Annual Operating Budget Summary Fiscal Year 2014

County of El Paso, Texas

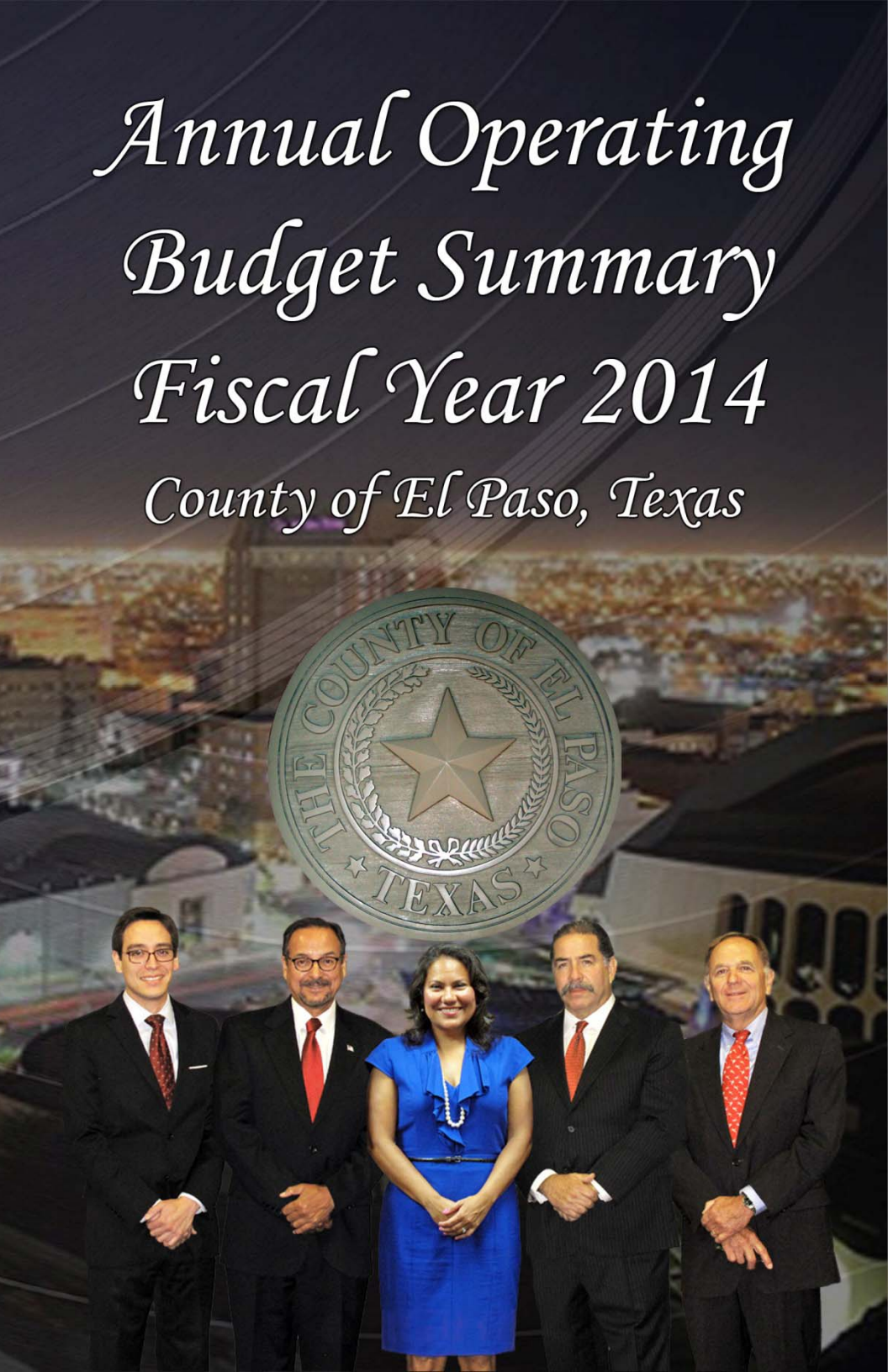


Table of Contents

County Organization 1-2

Demographics and Statistical Data 3-9

Formulation of the Budget 10-11

Highlights of the Budget 12-15

All Funds Estimated Revenues 16

Revenues - All Fund Actuals 17-22

Operating Budgets – Appropriations 22

Expenditures - All Fund Actuals 23-27

El Paso County's Financial Strategy 28-31

Acknowledgements 32

Vision, Priorities and Strategies 33-34

A copy of this budget package is available at:

www.epcounty.com/auditor/publications/default.htm

El Paso County Commissioners Court

Carlos Leon
El Paso County Commissioner Pct.1,
500 E. San Antonio Suite 301
El Paso, Texas 79901
Phone (915) 546-2014
Fax (915) 543-3885
Commissioner1@epcounty.com

Sergio Lewis
El Paso County Commissioner Pct. 2
500 E. San Antonio Suite 301
El Paso, Texas 79901
Phone (915) 546-2111
Fax (915) 543-3817
Commissioner2@epcounty.com

Veronica Escobar
El Paso County Judge
500 E. San Antonio, Suite 301
El Paso, Texas 79901
Phone (915) 546-2098
Fax (915) 543-3888
CountyJudge@epcounty.com

Vincent Perez
El Paso County Commissioner Pct. 3
500 E. San Antonio
El Paso, Texas 79901
Phone (915) 546-2144
Fax (915) 543-3809
Commissioner3@epcounty.com

Patrick Abeln
El Paso County Commissioner Pct. 4
500 E. San Antonio
El Paso, Texas 79901
Phone (915) 546-2044
Fax (915) 543-3854
Commissioner4@epcounty.com

County Organization

El Paso County was created from Bexar District in 1849, organized in 1850, and incorporated in 1871. Parts of El Paso County were taken from Culberson County in 1911 and Hudspeth County in 1915. The County derived its name from being a well-known pass through the Rocky Mountains. It is the most Western County in Texas, and is about equidistant from Houston, Texas, Los Angeles, California and Denver, Colorado. Bordered on the east side by Hudspeth County, El Paso County is just to the north of the International Boundary between the United States of America and the Republic of Mexico, and touches Doña Ana County in New Mexico. The County is a strategic cross-roads for continental north-south and east-west traffic, and spans a geographic area of about 1,013 square miles.

County government in Texas is, for many people, the primary and most accessible level of government. County governments are political subdivisions of the State. The State has created 254 Counties. Initially, the Counties were primarily created to facilitate the judicial system. As a result of State legislative changes over the years, County governments in Texas are involved not only with the judicial system, but also the delivery of health and welfare services, law enforcement, public safety, cultural and recreational activities, and construction and maintenance of roads and bridges. In comparison to some of the other States, Texas counties have only very limited ordinance-making authority, as specifically granted by the State legislature.

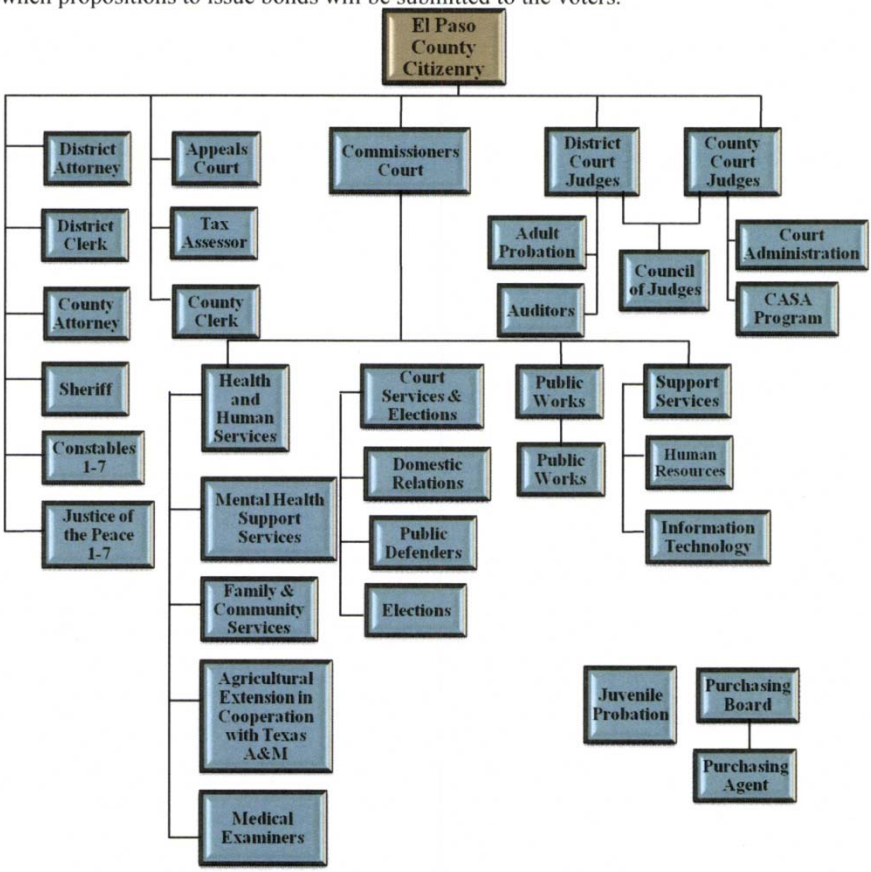
Counties in Texas have many comparable characteristics and are similarly organized. Each County has a governing body called Commissioners Court. The Commissioners Court is composed of five members. One member, the County Judge, is elected at large to a four-year term. The other four members are County Commissioners and each one is elected from a precinct to a four-year term. County Judges have judicial responsibilities in all but the largest urban Counties. In large urban counties, such as El Paso County, the County Judge has no judicial responsibilities. Instead, the El Paso County Judge is often referred to as the County's Chief Executive Officer (CEO). In all Texas Counties, the County Judge presides over Commissioners Court meetings.

There are numerous elected officials in most Texas Counties. Some of those elected officials usually include the County Treasurer, County Clerk, District Clerk, County Attorney, District Attorney, County Tax Assessor-Collector, County Sheriff, one or more elected State District Judges, one or more County Court at Law Judges, Justices of the Peace, and Constables. As has happened in a few other Counties, several years ago, in a statewide election, the voters amended the constitution to abolish the office of the El Paso County Treasurer. After this abolishment, Commissioners Court formally instructed the County Auditor, an apolitical and appointed official, to perform all of the statutorily mandated treasury functions. The County Auditor is appointed to a two

County Organization

year term, by the State District Judges in each County. In El Paso County, the County Auditor, among other duties and responsibilities, serves as the County's Chief Financial Officer, Budget Officer, Payroll Officer, Investment Officer, Treasury Officer, Internal Audit Officer, and Cash Management Officer.

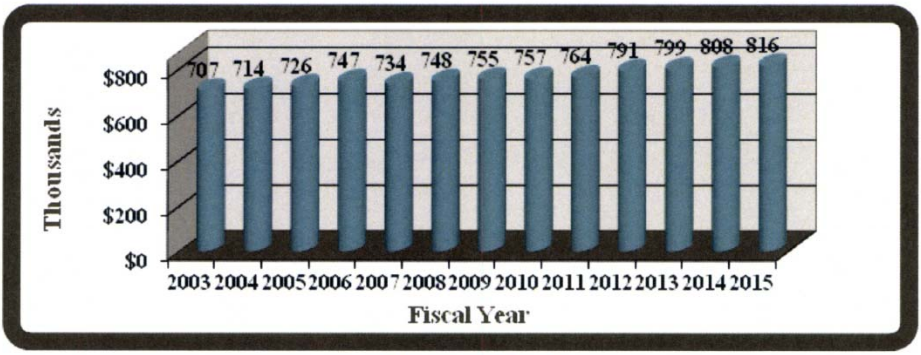
The Commissioners Court serves as the executive branch of County government. Among a myriad of other constitutional and statutorily imposed duties and responsibilities, the five members of Commissioners Court have the exclusive responsibility and authority over a multitude of areas in the operation and in the affairs of County government. To name a few, the Commissioners Court is responsible for approving budgetary amendments, setting ad valorem property tax rates, auditing, and directing settlement of all claims against the County. Additionally, this body appoints certain County officials and board members. The Commissioners Court also determines when propositions to issue bonds will be submitted to the voters.



El Paso County Demographic and Statistical Data

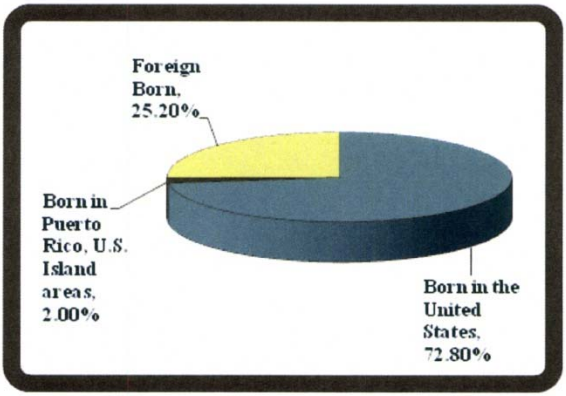
Population

El Paso's population is estimated to grow from 679,622 in 2000 (U.S. Census) to well over 816,000 in 2015, (El Paso Center for Health Statistics), with much of that growth projected to occur in the suburbs and outlying areas. The information provided from the U.S Census Bureau for 2010 listed the population at 800,647. Based on this population estimate of 800,647, there were approximately 790.6 people per square mile based on a land area of 1,012.69 square miles. When comparing actual data, El Paso's population increased from 704,671 in 2003 to well over 820,000 in 2012. It is important to note that this is a 16.36% increase in 9 years. Some of this population growth in the later years is a direct result of BRAC (Base Realignment and Closure), at Fort Bliss.



Place of Birth

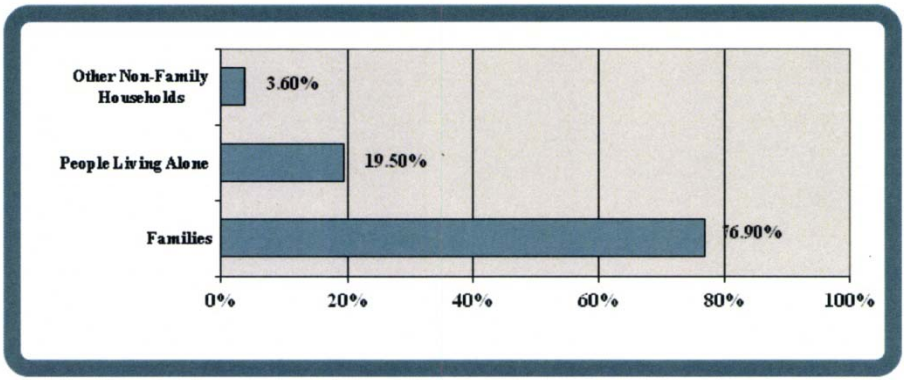
According to the American Community Survey data for 2012, 72.8% of residents in El Paso were born in the United States, while only 27.2% were foreign born, or born in Puerto Rico or the U.S. Island areas. This survey also reports that 48.9% of El Paso's population is male, 51.1% female, 29.3% is under the age of 18, and persons 65 years old and over comprise only 10.5% of the population.



El Paso County Demographic and Statistical Data

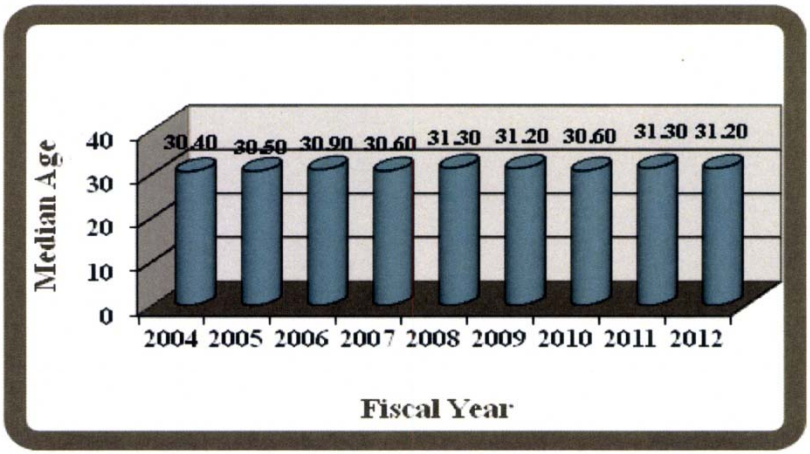
Types of Households in El Paso County, Texas

According to the U.S. Census Bureau 2012 American Community Survey, there were 260,645 households in El Paso County, with the average household size being 3.12 people. Families make up 76.9% of these households, with married-couple families comprising 51.6% of this total.



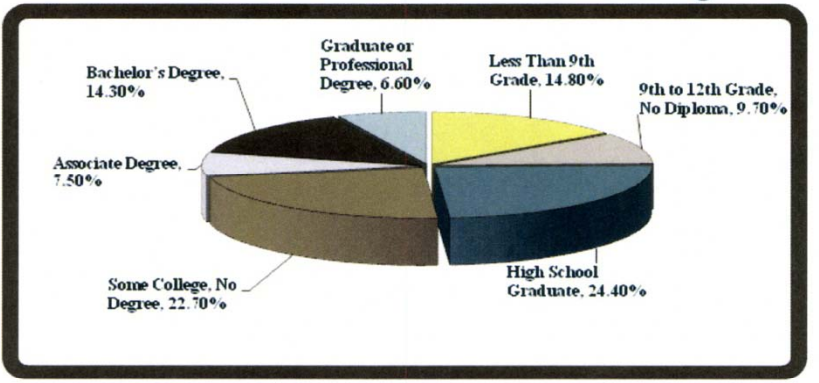
Median Age and Birth Rates of El Pasoans

As shown on the graph below, the median age of El Pasoans is between 30 and 31.2 years of age. With its young population, our border region has grown much faster than the rest of Texas. In 2010 total births in El Paso County were 13,792 compared to 13,968 in 2009 and as compared to 385,746 in Texas as a whole, for a minimal decrease of 176 births per 1,000 in El Paso County from 2009.



El Paso County Demographic and Statistical Data

Education Level in Years of Formal Schooling

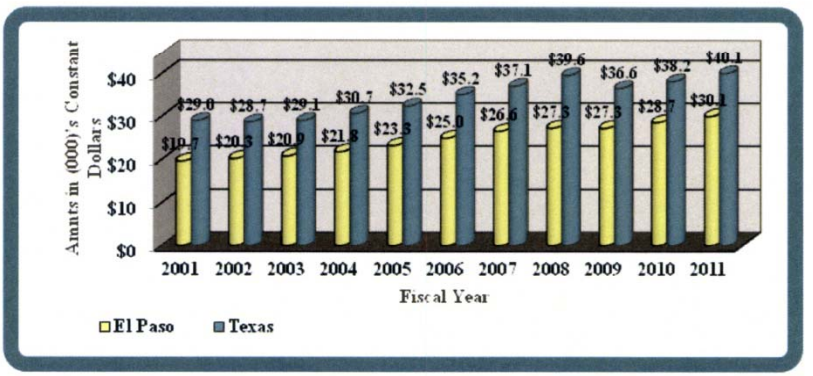


As can be seen in the graph above based on 2012 estimates from the American Community Factfinder, 69,821 of those 25 and over (488,529), or 14.3 percent, (compared to 17.4% in Texas) had graduated from college, while 368,749, or 75% of persons 25 years and over had attained a high school degree or higher.

The University of Texas at El Paso (UTEP) offers 71 bachelor's degrees, 75 master's degrees and 19 doctorates. In the fall of 2012, UTEP registered a record fall enrollment of 22,749 students. Over a 10 year period, this represents a 32% increase over the fall 2002 figure. As a matter of information, the University of Texas at El Paso will celebrate its' first 100 years in 2014.

The County's Per Capita Income

Personal income per capita is one measure of a community's ability to pay taxes. The higher the per capita income, the more property tax, sales tax, income tax, and business tax the government can generate. The chart below manifests that personal income per capita in 2011 has increased steadily since 2001. Personal income per capita, in El Paso County, after considering inflationary impacts, is low, especially when compared to Texas as a whole. Based on data obtained from the Bureau of Economic Analysis, per



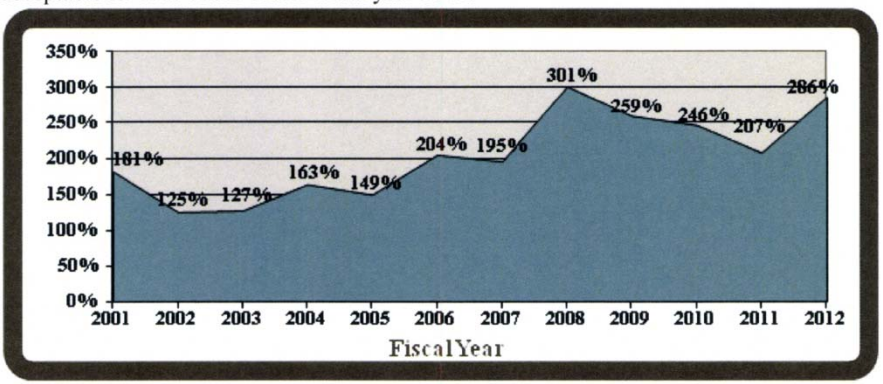
El Paso County Demographic and Statistical Data

The County's Per Capita Income, Continued

capita income has grown from 19,650 in 2001 to 30,100 in 2011. The reasoning for this can be explained by economic stimulus in the region, which is further confirmed by employment gains and an unemployment rate that reflects a greater decline locally in comparison to the rest of Texas.

Liquidity Ratio

A reliable measure of a local government's short-run financial condition is its cash position. Cash position, which includes cash on hand and in the bank as well as other assets that can be easily and quickly converted to cash, determines a government's ability to meet its short-term obligations, or its liquidity. The immediate effect of insufficient liquidity is insolvency, or the inability to pay bills. Low or declining liquidity may indicate that a government has overextended itself in the long run. A cash shortage may be the first clue to such a problem. A liquidity ratio of less than one-to-one (or less than 100 percent) would indicate that a governmental entity is facing serious liquidity problems. The graph below reveals that El Paso County's liquidity ratio is at an acceptable level as of the end of fiscal year 2012.

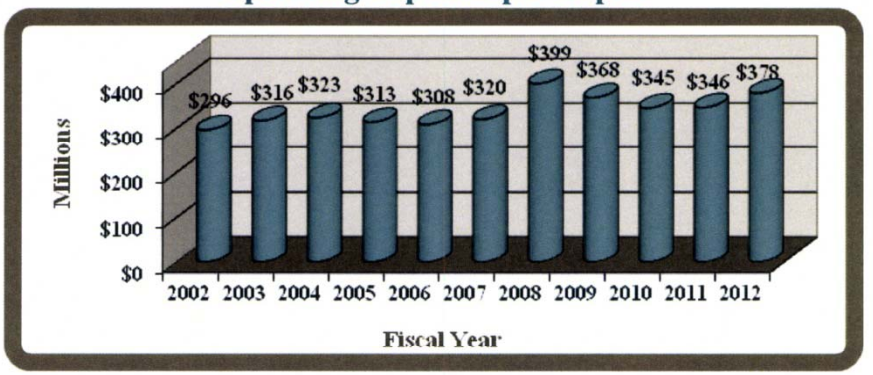


Geography and Climatic Conditions

El Paso, with approximately 1,013 square miles of land area is located in the far west portion of the State of Texas, bordered on the west by the Rio Grande River and on the north by the State of New Mexico. The altitude in the County is approximately 4,000 feet, with the highest mountain peak at 7,192 feet, with the mean high/low temperatures at 82/44 degrees Fahrenheit, respectively. In addition, El Paso's coolest month is January, while June is typically the warmest. Rainfall in El Paso averages about 9 inches a year.

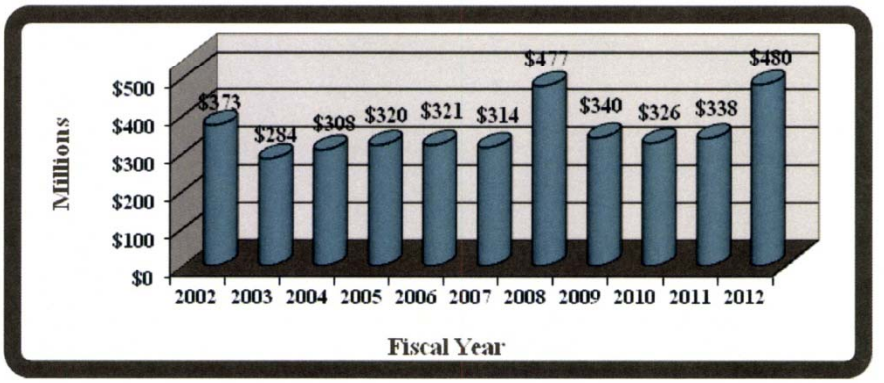
El Paso County Demographic and Statistical Data

Operating Expenses per Capita



As can be seen in the chart above, operating expenses per capita increased steadily from 2002 to 2004 and then experienced a decrease in fiscal year 2005. Population figures play a role in this measure, but a combination of Commissioners Court mandates and the cooperation of County departments in maintaining level funding in operations made decreases possible. A minimal increase in 2006 is due to the fact that many employees were still one year behind in their step plan due to fiscal restrains implemented in fiscal year 2005. Expenses once again increased for fiscal year 2007 and 2008 based on inflation, population increases, and due to contractual increases, such as the Sheriff's Collective Bargaining Contract. Significant decreases took place during 2009 and 2010, based on mandated reductions imposed on all departments, including reductions in force, hours without pay, furloughs, no step or cost of living increases, in addition to reductions in operating appropriations throughout the County. Based on available fund balances, in addition to mandated contractual increases, and based on the commitment of the Commissioners to reinvest in the workforce, operating expenses per capita increased in 2011, but especially in 2012.

Revenues Per Capita



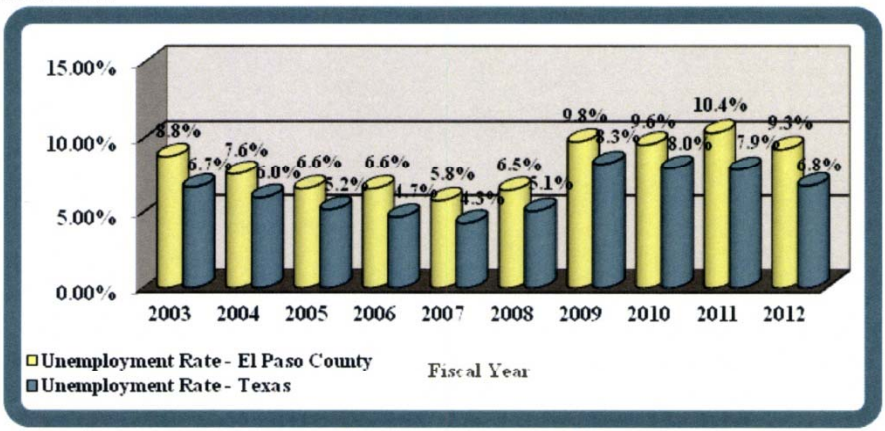
El Paso County Demographic and Statistical Data

Revenues Per Capita, Continued

As can be seen on the graph on the previous page, revenues per capita increased from 2003 through 2006 mainly due to increased property tax and charges for services revenue. Starting in 2007, revenues per capita decreased due to steady growth in population when operating revenues did not grow at the same pace. Fiscal year 2008 saw a large increase, based on property and sales tax growth, in addition to increases in revenues such as federal prisoner revenue. Due to the County's commitment to reducing appropriations significantly in 2009 and 2010, increases in per capita revenue were evident in 2011. Revenue per capita increased significantly in 2012, based on bond proceeds received in this year. Without the debt component, revenue per capita would be reflected at approximately $467.

Unemployment Rate Comparison

As can be seen in the chart below, unemployment in El Paso County, as compared to Texas is high. It is interesting to note that since 2003, as unemployment in Texas increased or decreased, El Paso County experienced about the same trend. Some departments which have experienced the greatest increase in the number of employees in the County, are the District Attorney's Office, County Attorney's Office, Public Defender's Office, Sheriff's Department, Juvenile Probation Department, and Courts to name a few.



Other Miscellaneous Statistics

El Paso March 2012 Cost of Living Index – 84.1 vs. U.S. average – 100.0

Median Household Income (2012 Estimates) –El Paso $40,345 vs. $50,740 for Texas

Persons Living In Poverty (2012) – El Paso County – 20.6%, Texas – 14.0%

El Paso County Demographic and Statistical Data

Other Miscellaneous Statistics, Continued

Home Ownership Rate (2011)- El Paso County – 63.6%, Texas - 64.5%

Minority Owned Firms – 61.4%

Average Household Size – El Paso County – 3.12 Persons vs. 2.84 Persons per Household in Texas

Mean Travel Time to Work – El Paso County - 23.5 Minutes, Texas 23.8 Minutes

Time Zone – Mountain

Employment	
Year	Unemployment Rate
2004	7.6%
2005	6.6%
2006	6.6%
2007	5.8%
2008	6.5%
2009	9.8%
2010	9.6%
2011	10.4%
2012	9.3%

Assesessed Property Values	
Year	Amount in thousands
2007	$29,288,027
2008	$32,355,712
2009	$33,686,895
2010	$33,925,366
2011	$34,720,650
2012	$36,087,791
2013	$36,609,005

*Amounts expressed in 1,000's

Formulation of the Budget

For fiscal year 2015, monthly meetings will be held with the Commissioners Court, to apprise them of any revenue projections and potential shortfalls. Upon receiving feedback and direction from the Court, the County Auditor will submit a proposed calendar of events and budgetary instructions for the ensuing fiscal year's budget preparation cycle. These budgetary instructions will be submitted to each County department. These packages are expected to be distributed no later than February, to provide department heads additional time to plan spending for the current and next fiscal years.

The proposals made by the departments and agencies must be returned to the County Auditor's Office on or before March 10th. The requests/reductions, after being evaluated by the County Auditor's budget staff and reviewed by the County Auditor and will be factored into a preliminary baseline budget.

Pursuant to the Texas Local Government Code, § 111.034(b)(4) and § 111.039(b), only the County Auditor may estimate revenues. Tentative revenue estimates will be included and updated on a monthly basis. Since data required to calculate property tax estimates for the next fiscal year is not received from the El Paso Central Appraisal District (CAD) until July 25th or as soon as practical thereafter, property tax estimates will be revised soon thereafter.

Tentative FY2014 Budget Calendar	
December 2013	Meeting with Commissioners Court requesting input in regards to personnel, operating & capital needs of the County.
January - February 2014	Letter and instructions for budgetary requests submitted to departments and returned to County Auditor.
February - March 2014	County Auditor reviews departmental requests and Departmental Hearings with Auditor's Office are set.
July-September 2014	Hearings with Commissioners, and Adoption of Property Tax Rate takes place.
October 2014	Proposed and Adopted Budgets are filed with County Clerk.

Formulation of the Budget

As in the past, the Commissioners Court is expected to instruct County departments to work with the Auditor's office in the development of their respective budgets. These meetings have been received well and have proven to be very productive. Public departmental budget hearings before the members of the Court are typically only held if resolution between the departmental request and the Auditor's Office recommendation is necessary.

Late August and early September is when the final phases of the budgetary cycle take place. Based on the monthly updates to be provided to the Commissioners Court, additional instructions or hearings may be necessary for departments to prioritize how the County's resources will be allocated. State law requires Commissioners Court to adopt a property tax rate before September 1st or as soon as possible thereafter but not later than the last day of the fiscal year, September 30th. Throughout this process, the County Auditor enters any approved changes into the computerized budget system factoring in any changes in estimated revenues from all sources anticipated in the ensuing fiscal year.

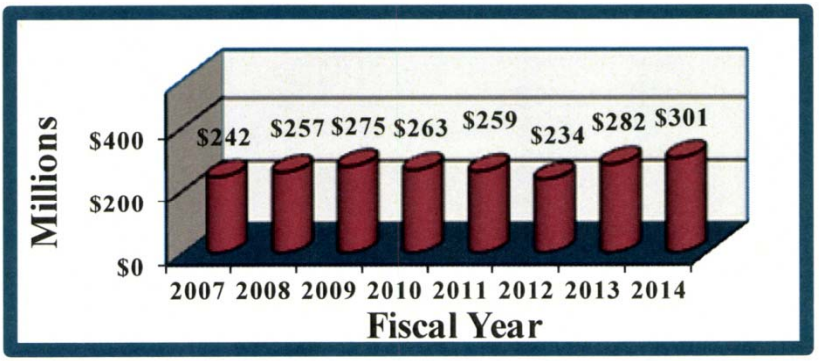
After this information has been entered into the system, pursuant to the Texas Local Government Code, § 111.033 § 111.037(a), on or immediately after the first day of each fiscal year, the County Auditor files a copy of the proposed budget with the County Clerk. The copy of this proposed budget must be made available for public inspection by any taxpayer.

Finally, the Commissioners Court holds a public hearing on a day within ten calendar days after the date the proposed budget is filed with the County Clerk but before the last day of the first month of the fiscal year. At the conclusion of the public hearing, the Commissioners Court must take action on the proposed budget. The Commissioners Court may make any changes in the proposed budget that it considers warranted by the facts and law and required in the interest of the taxpayers.

The amounts budgeted in a fiscal year for expenditures from the various funds of the County may not exceed the balances in those funds as of the first day of the fiscal year, plus the anticipated revenue for the fiscal year as estimated by the County Auditor. Upon final approval of the budget by the Commissioners Court, the Court must file a copy of the budget with the County Auditor and the County Clerk. Thereafter, Commissioners Court may spend County funds only in strict compliance with the budget.

Highlights of the Budget

Total County Adopted County Budget Trend



Impact of County Adopted Tax Rate on the Average Homestead

Overall the tax rate for El Paso County increased from $.408870/$100 of assessed property value to $.433125/$100 of property value. This represents a $.0024255 cent increase over last years' tax rate, or 5.93%. Based on the average home value of $118,185 for 2013, (net of the $5,000 exemption amount), this amounts to an annual increase of $30.74 in each homeowners County tax payments, or 6.39%. The chart below manifests this change.

	FY12	FY13	$ Difference	% Difference
Average Homestead Value	$117,678	$118,185	$ 507.00	0.43%
Tax Rate per $100	$0.408870	$0.433125	$ 0.024255	5.93%
Average Tax	$481.15	$511.89	$ 30.74	6.39%

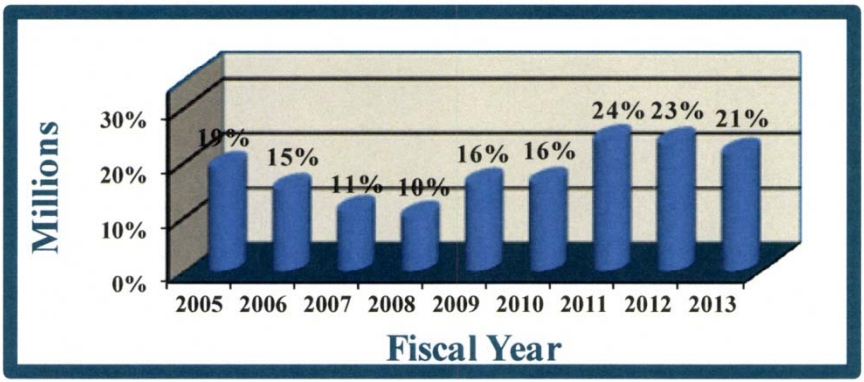
Fund Balance

The County operates under a balanced budget as required by law. In most of the annual operating budgets, the Commissioners Court members usually decide to use a portion of the undesignated fund balances to balance appropriations. As a sound financial management practice, members of the Commissioners Court consistently emphasize maintaining sufficient fund balance levels in order to maintain and enhance the County's bond ratings. More importantly, the County focuses on having sufficient working capital for meeting current operating needs throughout the fiscal year, but more importantly during its first quarter – October through December. A more significant

Highlights of the Budget

Fund Balance

purpose of fund balance is to offset unexpected increases in costs and unanticipated dips in revenues. As a rule of thumb, since the General Fund is the County's main operating fund, the County should maintain at a minimum 10-15% of the total General Fund adopted operating budget in any one fiscal year. Prior to fiscal year 2005, the County's goal was to maintain a General Fund balance of at least 5 percent of the annual General Fund budget, with emphasis on reaching a 15 percent target. Commissioners Court members frequently decide to utilize the County's fund balance to prevent or reduce property tax increases in a given fiscal year. Preliminary estimates for fiscal year 2013 reveal that the Court maintained stability of fund balance reserve.



Major Funding Issues for Fiscal Year 2014 & Differences in 2014 Budget when Compared to 2013

Development of the fiscal year 2014 budget presented a challenge in that the County put emphasis on ensuring that every effort was made to stabilize expenditure growth while enhancing revenue efforts. The County Auditor made recommendations to department line items with emphasis on looking at 5 year trend data, for the purpose of limiting discretionary expenditures, which the Court considered in developing the 2014 budget. This resulted in the continued emphasis on expenditure stabilization, while making a concerted effort to provide necessary resources to departments and invest in our workforce.

Public Safety - Sheriff's Office Increases

Some of the major funding issues for the Sheriff's Department lie in the areas of personnel, maintenance and medical services. In regards to personnel, the Collective Bargaining Agreement over the course of the contract is anticipated to impact the County by an additional $3.5-$4 million per year. The impact for 2014 is $3.7 million. This includes the costs of steps, cost of living adjustments, additional supplemental benefits,

Public Safety - Sheriff's Office Increases

and educational incentive increases. In addition, the contract for medical services for inmates has gone up over $1.8 million for each jail facility since fiscal year 2004, or over 99%. The impact for medical services for inmates for fiscal year 2014 resulted in over $272,000. This continues to represent a fiscal challenge and will not change as increasing medical costs are expected to continue. Discussions have taken place to consider taking this function over vs. contracting out for this service in the future. Lastly, maintenance and repair line items for the Sheriff's department continue to increase from year to year mostly due to the age of the Detention Facility. The impact for 2014 is over $76,000. As a result of these increases, a contingency has been reserved in the General and Administrative account for 2014 for a Jail Consultant to analyze current operations, and propose any possible cost saving measures.

All Programs - Personnel Changes

Program Type	Amended Count End of Year 2012	Adopted Count 2013	Adopted Count 2014
Administration of Justice	608.0	602.5	609.5
Culture and Recreation	56.5	55.5	54.5
General Government	568.0	552.0	586.5
Health and Welfare	50.5	64.5	70.5
Public Safety	1307.0	1286.5	1289.5
Public Works	75.5	75.5	76.5
Resource Development	10.0	9.0	9.0
Grants	182.0	155.0	138.0
Total	**2,857.5**	**2,800.5**	**2834.0**

Beginning in 2013, the Commissioners Court approved a 7 year plan to restructure or reorganize all departments. As a result, the Commissioners have appropriated $300,000 on a yearly basis for this projected impact. In addition, the "Hiring Freeze Committee", which includes members of the County Attorney's Office, Human Resources, Auditor's Office, and two representatives from the Commissioners Court, is tasked on a yearly basis to review any new position or re-grade request from any departments. For fiscal year 2014, the County's overall staffing level decreased by 23.5 positions as compared to 2012. On the other hand, staffing for fiscal year 2014, as compared to fiscal year 2013, went up by 33.5 positions mostly due to increases for the General Government program. Some departments that experienced the largest increases were for the startup of the Project Future program to assist children that have aged out of foster care and provide them meaningful opportunities for growth, for the Information Technology Department based on their adopted re-organization plan and to assist with the implementation of the ERP system, for the Sheriff's Department as a result of an expired grant, and for the Facilities Department as a result of hiring more employees on a part time basis, to better accommodate the needs of departments. As a result of adding these

All Programs - Personnel Changes

33.5 positions, and approving reclassifications for others, the total General Fund impact for 2014 was over $1.5 million, but this is a minimal amount versus the $12 million in initial requests.

Contingency Allocations

For fiscal year 2014, the Commissioners included in contingencies allocations for personnel, operating and equipment for various purposes in the amount of $250,000 each. In prior years, this amount has been about $500,000 each. In addition, a substantial increase was for the appropriation of a 2% cost of living increase for all County employees in the amount of $1.9 million, and the step impact of $2.4 million. For fiscal year 2013, County employees received a 1.7% cost of living adjustment and a step increase. Contingency allocations for 2014 also included the cost of living impact for retirees with an impact of $241,000. Another material difference and impact was for a contingency allocation of $4.4 million which was added to contingencies for possible utility, overtime, salary, and fringe shortfalls for departments, for legal fee shortfalls, for pending maintenance agreements for the Information Technology Department, and for a pending increase to the Public Health Services contract. Also, $250,000 was reserved for any possible Sheriff medical contract cola increases, and $668,000 to cover any possible unemployment deficits.

All Programs – County Health and Life Contributions

The Risk Pool fund has continued to exhibit stable financial performance. In the past, the Risk Pool fund has not been at such a healthy level and health insurance premiums for County employees and Retirees have gone up as a result. Interestingly enough, the County historically does not see the most costly medical expenses for employees, their dependents, or retirees, but rather for their spouses, with dependents being the least costly. Based on this stable financial position, the Commissioners opted to invoke a relatively very small increase on employee and employer premiums.

All Funds Actuals (Revenues)

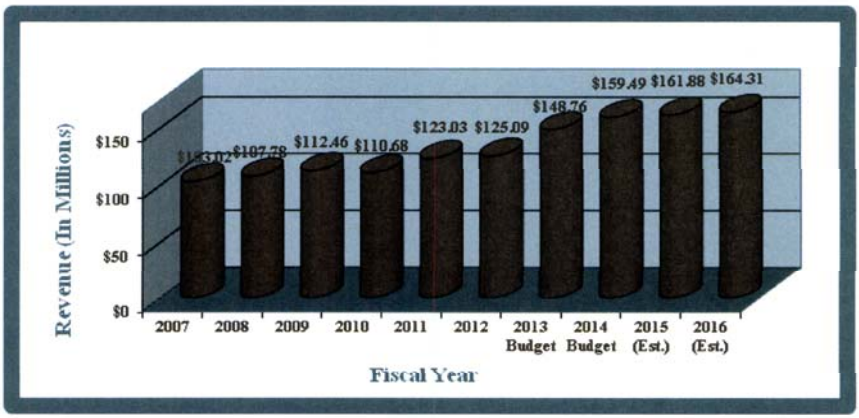
Actual Sources	
	FY 2012
Taxes	$170,345,197
Licenses and Permits	259,217
Intergovernmental	35,936,546
Charges for Services	49,690,847
Fines and Forfeits	5,615,655
Interest	1,093,717
Miscellaneous Revenues	3,767,661
Other Financing Sources	127,611,558
Total Revenues and Other Financing Sources	$394,320,398

All Funds – Estimated Revenues

Estimated Budgets		
	FY 2013	FY 2014
Taxes	$191,913,240	$204,255,507
Licenses and Permits	234,000	243,000
Intergovernmental Revenue	18,450,766	6,443,019
Charges for Services	47,871,910	54,317,020
Fines and Forfeits	4,710,000	5,407,000
Interest	930,915	194,800
Miscellaneous Revenue	3,359,663	2,066,500
Other Financing Sources	7,759,832	5,824,063
Total Revenue and Other Financing Sources	**$275,230,326**	**$278,750,909**

Taxes

Taxes are a significant source of revenue of the County of El Paso and are comprised mainly of property and sales taxes. Property taxes are levied each fiscal year at a rate prescribed by Commissioners Court. Tax rates are calculated by utilizing Truth in Taxation Guidelines of the State of Texas, which limit the maximum debt tax rate to cover principal and interest payments each fiscal year. Truth in Taxation laws also set the guidelines for determining the effective and rollback rates. The City Tax Office collects property taxes for the County under contractual agreement. Sales taxes represent a one half percent sales tax approved by the voters of the County of El Paso effective January 1, 1988 as an effort to reduce property taxes and more proportionately spread the burden of funding County government.



All Funds – Revenue Actuals

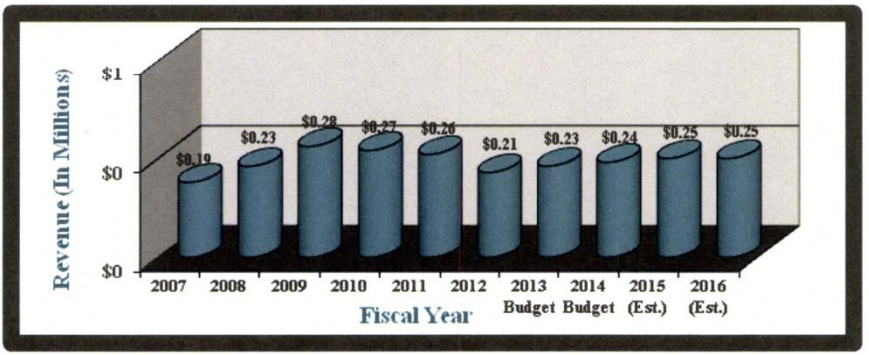
Taxes, Continued

Since fiscal year 2007, the County's tax revenues have steadily increased due to the increases in property tax rates and property values. These increases have been made in an effort for the County to maintain its current levels of services as well as to fund increases in new debt for various projects. In a non-appraisal year, the County can historically expect to see an increase of 2.0% in property tax revenues over the previous year, which is the basis for projecting revenue for fiscal years 2014 through 2016. During an appraisal year, when property values will most likely increase, the anticipated increase in property tax revenues is closer to 5%. For fiscal year 2014, the County is projecting an overall increase of approximately $11 million in property tax revenues resulting from increased property values and an increase in the tax rate. For fiscal year 2014, Commissioners Court adopted the effective tax rate of $.433125 per $100 valuation.

Sales and Use Taxes represent the second largest source of County revenue and are the only substantial elastic revenue source. Historical trends are the best tool available for projecting this source of revenue. The projected revenue for fiscal year 2014 of $39.7 million is based on an optimistic trend. Accordingly, revenue estimates for fiscal year 2015 and 2016 are estimated conservatively at $40 and $41 million respectively.

Aside from Property and Sales and Use Taxes, the County also receives a portion of the Bingo Tax, the State Mixed Beverage Tax, and the Hotel/Motel Occupancy Tax collected. For fiscal year 2014, revenues for these sources are estimated at $60 thousand, $1.7 and $3.2 million, respectively, based on actual receipt estimates as of the end of fiscal year 2012.

Licenses and Permits



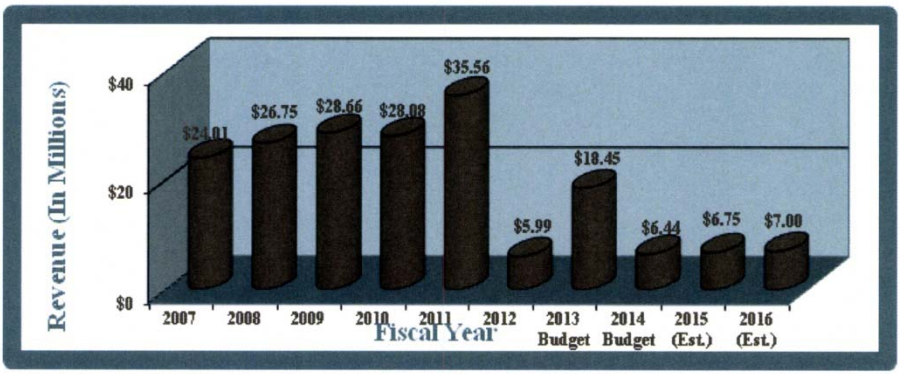
All Funds – Revenue Actuals

Licenses and Permits, Continued

This revenue source relates to licenses and permits for businesses dealing with alcoholic beverages, occupational licenses for coin operated amusement machines within the County and for bail bond permits. Because the maximum amount that can be charged for any and all licenses and permits is set by the State, this revenue source will most likely remain stable until the statutes are revised, thus resulting in very conservative budgeted revenues for fiscal years 2015 and 2016.

Intergovernmental Revenues

It is the County's policy to aggressively seek funding sources that will improve the quality of life for its citizens without necessarily increasing the financial burden on the General Fund. Budgeted revenues for fiscal year 2014 are significantly less than those budgeted or received in prior fiscal years. Though drastic, that difference is due to the fact that grant revenues are not budgeted at the beginning of the fiscal year but until an actual grant award is received. By using this approach, the County of El Paso avoids overstating its budgeted Intergovernmental Revenues, particularly as it pertains to Federal and State grants.



In the future, it is expected that this revenue source will remain stable. In most instances governmental entities do not guarantee funding of any sort, so any decision that is made at other levels of government will impact the County's revenue stream. For example, the federal government's intense focus on anti-terrorism has shifted funding to other areas which are not the County's forte. As has happened with other revenue sources, the economic turmoil faced by the United States will affect the amount of Intergovernmental Revenue received. Historically, the County of El Paso has received

All Funds – Revenue Actuals

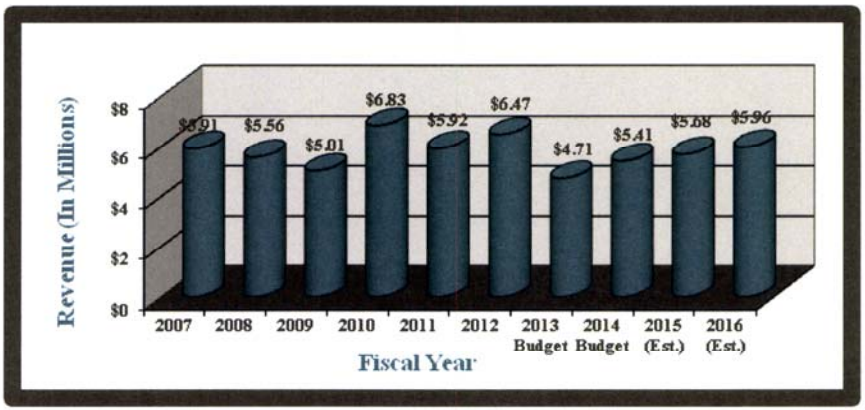
Intergovernmental Revenues, Continued

large grant awards from the Office of National Drug Control Policy to support anti-drug efforts in the area. If the federal administration shifts its focus to infrastructure projects which are more likely to jumpstart the economy, funding for the war on drugs may decrease.

Charges for Services

This category relates to service fees charged by the various departments and elected officials of the County. The other category within charges for services relates mainly to miscellaneous fees imposed through the judiciary or by departments pursuant to state laws. The most significant revenue source under Charges for Services is prisoner maintenance reimbursement for the incarceration of prisoners in the El Paso Detention facilities. Actual jail revenues have fluctuated between $12 million to about $18 million.

Fines and Forfeitures

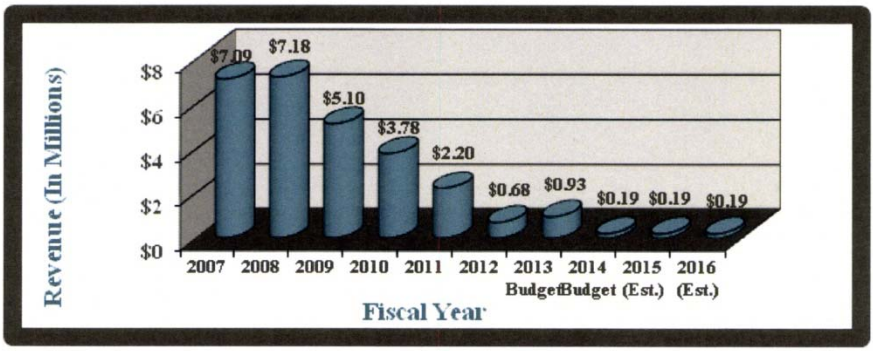


This category of revenue relates to funds generated by various elected officials relating to the judicial process within the County. Fluctuations in this revenue source are directly linked to the County's collection efforts. Without a doubt, joint efforts to collect on outstanding fines, fees and bond forfeitures by the Constables and their deputies, Sheriff's deputy warrant officers, the County Clerk's Collections department, County Attorney's Office, Justices of the Peace and District and County Courts resulted in substantial increases in prior years. However, that means less and less is available for collection in subsequent years.

Fines and Forfeitures, Continued

Starting in fiscal year 2006 and continuing through fiscal year 2013, Constables have held warrant roundups that target citizens with outstanding warrants. Each person whose name appears on the warrants list published in the local newspaper has the option of paying the fines assessed or may be imprisoned. Because the results have been extremely positive, it is to be expected that the roundups will continue, thus reducing the number of outstanding warrants that are carried on the County's books from year to year. Increased policing efforts are also expected to continue throughout the County, resulting in increased collections pertaining to violation of child safety laws. Finally, we must keep in mind that population growth in El Paso County will continue playing a major role in the increase in collections for this revenue source.

Interest



This revenue source is the result of aggressive investment of the County's public funds in a variety of investment options as authorized by law. This revenue source varies directly with the direction of interest rates and the amount of funds available for investment.

For fiscal years 2015 and 2016, revenues from this source are estimated to stay flat, based on the interest rate anticipated.

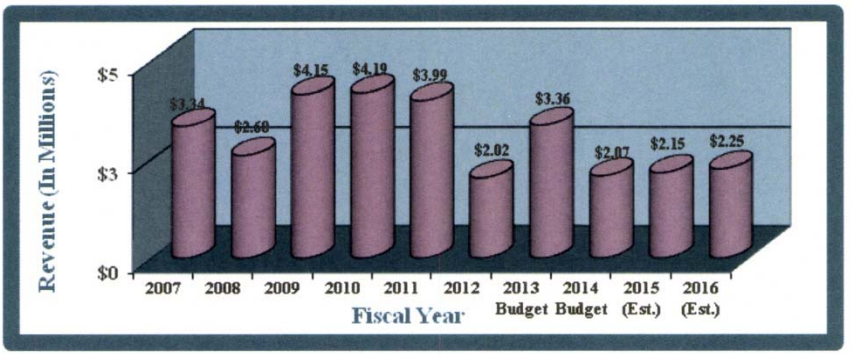
The greatest factor that will impact the Interest Earnings received by the County of El Paso in the future is the nation's economy. When the economy seems to falter, the Federal Reserve is more likely to make interest cuts that will have an impact on

All Funds – Revenue Actuals

Interest, Continued

the County's return on investment. Worldwide factors, such as increasing oil prices and developing economies, also affect the performance of the stock market. The dollar remains weakened by the low interest rates set by the Federal Reserve but that helps to narrow the trade gap as the demand for our exports increases. In the long run, this will help the stock market and trickle down to interest revenues.

Miscellaneous Revenues



Miscellaneous revenues relate to those considered as non-recurring and not classified in any of the other major categories as defined, and thus fluctuate from year to year. Because this revenue source is unpredictable, the County of El Paso relies heavily on historical revenue trends to make estimates for future years. One-time revenue sources are the most difficult to estimate, since they may be unexpected and not easily identified until very late in the fiscal year. The County of El Paso makes every effort to budget any revenues that may result from anticipated legislative changes. For fiscal years 2014 through 2016, the County will once again budget on the conservative side, based on the unpredictable nature of grants and one-time sources of revenue.

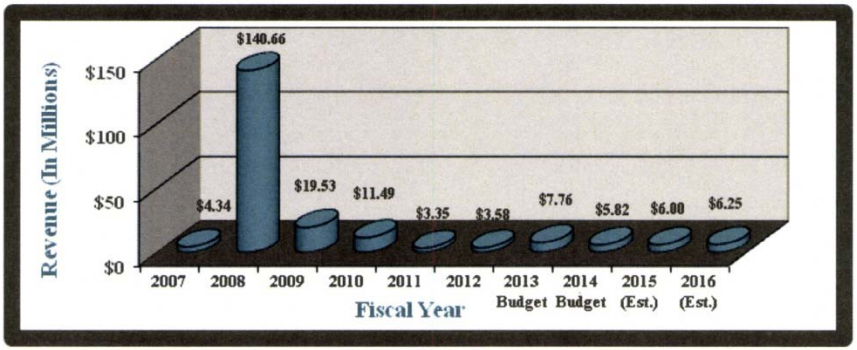
Other Financing Sources

The overall majority of this category relates to transfers between other funds of the County such as from excess grant match refunds to the General Fund and inter-fund transfers from various Special Revenue Funds, such as the Road and Bridge Fund, to the General Fund, as has been the case in the past.

All Funds – Revenue Actuals

Other Financing Sources, Continued

In the future, it is projected that Other Financing Sources will continue to decrease because County departments are strongly encouraged by Commissioners Court to pursue grants only if there are no match requirements.



Operating Budgets - Appropriations

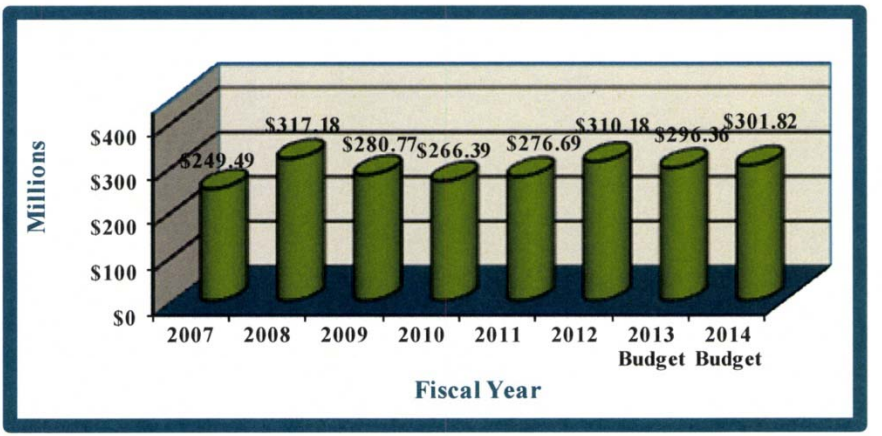
Operating Budgets		
	FY 2013	FY 2014
General Government	$51,690,774	$61,110,229
Administation of Justice	55,965,522	54,936,571
Public Safety	123,006,334	120,080,477
Health and Welfare	12,103,203	8,739,322
Community Services	1,788,358	
Resource Development	385,015	391,762
Culture and Recreation	8,218,672	8,485,848
Public Works	11,138,422	15,107,417
Capital Outlays	4,948,646	5,421,717
Debt Service	20,175,530	20,505,681
Other Financing Uses	6,940,046	7,036,379
Total Expenditures and Other Financing Uses	**$296,360,522**	**$301,815,403**

Expenditures – All Fund Actuals

Actual Uses	
	FY 2012
General Government	$37,861,923
Administation of Justice	51,870,020
Public Safety	126,996,169
Health and Welfare	10,413,281
Community Services	2,782,811
Resource Development	1,252,671
Culture and Recreation	7,216,618
Public Works	11,777,411
Capital Outlays	31,022,239
Debt Service	12,910,428
Other Financing Uses	16,079,734
Total Expenditures and Other Financing Uses	**$310,183,305**

Total Expenditures

Total expenditures for the County of El Paso have grown steadily over the years due to several factors, such as contractual increases relating to sheriff deputies covered by the bargaining agreement for salary increases, and operational cost increases such as utilities and general inflationary factors.



Expenditures – All Fund Actuals

General Government

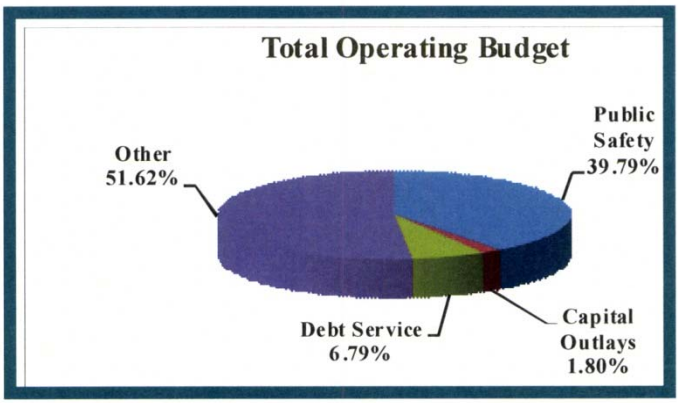
The General Government component of the County's budget relates to departments that are generally administrative in nature. For example, the County Judge and County Commissioners are funded within this function, as they are the executive body of the County and are responsible for making all the decisions that impact the residents of the County of El Paso. Others departments that fall within this category, to name a few, are the County Auditor, the County and District Clerk Offices, the Information Technology Department and the Tax Office; the General and Administrative account is also budgeted as part of the General Government program.

Administration of Justice

Administration of Justice is one of the core services of County government and has grown steadily since the early 1990s. These increases have related to nominal yearly adjustments as those given to other departments within the County. The fluctuations are also related to increases in the Judiciary to include the funding of new Courts, such as County Criminal Courts at Law Number 1-4, Juvenile Court Referee 2, Probate Court 2, Associate Family Court 4, the 448th District Court and County Criminal District Court No. 1. These increases have also impacted legal fees of the Council of Judges Administration. Other changes that have affected expenditures and budgeted appropriations are the increased staffing levels in related support offices such as the County and District Attorney and the Public Defenders' offices, whose departments work in direct relation with the Judiciary.

Public Safety

In regards to Public Safety, beginning in the late 1980s, the County entered into a bargaining contract with the El Paso County Sheriff deputies for salary and benefit compensation, which represents much of the trend increase in this area.



Expenditures – All Fund Actuals

Public Safety, Continued

Additionally, over the years, detention officers were added to the bargaining agreement, and a civilian employee career ladder was approved by the Commissioners Court. There is a decrease in appropriations budgeted for fiscal year 2014 as compared to fiscal year 2013, which is indicative of the fact that grants will not be budgeted until the award letters are received. However, future expenditures for public safety are expected to continue to increase over the next several years.

Health and Welfare

The County of El Paso has participated with the City of El Paso in providing joint funding for certain public health and welfare programs in the past, such as on-site sewage inspections, public health and dental facilities, air and water pollution control, as well as mosquito and animal control programs. For the future, the overall intent of the Court remains to identify state mandates of indigent health. The County has taken back the administration of on-site sewage inspections, and set up an animal control division in the Sheriff's Office to recognize savings in this area.

Resource Development

Funding for any County activities that promote economic improvements for its citizens is recognized here. For fiscal year 2014, the Resource Development program was increased minimally to cover moving expenses for the Agri-life Department of the General Fund.

Culture and Recreation

El Paso County maintains several public parks, three public swimming pools, a public golf course and a lake. Cultural events, fairs, rodeos, livestock shows, circuses, musical performances and a wide variety of other sporting events are held at the County's Coliseum. Some of the improvements thus far include upgrades to the Ascarate Park grounds, to include the lake, trails, playgrounds and ball fields.

Public Works

The County maintains several hundred miles of roads, streets and highways, and numerous bridges. Over the past few years, the Court has emphasized re-investment of road funds for significant improvement of roads and purchases of heavy-duty road equipment utilizing current revenues and prior years fund balance. For fiscal year 2014,

Public Works, Continued

the overall increase in Public Works is due in large part to a new Transportation Fee Fund that will be used for Regional Mobility projects authorized by the Commissioners Court.

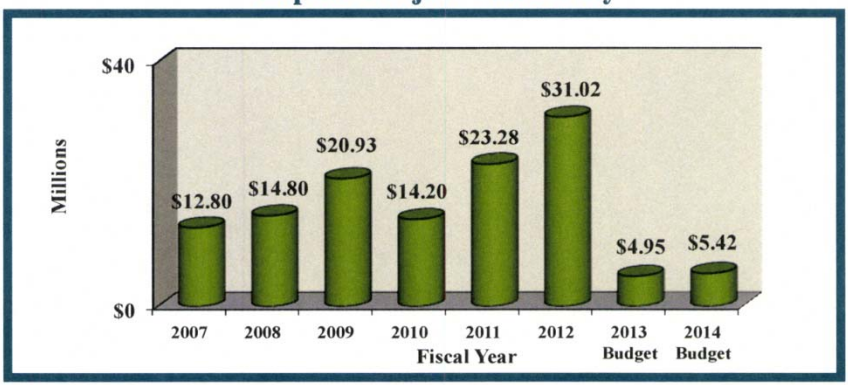
Community Services

The area of Community Services relates directly to grant-funded activities over the years. The focal point has been on improving the outlying areas within the County of El Paso by providing necessities such as transportation and renovations to community centers.

Capital Outlays

Capital Outlays is used to account for major expenditures to acquire furnishings, equipment and major capital expenditures. The County of El Paso budgets Capital Projects on a very limited basis and has only recently allowed significant departmental capital expenditures. For fiscal years 2005-2008, Commissioners' Court committed $1,000,000 from the General Fund to be used for equipment replacement needs and for new departmental capital outlays. Due to budgetary constraints in fiscal years 2009 and 2010, the Court-funded departmental capital needs from existing County capital funds remaining from prior contributions from the General Fund. Expenditures spiked in 2011 and 2012, for debt issued for various capital projects such as the remodel of the Army Reserve Building, construction and expansion of the Jail Annex, and funding of computers, printers and copy machines for County employees. For fiscal year 2013 and 2014 this category declined because no new bonds were issued, but the Commissioners did commit to funding the value of one penny from maintenance and operations as a contribution to the Capital Project fund to meet the growing needs of departments.

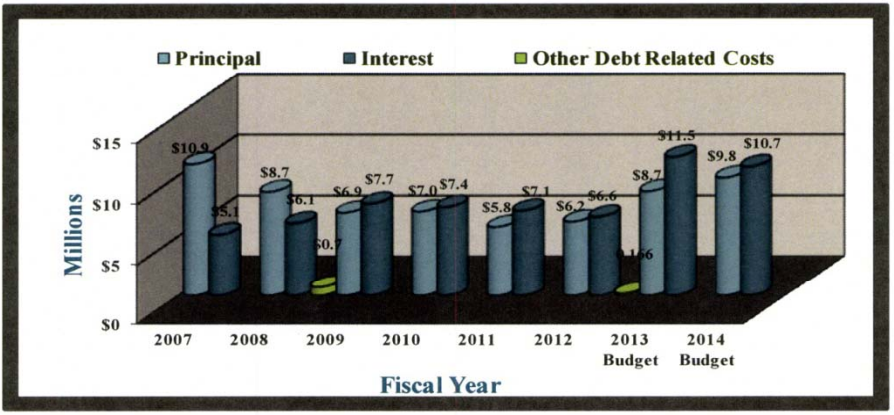
Capital Project Fund Only



Expenditures – All Fund Actuals

Debt Service

Debt Service is utilized for the repayment of outstanding obligations of the County, relating to bonds issued over the years for approved Capital Projects. Fluctuations over the years are attributable to the timing of debt repayments based on the County's current indebtedness. The schedule of debt service principal and interest requirements in the debt service and Enterprise Sections of this report provide additional information. Ad valorem property taxes are the main source of repayment of the County's bonded indebtedness in accordance with law, which establishes debt repayment as the primary priority of tax monies collected. The repayment of debt is also a factor in calculating the County's ad valorem property tax rate each year.



Other Financing Uses

Other Financing Uses relates to transfers of funds to other funds and/or payments not considered operating expenditures such as defeasance or refunding of bonds issued. The County, upon recommendations of its financial advisor, took advantage of lower interest rate financing and refunded various long-term obligations, which were accruing interest at significantly higher interest rates for a net future savings to the taxpayers of El Paso County, during 2008 and again in 2012. Normally, other uses relates to providing matching funds to secure various grant funding, but has also been used as a transfer into the Capital Project fund.

El Paso County's Financial Strategy

The County of El Paso has identified six specific areas to protect against future financial difficulties.

1. Stabilize the property tax rate and increase collection efforts.
2. Monitor revenue trends closely.
3. Plan for future County space needs.
4. Implement technology initiatives.
5. Gradually replace obsolete equipment.
6. Maintain fund balance to meet projected cash needs.

Stabilize the Property Tax Rate and Increase Collection Efforts

El Paso County Government is largely financed by property taxes based on truth-in-taxation guidelines set forth by the Texas Comptroller of Public Accounts. El Paso is a multi-jurisdictional area in that each jurisdiction has taxing authority; therefore, taxpayers are charged with overlapping taxation. Property tax revenues for 2014, for the General Fund, totaled just over $139.5 million. Ultimately, the County's first priority is to stabilize its property tax rate and to keep it as low as possible while sustaining basic public services. This was the case in fiscal years 1999 through 2002 when the Court kept its tax rate of $0.361434 the same four years in a row. Based on truth in taxation guideline calculations, as sales and use tax revenues increase, property tax revenues should decline correspondingly. During these years, the County was fortunate to receive various uncertified and unbudgeted reimbursements, which resulted in significant fund balance gains. The drawback to this was that various Commissioners' Courts subsequently set expenditure levels significantly higher than sustainable actual future revenues. As a result, subsequent tax rate increases were necessary and resulted in fiscal years 2003, 2004, 2005 and 2011 tax rates totaling $0.396610, $0.410817, $0.432259 and $0.363403, respectively. The tax rate remained the same for fiscal years 2005 and 2006 and declined to $0.391390 in 2007. The court adopted the effective tax rate for fiscal years 2008-2010 and 2012, the latest rate for 2014 being $0.431125, just slightly higher than the rate in 2005.

Due to possible legislative initiatives aimed at limiting the ability of local governments to levy property taxes and in essence shifting or capping local property taxes or offsetting them with the levy of additional sales and use taxes, the Court is ever more focused on minimizing future tax burden on its' residents. Efforts have been and remain focused on increasing collection efficiencies, reassessing fines and fees charged for services in order to ensure costs are at least recovered, in addition to finding new revenue sources.

El Paso County's Financial Strategy

Monitor Revenue Trends Closely

An example of a source of revenue where trends are monitored closely is for the second major revenue source for the County: The extra half-cent sales and use tax that is incorporated into the local sales and use tax rate of 8.25 percent. This half-cent tax comprises $39.7 million or 14.26 percent of total County revenues for 2014. This tax usually responds quickly and unpredictably to unanticipated changes in national and local economic conditions such as the peso devaluation in Mexico and the September 11, 2001 disaster. Unfortunately, there have been times when the County's service costs have not varied in relation to the erratic sales and use tax inflows. Fortunately, in fiscal years 2004, 2005 and again in 2006-2008, El Paso County experienced favorable recovery in growth of sales and use tax revenue. In prior years and in 2010, this revenue grew at an annual rate of approximately 7%.

In addition, sales tax revenues are monitored very closely for erratic fluctuations, as they may impact subsequent operating budgets. Therefore, this revenue projection is forecasted based on actual collections of past years rather than on future year's presumed growth in sales. Furthermore, State Tax Code requires that as long term debt obligations exist, any excess of sales and use tax collections from the prior year must be calculated and transferred to the Debt Service Fund for the repayment of debt. As a result, there is at least a one-year lag before the General Fund realizes the full impact of substantial revenues gains for this source. Additionally, the County's sales tax rate is presently at the maximum and growth is solely dependent upon the taxable sales tax base and the local economy.

In response to prior shortfalls of actual expenditures outpacing the trend of actual revenues, the County Auditor projects revenues, expenditures and fund balance reserves five years into the future. This projection is maintained and updated monthly. This method has proven effective in communicating past and future financial trends to the Court, and allows the ability to factor in the impact of initiatives for revenue estimation or expenditure enhancements or reductions. Based on the financial trend analysis, the County is able to project future financial position based on current actions. This strategy played a vital role in setting the tone of holding the line on expenditure growth during in the 2014 budget process since revenue had been declining. This process will be utilized for years to come allowing the Court to assess its position and better evaluate the impacts of its actions prior to implementation.

El Paso County's Financial Strategy

Plan for Future County Space Needs

For the County of El Paso, space issues have continued to be an issue for the Court. El Paso County completed its new downtown Courthouse in 1990 costing approximately $53 million with a total of 428,129 square feet. Since then, a study of the County's space needs has been performed to give the Court options for effectively planning and keeping pace with future growth needs. The Courthouse for all intent purposes is a judicial courthouse; therefore, in fiscal years 2001 and 2002, the Commissioners Court issued debt for a multitude of projects, the main project being construction of a courthouse annex, renovation or expansion of the existing downtown courthouse annex, and additional parking at the downtown courthouse. These bond issues totaled $63.4 million. Since the issuance of these bonds, numerous transactions have occurred, which are intended to alleviate the County's space needs for many years to come.

Implement Technology Initiatives

The Information Technology Department (ITD) is continuing to implement a number of systems that improve the efficiency of County departments. Some examples of these systems include E-Citation, which allow Sheriff Deputies and Constables the ability to utilize handheld mobile computer devices to issue traffic and criminal citations, Justice of the Peace E-filing, whereby filers can submit a multitude of civil documents online to all Justice of the Peace Courts at no cost to the County, the JIS system which is an integrated justice system, designed to link together all agencies in the juvenile system to provide a quick and efficient means of sharing data, ERP Project which will replace the County's current financial system and is envisioned to being more efficient and therefore reducing maintenance and support costs while providing better financial reporting capabilities.

Gradually Replace Obsolete Equipment

The County's financial strategy is to gradually and regularly replace some of its equipment each year in order to prevent all or most of the County's equipment from becoming obsolete at any one point in time. As part of the budgetary process, the equipment committee evaluates all capital requests on a case-by-case basis and makes recommendations to Commissioners Court. The equipment committee is also tasked with the development of the County's five-year strategic capital plan.

El Paso County's Financial Strategy

Maintain Fund Balance to Meet Projected Cash Needs

As a rule of thumb, since the General Fund is the County's main operating fund, the County strives to maintain a General Fund balance, at a minimum, equal to projected cash needs for the first fiscal quarter to meet operating obligations (approximately $22-25 million net cash outflow) or 10-15 percent of the total General Fund adopted operating budget in any one fiscal year. At the present level, this means that the County should strive to maintain a minimum undesignated General Fund balance of at least $24-$36 million based on the fiscal year 2014 General Fund budget. By maintaining a low fund balance, the County remains vulnerable to the lowering of its' bond ratings. Lower bond ratings ultimately result in more costly future borrowing at higher interest rates, and therefore, increased interest expense in response to an entity's declining financial position depicted at any one point in time. In essence, having some amount of fund balance gives the County the financial ability to cover unanticipated revenue losses or significant unanticipated expenditures should they occur.

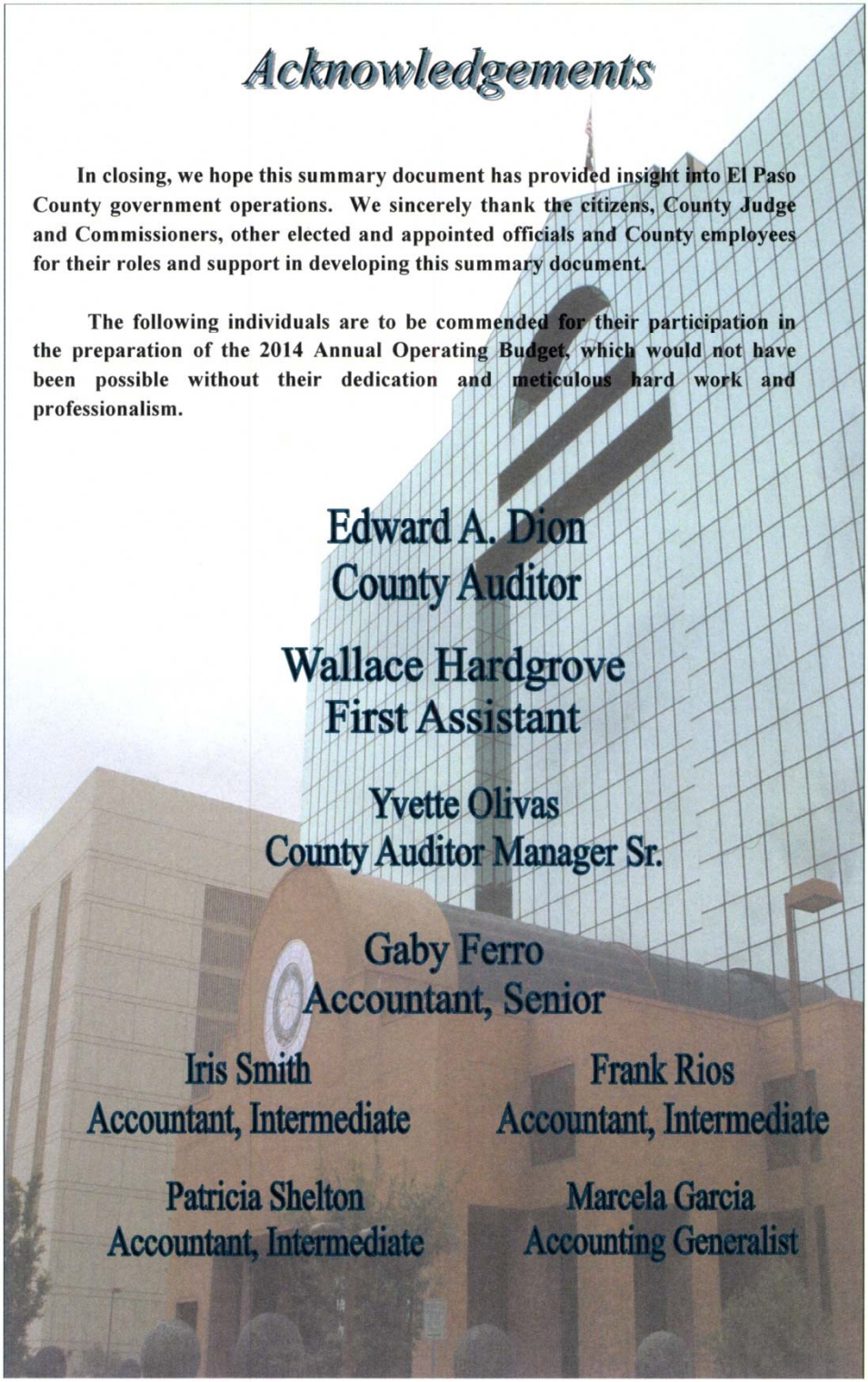
Sources

Census 2000
Paso Del Norte Child Health Factbook, Institute for Policy and Economic Development
El Paso County Demographics, Texas Cooperative Extension
Data and Statistics Portal, Texas Higher Education Coordinating Board
City of El Paso, Economic Development Department

Acknowledgements

In closing, we hope this summary document has provided insight into El Paso County government operations. We sincerely thank the citizens, County Judge and Commissioners, other elected and appointed officials and County employees for their roles and support in developing this summary document.

The following individuals are to be commended for their participation in the preparation of the 2014 Annual Operating Budget, which would not have been possible without their dedication and meticulous hard work and professionalism.



Edward A. Dion
County Auditor

Wallace Hardgrove
First Assistant

Yvette Olivas
County Auditor Manager Sr.

Gaby Ferro
Accountant, Senior

Iris Smith
Accountant, Intermediate

Frank Rios
Accountant, Intermediate

Patricia Shelton
Accountant, Intermediate

Marcela Garcia
Accounting Generalist

Vision Statement

Building on our legacy, illuminating innovation, succeeding beyond borders.

County-wide Priorities and Values

- Public Safety
- Infrastructure
- Health, Welfare and Quality of Life
- Administration
- Justice
- Mobility
- Community and Economic Development

Long Term Non-Financial County-wide Strategies

- **Public Safety:**
  - Provide comprehensive and humane programs for crime prevention, treatment and rehabilitation
  - Effectively provide the necessary and appropriate technology, building, people and other resources for delivery of quality services now and in the future.
- **Infrastructure:**
  - To build or upgrade our infrastructure to meet changing needs for efficient and effective service delivery.
- **Health, Welfare and Quality of Life:**
  - To improve our delivery of model health, welfare and quality of life services to residents of El Paso County.
- **Administration:**
  - Identify, review, develop and maintain administrative policies (i.e., Budget Request Review Process, Evaluations, Internal Communications, Reserve Stability Policy, Commissioners Court Code of Conduct, Transparency in Government Policy and Human and Capital Resource Investment policies)
  - Identify, propose and implement more efficient, effective and innovative ways of delivering services
  - Explore and identify shared services opportunities
  - Evaluate, follow-up, and report on all goals

Long Term Non-Financial County-wide Strategies

- **Justice:**
  - Consider and fund innovative justice reform programs, which positively impact the community and public confidence
  - Effectively provide the necessary and appropriate technology, building, people and other resources for delivery of quality services now and in the future
- **Mobility:**
  - To increase the mobility of residents of El Paso County through education, innovation and investments in transportation systems
- **Community and Economic Development:**
  - Establish a County economic development plan
  - Update economic development policies
  - Create a plan that promotes self-sufficiency, empowers and engages the public and the community

Any Questions?

If you have any questions, please do not hesitate to write or call:

El Paso County Auditor's Office
800 East Overland, Room 406
El Paso, Texas 79901-2407
(915) 546-2040
Fax: (915) 546-8172
EDion@epcounty.com

County of El Paso, Texas

WELLS FARGO