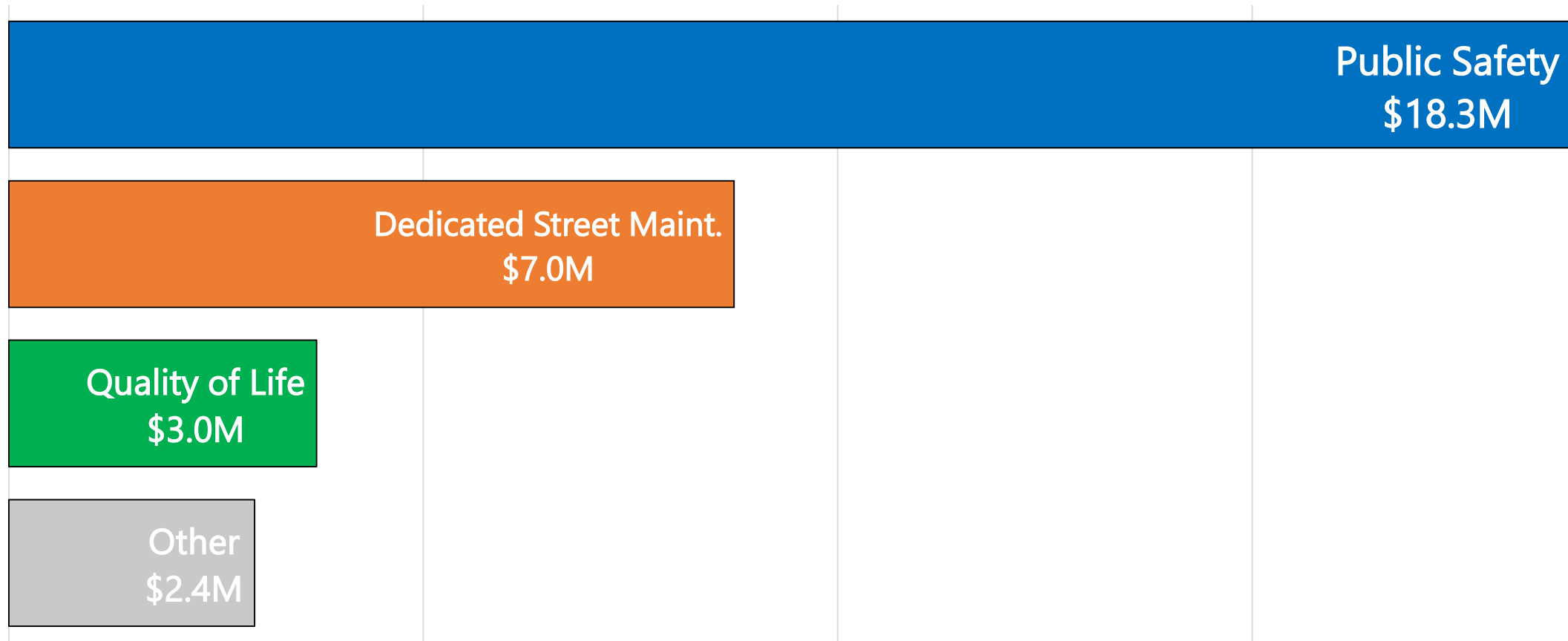


# Major Cost Drivers

Description	FY 2019 Impact
Police (Academies, Officers, CIT, Collective Bargaining)	\$9.7M
Fire (Academies, Collective Bargaining, Vehicles, Overtime)	\$8.6M
Pay increases (1.5% effective March 2019)	\$1.4M
Appraisal Services (Central Appraisal District)	\$0.2M
Water (Parks Dept.)	\$1.0M
Quality of Life Projects Operating Costs	\$2.0M
November Election	\$0.4M
Dedicated Street Funding (Transfer)	\$7.0M
<b>Grand Total</b>	<b>\$30.3M</b>



# FY 2019 General Fund Cost Drivers



# FY 2019 Property Tax Rate

	FY 2018 Adopted	FY 2019 Adopted	Variance
M & O	0.522982	0.557239	0.034257
Debt Service	0.280451	0.286093	0.005642
Total Rate	0.803433	0.843332	0.039899

# Preliminary Tax Rate Impact

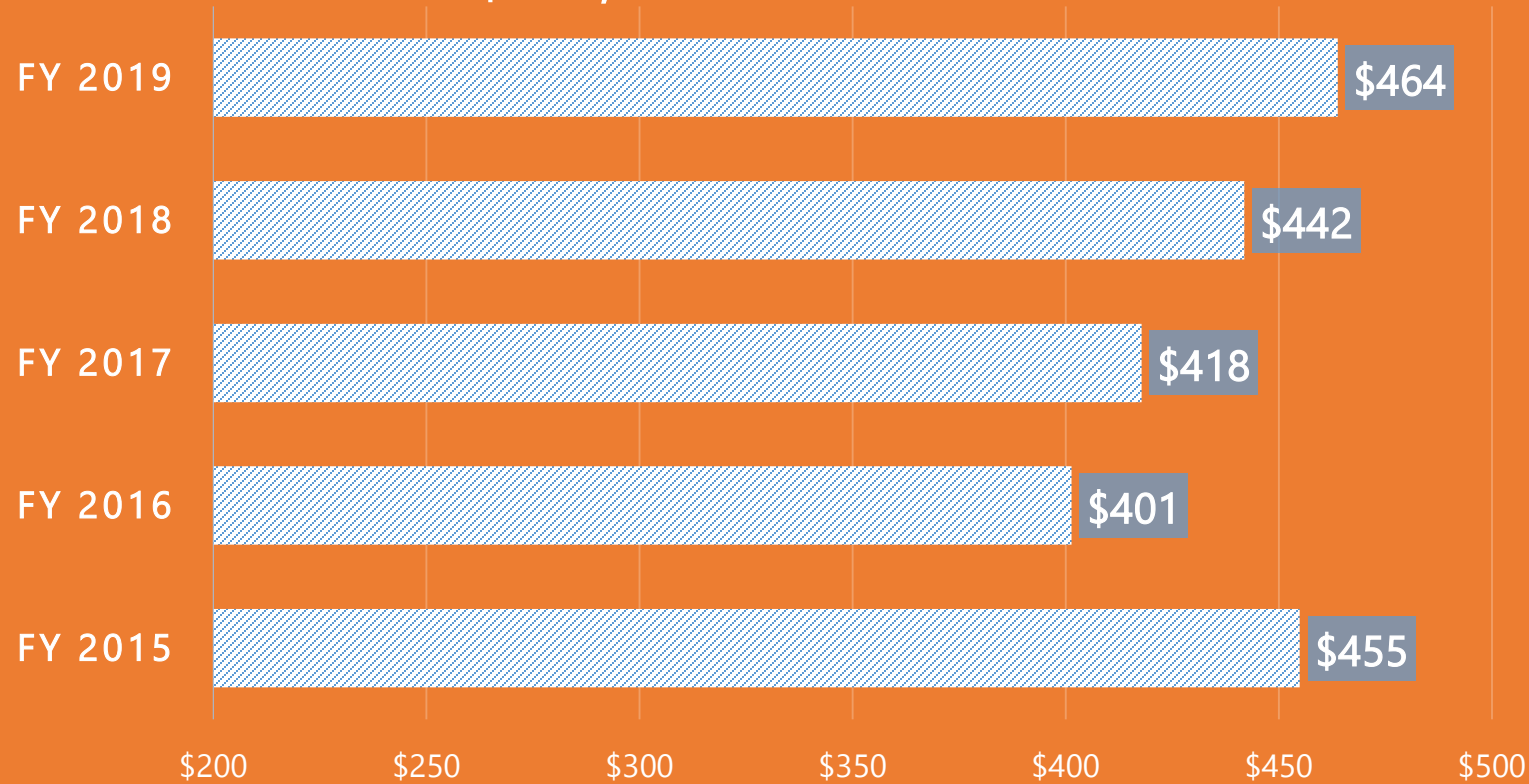


**\$37.91 annual impact**  
w/ Homestead Exemption

**\$21.95 annual impact**  
w/ Over 65/Disabled Exemption

# Tax Rate Impact – Over 65/Disabled

## PROPERTY TAXES (CITY PORTION) \$100,000 HOMESTEAD

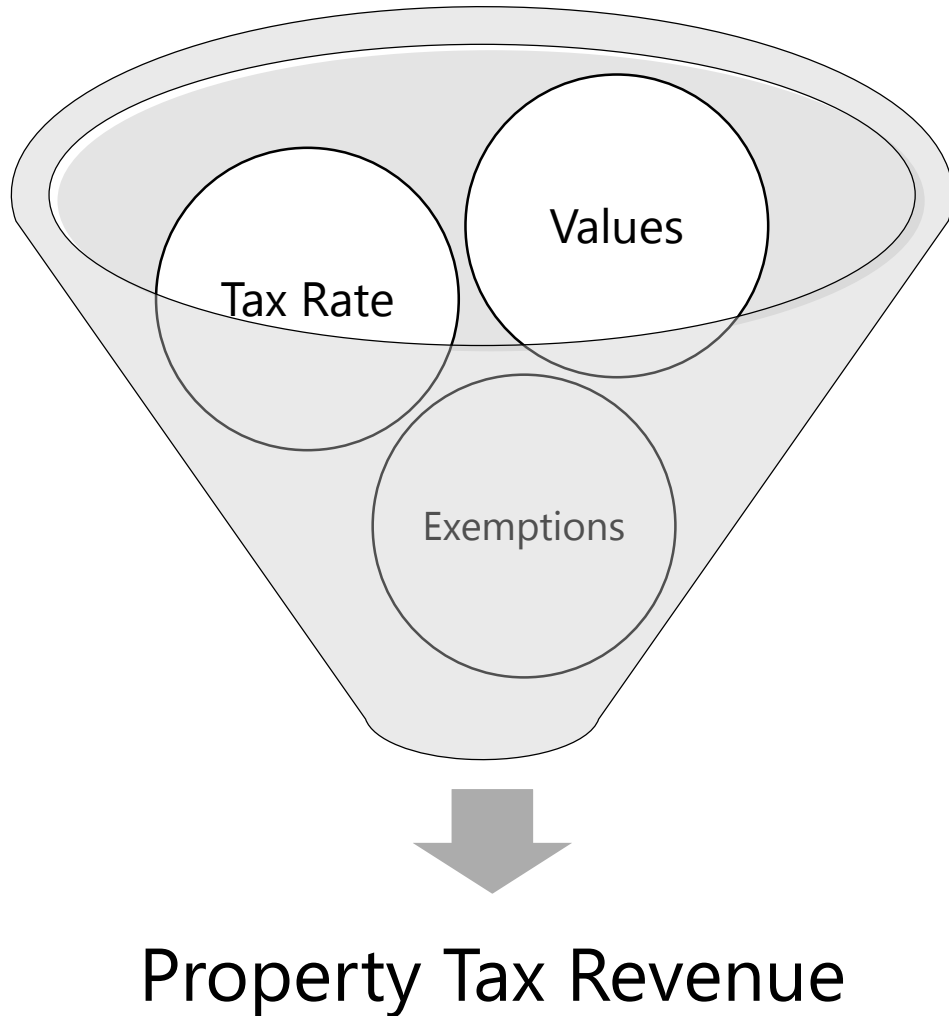


- 47,772 homesteads benefitting from Over 65/Disabled exemption tax relief
- FY 2016 Over 65/Disabled exemption increased by \$10K (from \$30K to \$40K)
- Exemption increase resulted in three consecutive years of savings (compared to amount prior to exemption increase)
- Overall net benefit (savings) of \$95 since exemption increase
- Exemption increase resulted in a loss of \$3.2 million in property tax revenue

# FY 2019 Adopted Budget

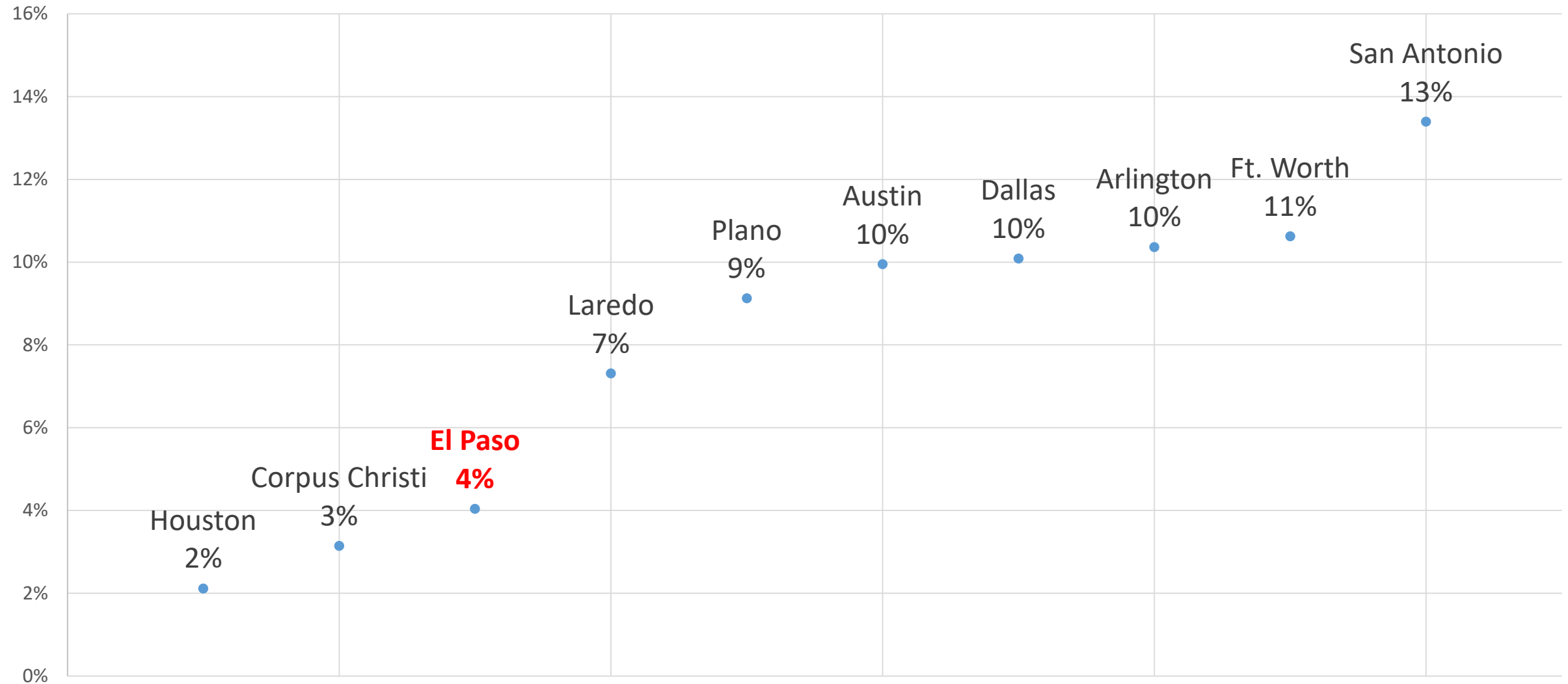
Strategic Goal	General Fund	Non-General Fund	All Funds
Economic Development	1,963,563	114,910,309	116,873,872
Public Safety	257,815,741	17,459,853	275,275,594
Visual Image	7,857,127	935,111	8,792,238
Quality of Life	45,396,094	6,870,605	52,266,699
Communication	12,106,792	0	12,106,792
Sound Governance	46,446,835	201,712,819	248,159,654
Infrastructure	49,802,126	106,181,351	155,983,477
Healthy Community	7,209,522	112,713,982	119,923,504
<b>Total</b>	<b>\$428,597,800</b>	<b>\$560,784,030</b>	<b>\$989,381,830</b>

# Property Tax Revenue

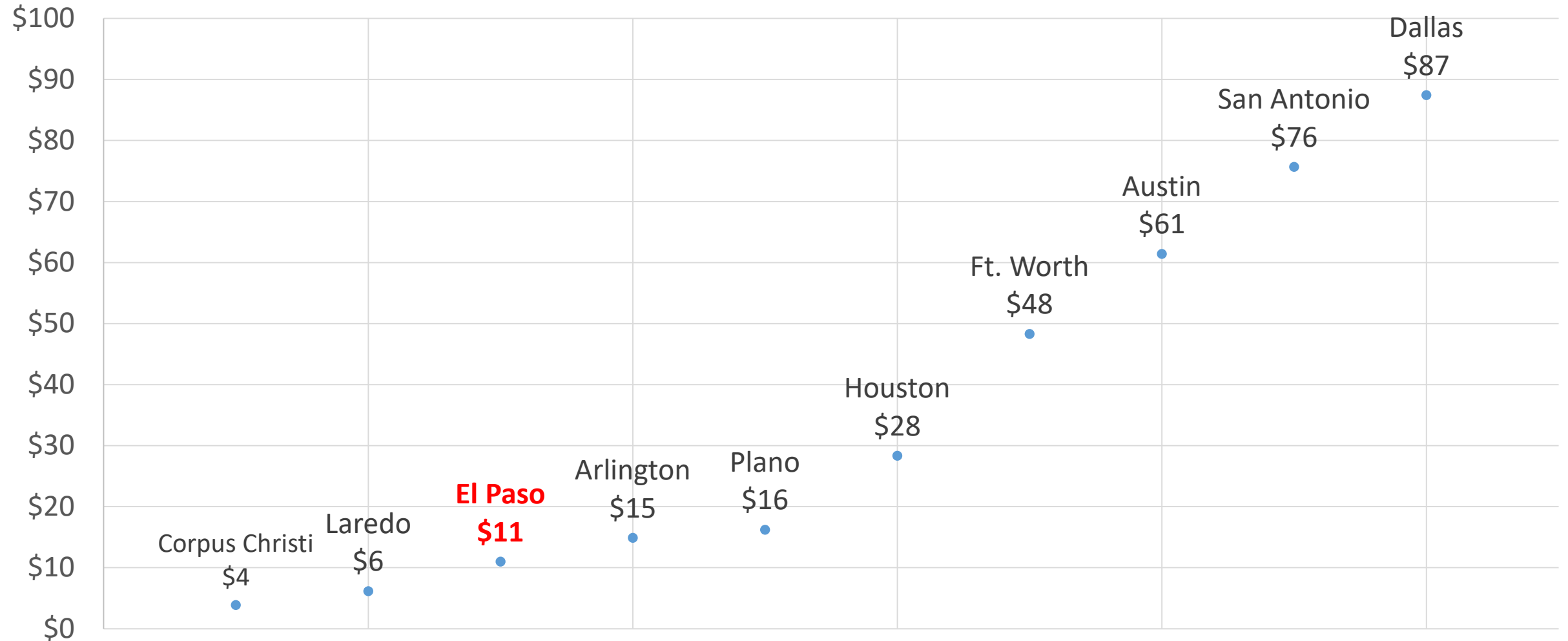


- Cities with high tax rates can still have low tax bills on a median valued home if they have low home values
- Cities with high property values can impose a lower tax rate and still raise at least as much property tax revenue as a city with low property values.

# FY 2019 % Change Property Values



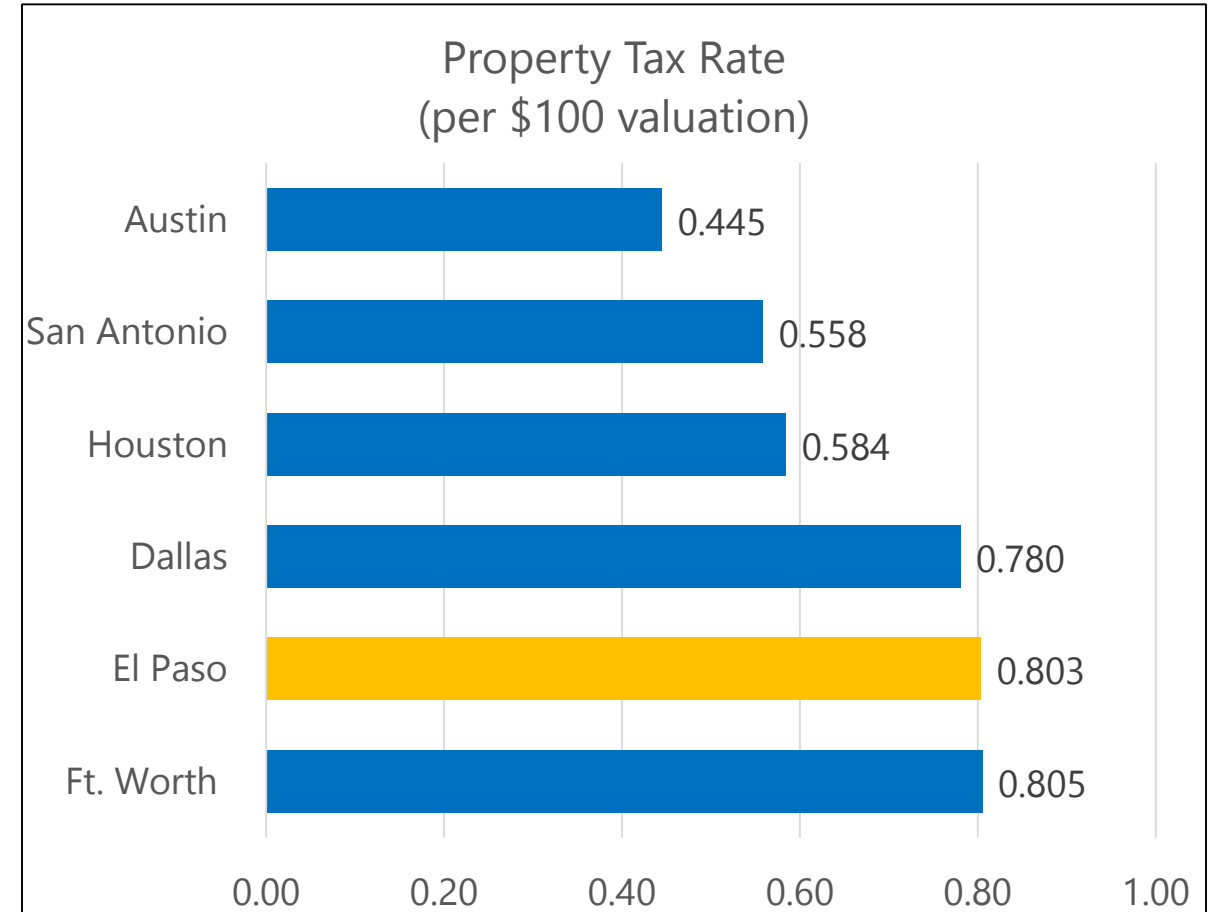
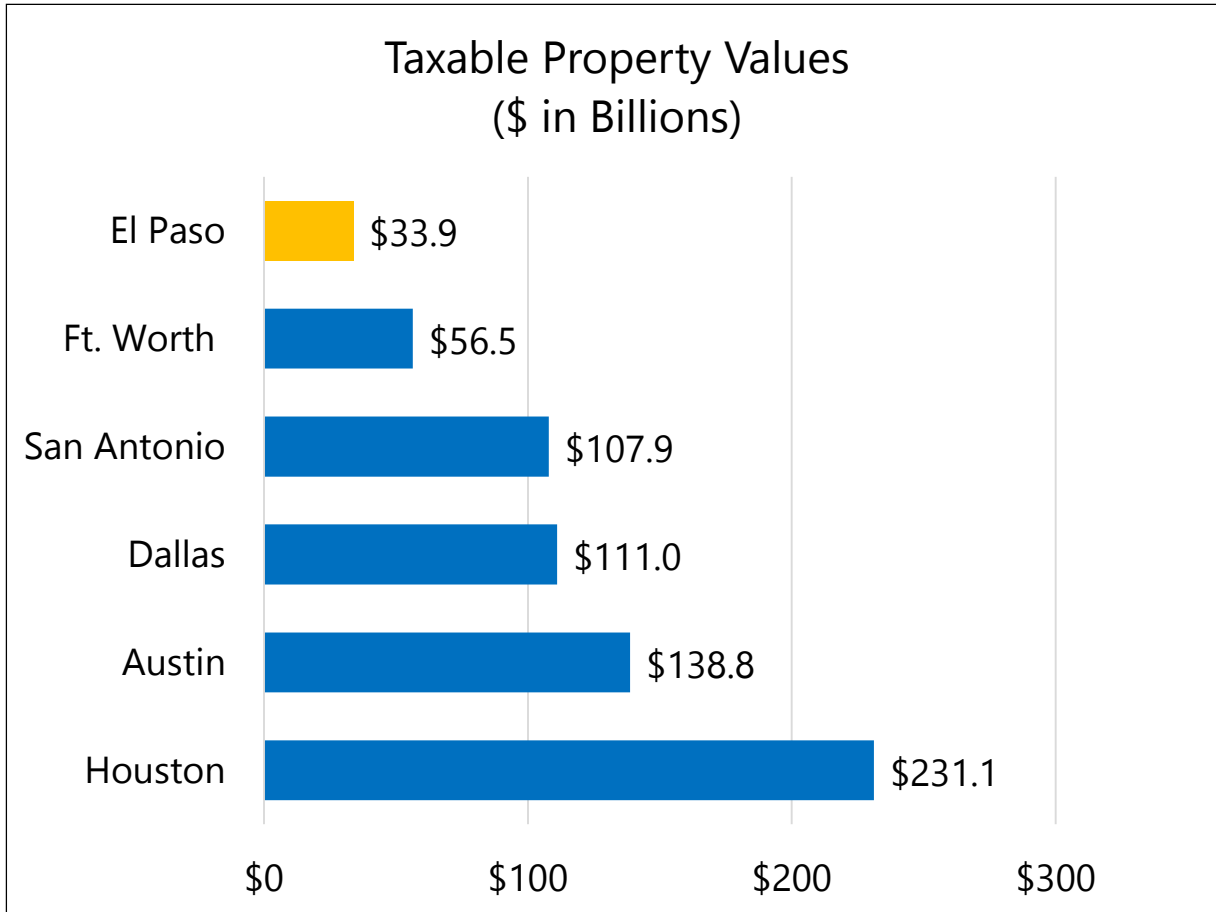
# FY 2019 Property Tax Revenue Valuation Growth (\$ in millions)



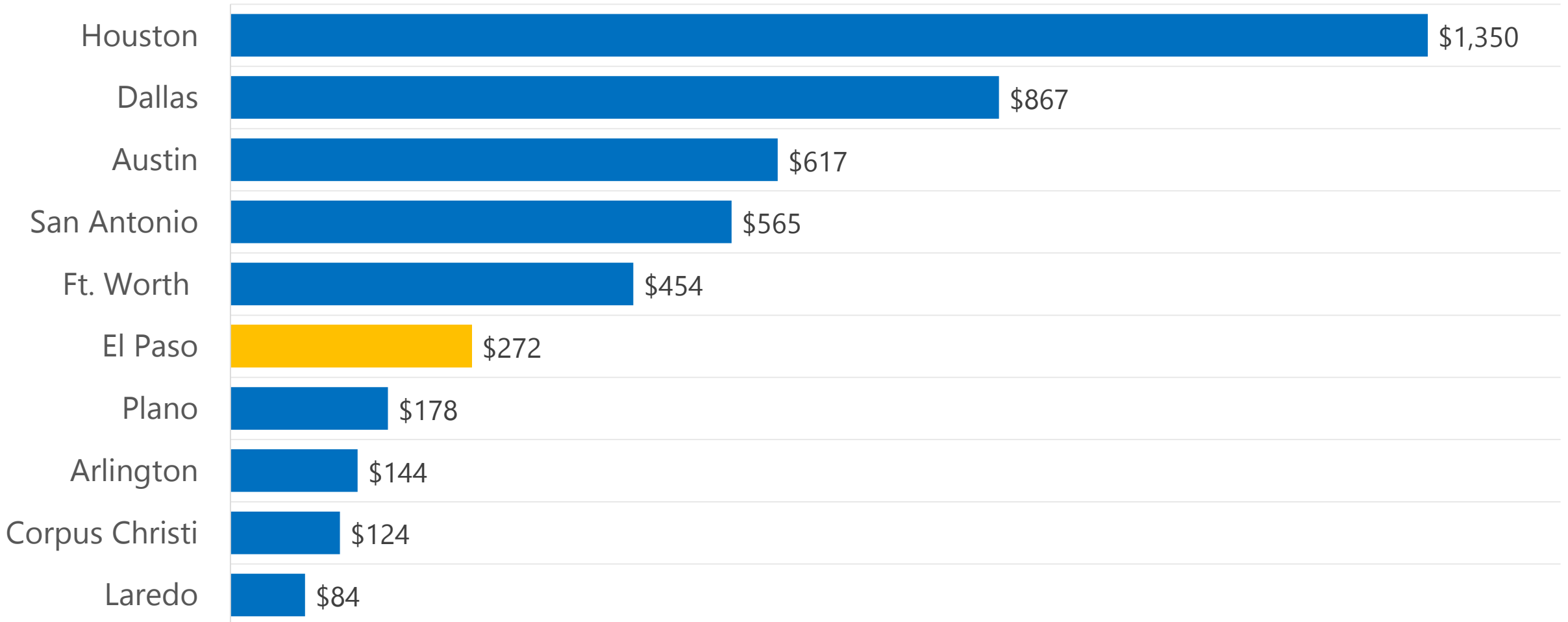
Using FY 2018 Property Tax Rates



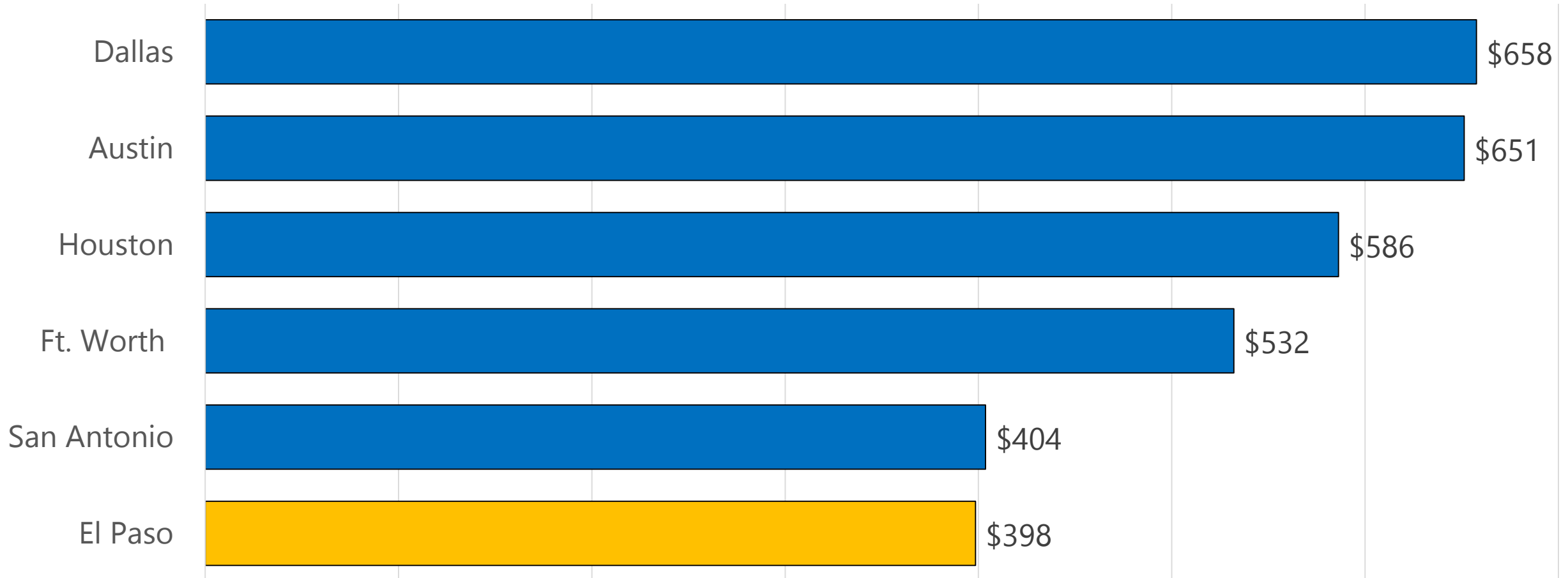
# Values and Tax Rates (FY 2018)



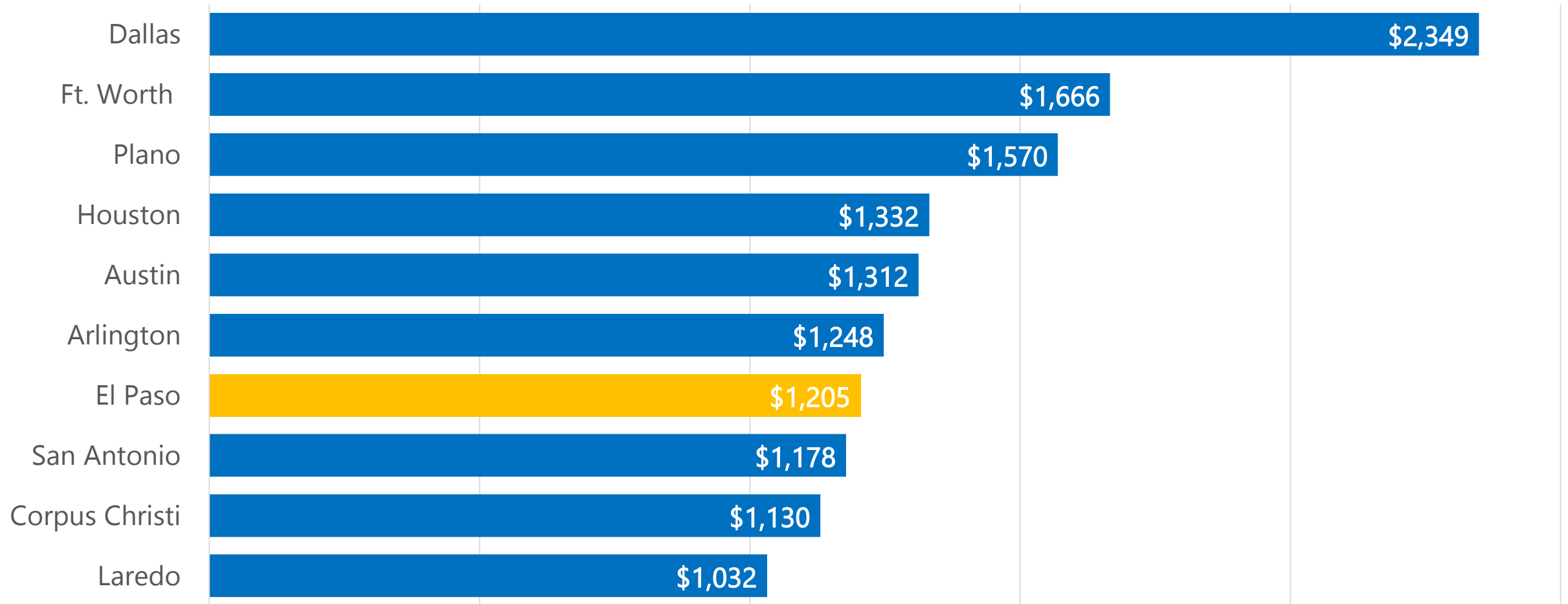
# FY 2018 Property Tax Revenue (\$ in millions)



# FY 2018 Property Tax Revenue Per Capita



# Average City Tax Bill (excluding exemptions)



<sup>1</sup> FY 2018 property tax rates

<sup>2</sup> 2017 Median price of homes sold – Texas A&M Real Estate Center

# Property Tax Comparison

- Every City is different
- Only comparing tax rates is not a fair “apples to apples” comparison
- Other large Texas cities are generating revenue from:
  - Sky-rocketing property values
  - City-owned utilities
  - Street Maintenance Fees
  - Dedicated sales tax for crime control district or street maintenance

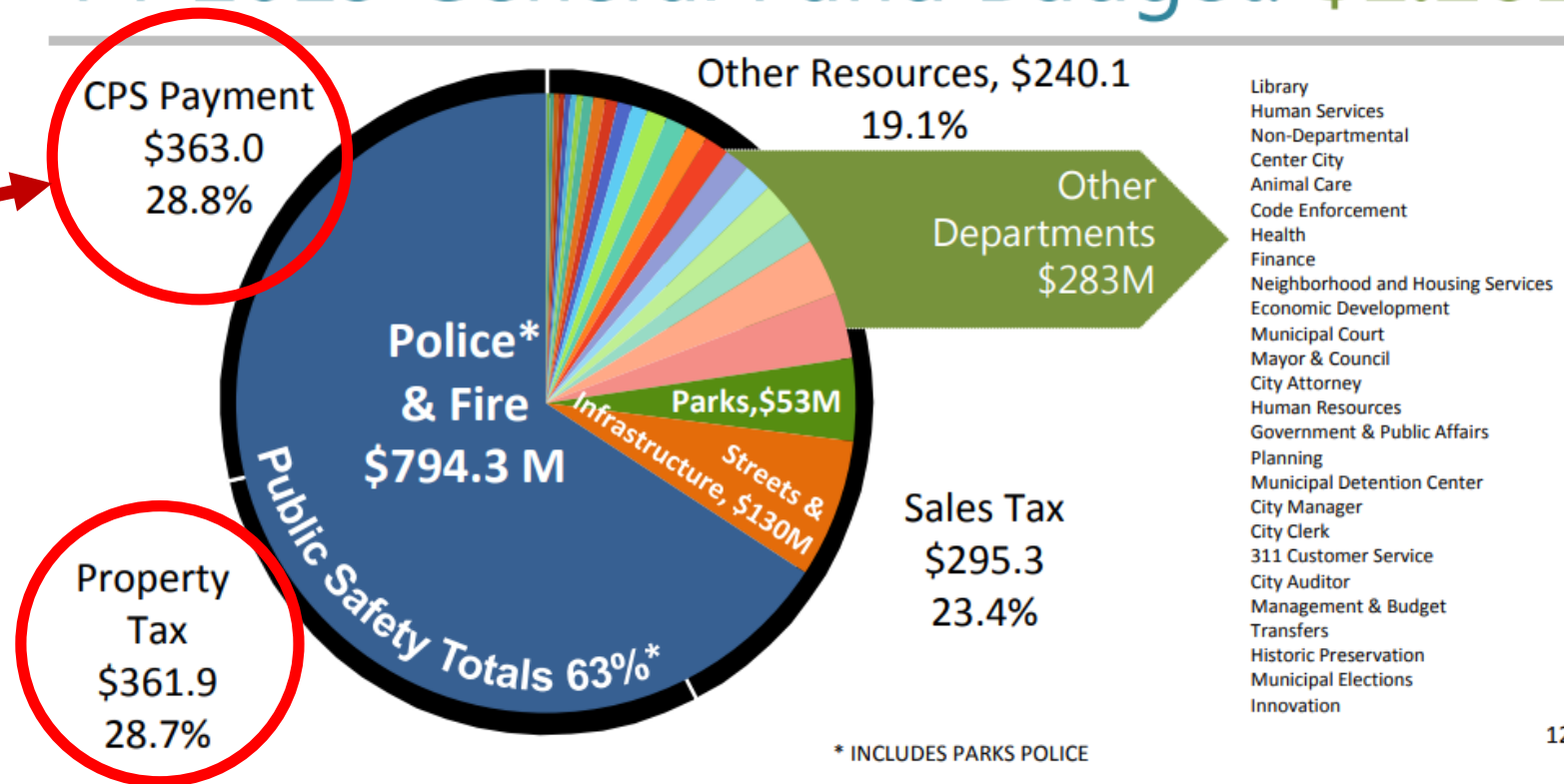
# What are Other Cities Collecting

- Examples include:
  - Fort Worth collects \$74 million a year from sales tax that is dedicated to crime control district
  - Austin collects over \$150 million a year as a transfer from a city-owned utility
  - Austin collects over \$22 million a year from a Street Maintenance Fee
  - San Antonio collects over \$360 million a year as a transfer from city-owned utilities
  - Arlington collects almost \$16 million a year from sales tax that is dedicated to street maintenance
  - 774 Texas cities collecting sales tax on residential gas and electricity

# City of San Antonio

## FY 2019 General Fund Budget: **\$1.26B**

Largest source of General Fund revenue is a transfer from CPS Energy



12



# El Paso Challenges - Revenues

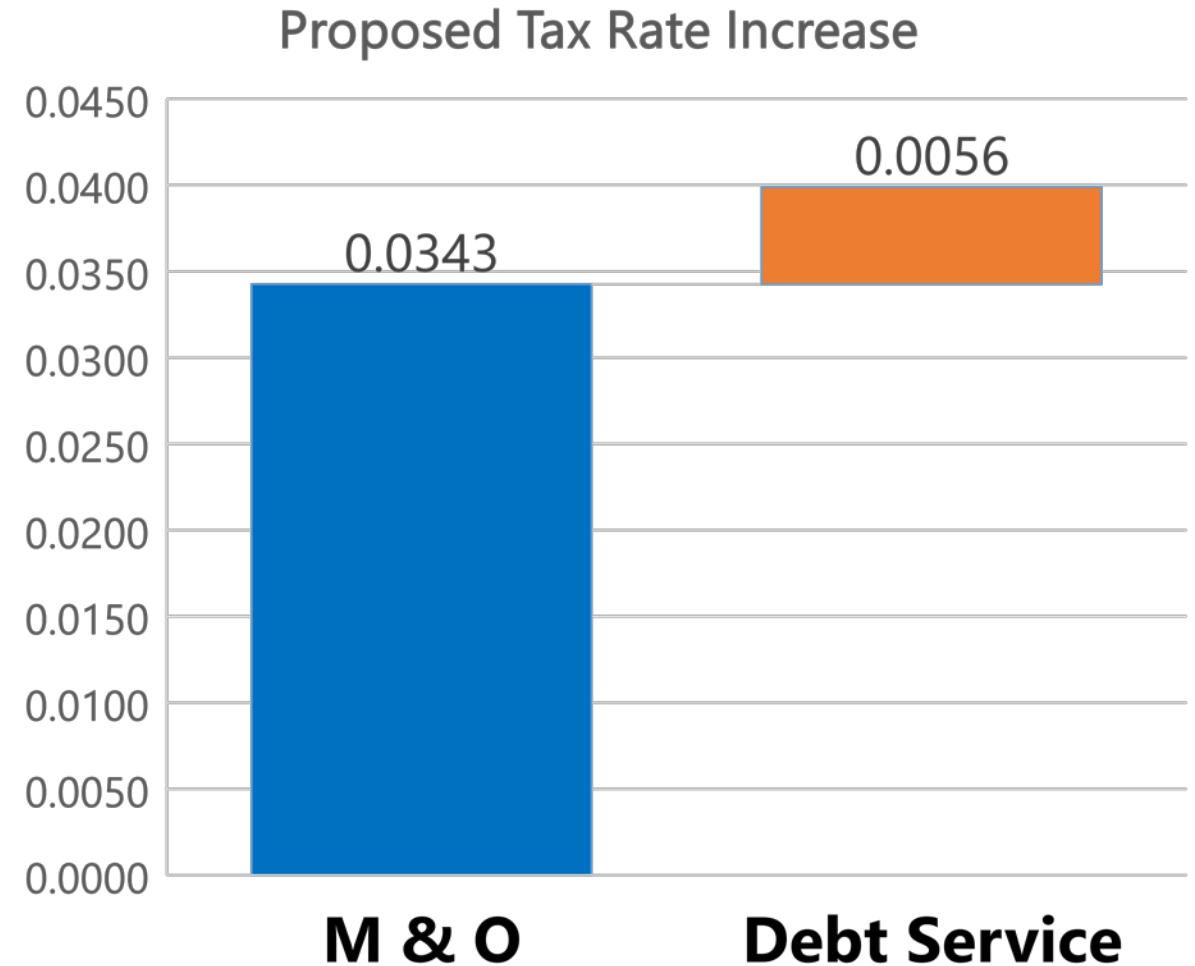
- Lack of diversified revenue sources – Property Tax is 42% of General Fund budget
- Sales tax – 2% local entities cap
  - County election in 1987 to collect ½ cent sales tax (inside and outside city limits)
  - Most cities dedicate ½ cent sales tax to a special purpose district such as crime control, street maintenance,
- Utility sales tax
  - 1978 decision to repeal sales tax on residential use of gas and electricity
  - 774 out of 915 eligible Texas cities are collecting
  - Most large Texas, except San Antonio, have been collecting sales tax since late 1980's
- Franchise Fees – continuing annual decline in AT&T revenue

# El Paso Challenges - Expenses

- Street maintenance
- Police Department staffing levels
- Public Safety vehicle/equipment replacement
- Aging infrastructure
- Heavy vehicle/equipment replacement (ex. Bucket trucks, street sweepers, pothole patchers)
- Quality of Life operating costs
- Employee compensation, healthcare, pension

# Breaking Down the 3.99 Cent Tax Rate Increase

- Maintenance and Operations (General Fund) increases
  - Streets - #1 Community/Council priority
  - Public Safety – 60% of budget (collective bargaining, Crisis Intervention Team, more Officers/Firefighters/911 Communicators, vehicles)
  - Quality of Life – parks, sports fields, spray parks, swimming pools, Zoo exhibits, library renovations)
  - Employee costs – (compensation, healthcare, pension)



# Housing Affordability



**El Paso Ranked #1 in Lowest Cost of Living**

*Forbes.com – April 6, 2018*

**1<sup>st</sup> Nationwide in Cities Where You Can Afford to Live Off Less Than \$50,000**

*GoBankingRates– September 2017*

# QUESTIONS