

# Spotlight on County Finances

Fiscal Month 09 of 12

June 30, 2015

## Unaudited Interim Monthly Financial Report

As of June 30, 2015, the County budget includes 55 amendments, which involved grant awards to the County from other governmental agencies and budgetary changes deemed necessary to reallocate line item appropriations to areas of need. On October 6, 2014 Commissioner's Court adopted the 2015 fiscal year operating budget which totaled \$311,757,136. Budget amendments totaling \$46,259,843 have been made this year, bringing the total final operating budget to \$358,016,979.

### Revenues

The County's major source of revenue is ad valorem property taxes and sales and use tax. Ad valorem property taxes are cyclical in nature and materialize primarily in late December and taper off in mid-February. For this reason, the first quarter cash reserves must be maintained between \$25-30 million to meet operating expenditures. For fiscal year 2015, the Commissioners Court adopted a tax rate of \$0.452694 per \$100 property valuation. Ad valorem property taxes collected year-to-date for fiscal year 2015 totaled \$165,695,997 for the general fund and debt service fund in comparison to \$156,250,308 for the same timeframe in fiscal year 2014, an increase of 6.05%.

#### Year-To-Date General Fund Revenue With Comparative Totals for Fiscal Year 2014

Revenue by Source	FY 2015 Amount	FY 2014 Amount	Change From 2014	Percent Change From 2014
Taxes				
Property	\$ 145,802,103	\$ 136,468,847	\$ 9,333,256	6.84%
Sales and Use	29,363,113	28,308,810	1,054,304	3.72%
Bingo	24,624	26,777	(2,153)	(8.04%)
State Mixed Beverage	1,091,805	1,015,562	76,244	7.51%
Auto Sales Tax	4,850,932	3,913,677	937,255	23.95%
Licenses and Permits	184,382	204,012	(19,630)	(9.62%)
Intergovernmental	3,384,510	4,144,422	(759,913)	(18.34%)
Charges for Services	19,797,662	17,912,835	1,884,827	10.52%
Fines and Forfeits	3,494,983	3,132,212	362,771	11.58%
Interest	78,363	70,650	7,713	10.92%
Miscellaneous Revenue	1,712,305	1,685,186	27,119	1.61%
Other Financing Sources	518,198	699,308	(181,110)	(25.90%)
<b>Total Revenue</b>	<b>\$ 210,302,981</b>	<b>\$ 197,582,299</b>	<b>\$ 12,720,682</b>	<b>6.44%</b>

## Expenditures

General fund expenditures for fiscal year 2015 to date total \$176,996,499 in comparison to \$172,825,973 in fiscal year 2014, an increase of \$4,170,526 or 2.41%. The table below reflects the year-to-date trend of general fund expenditures through June 2015 in comparison to the same period last fiscal year.

### Year-To-Date General Fund Expenditures by Program With Comparative Totals for Fiscal Year 2014

Expenditures by Function	FY 2015 Amount	FY 2014 Amount	Change From 2014	Percent Change From 2014
Administration of Justice	\$ 42,432,378	\$ 41,693,111	\$ 739,267	1.77%
Community Service	239,590	-	239,590	0.00%
Culture and Recreation	2,529,231	2,679,115	(149,884)	(5.59%)
General Government	38,381,559	33,937,206	4,444,353	13.10%
Health and Welfare	5,471,598	5,352,442	119,156	2.23%
Public Safety	87,692,894	88,939,669	(1,246,775)	(1.40%)
Public Works	281	330	(49)	(14.85%)
Resource Development	248,968	224,100	24,868	11.10%
<b>Total Expenditures</b>	<b>\$ 176,996,499</b>	<b>\$ 172,825,973</b>	<b>\$ 4,170,526</b>	<b>2.41%</b>

### Year-To-Date General Fund Revenues and Expenditures Summary With Comparative Totals for Fiscal Year 2014

	FY 2015 Amount	FY 2014 Amount	Change From 2014	Percent Change From 2014
Total Revenues	\$ 210,302,981	\$ 197,582,299	\$ 12,720,682	6.44%
Total Expenditures	176,996,499	172,825,973	4,170,526	2.41%
Revenues over (under) Expense	\$ 33,306,482	\$ 24,756,326	\$ 8,550,156	

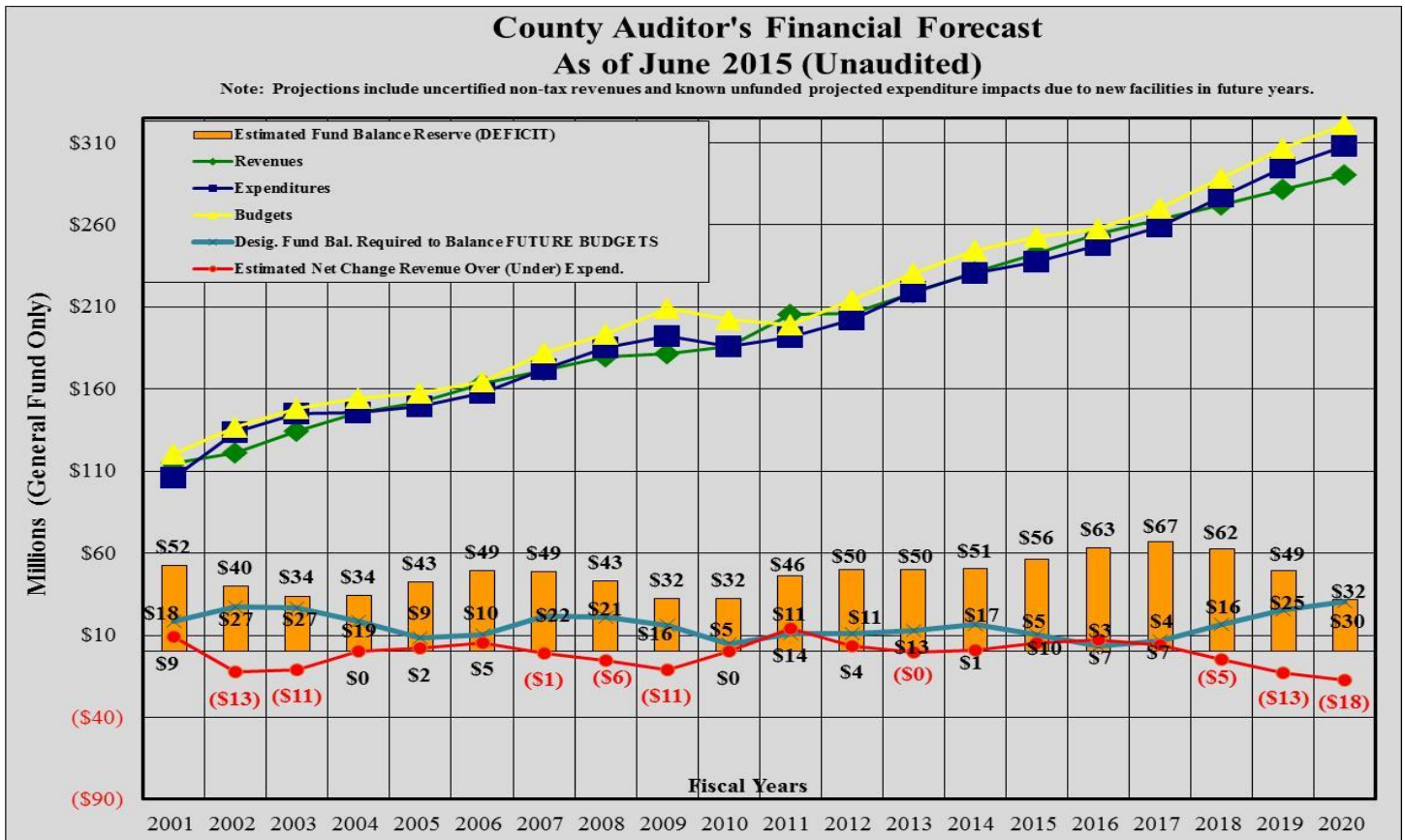
## Specific General Fund Trends – Revenues & Expenditures

Overall revenue collections increased \$12,720,682 or 6.44% when compared to the same fiscal period last year. Total general fund property tax collections increased \$9,333,256 or 6.84%. Sales and use taxes increased by \$1,054,304 or 3.72% compared to last year. Bingo taxes decreased \$2,153 or 8.04%. Auto sales tax collections increased by \$937,255 or 23.95%. State mixed beverage tax collections increased by \$76,244 or 7.51%. Charges for services increased by \$1,884,827 or 10.52% compared to last year's revenues due to an increase in the state attorney general child support account and the federal prisoner reimbursement account. Licenses and permits decreased by \$19,630 or 9.62% due to a decrease in revenue from alcoholic beverages licenses and occupational licenses. Intergovernmental revenues decreased by \$759,913 or 18.34% due to a decrease in indigent defense reimbursements and federal grants thru state. There was an increase in interest revenues of \$7,712.67 or 10.92% due to an increase in investable funds. Miscellaneous revenues increased by \$27,119 or 1.61% largely due to an increase in expenditure reimbursements and general contributions/donations. Revenue from fines and forfeitures increased by \$362,771 or 11.58% due to an increase in juror fines and fines and forfeits. Other financing sources decreased by \$181,110 or 25.90% due to a decrease in transfers in – excess grant match.

Year-to-date expenditures increased by \$4,170,526 or 2.41% compared to prior fiscal year. Administration of Justice expenditures increased by \$739,267 or 1.77%, mainly due to an increase in expenditures in the child protective services, public defender, and district attorney departments. Community Service expenditures increased to \$239,590 from \$0 last fiscal year due to a new rural transit assistance grant match. Public Safety expenditures decreased by \$1,246,775 or 1.40% due to a decrease in expenditures in the sheriff detention, juvenile probation, and sheriff law enforcement accounts. General Government expenditures increased by \$4,444,353 or 13.10% due to an increase in the general and administrative, the new road and bridges GF, and the public health services accounts. Health and Welfare expenditures increased by \$119,156 or 2.23% mainly due to the medical examiner and BCMH accounts. Culture and Recreation expenditures decreased by \$149,884 or 5.60% due to decreased expenditures in the sports park and swimming pool accounts. Resource Development expenditures increased by \$24,868 or 11.10% due

to an increase in expenditures for the Agrilife extension department. Public works expenditures decreased by \$49 or 14.85% due to a decrease in Fabens airport expenditures. As of June 2015, revenues exceeded expenditures by \$33,306,482.

Fund Balance



**Note:** Above projection assumes FY2015 Tax Rate and estimated future growth in property tax base by 2.5% yearly. One penny approximates \$3.673 million and is dedicated to the County Capital Project Fund (CIP). Note: Projections include uncertified non-tax revenues and known unfunded projected expenditure operating impacts in future years are depicted below and are subject to change as new information becomes available.

Future Unfunded Projected Expenditure Impacts	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020
FPOE BRIDGE FEES	-\$495,908	-\$625,145	-\$934,592	-\$1,166,370	-\$1,166,370
Indigent Defense Fees	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Jail Annex Expansion (432 beds) - new staff and operating cost impacts FY17 \$9.853 million, at least half or more could very likely be offset by phasing out floors on the downtown detention facility by the opening date. This amount will grow by approximately 4% per year thereafter. TBD		\$1,772,280	\$4,040,604	\$8,081,208	\$8,081,208
Northwest Annex-FY15 (Avg of NE/MV Annex=\$48K) + 2%/Yr.	\$29,426	\$30,014	\$30,615	\$31,227	\$31,852
Eastside Annex FY15 (Avg of NE/MV Annex=\$48K) + 2%/Yr.	\$13,438	\$13,707	\$13,981	\$14,260	\$14,546
Ascarate Annex (ArmyReserve Remodeling)-Increase for Elevator Maint + 2%/Yr.	\$7,099	\$7,241	\$7,386	\$7,533	\$7,684
ERP 5 year Est. Maint. Savings once off Mainframe (FY 16-20)	-\$488,600	-\$154,732	-\$137,069	-\$118,522	
<b>P25 Operating Costs (FY2015 Licenses \$26,560+63,745)</b>	\$30,704	\$31,318	\$31,944	\$32,583	\$33,235
27th Payroll, FY2016 (Occurs every 11 years), Reverses impact in FY2017, Consider resolving in FY2015 Budget vs GAAP Acctng	\$1,500,000	-\$1,500,000			
Road and Bridge Admin (Personnel cost only) + 2%/year Inflation	\$433,069	\$441,730	\$450,565	\$459,576	\$468,768
Road and Bridge Annual Road Paving Overlay Program (if R&B Funds Insufficient), TBD, Pending Leg proposed to increase \$10 fee to \$20					
<b>Total Projected Unfunded Expenditure Impacts</b>	<b>\$2,029,227</b>	<b>\$1,016,413</b>	<b>\$4,503,434</b>	<b>\$8,341,496</b>	<b>\$8,470,922</b>
Projected Pennies on the Tax Rate if funded (Based on FY2015 Tax Revenues)	0.55	0.28	1.22	2.26	2.29

The Comprehensive Annual Financial Report for fiscal year 2014 was presented to the Commissioners Court on April 6, 2015. The audited year-end total fund balance of the general fund for fiscal year 2014 ended at \$50.9 million of which \$16.6 million is designated to balance the 2015 general fund budget. As depicted on prior page, reserves of the general fund were stabilized in 2010 and saw improvement over fiscal years 2011 thru 2014 due to growth in taxes and other revenues relating to fines and fees, but most significantly due to the cost saving measures by the Commissioners Court and county departments. As reflected on the graph on prior page, significant revenue declines caused a fiscal imbalance between revenues and expenditures from 2007 thru 2010 similar to that experienced between fiscal years 2001 and 2003. At the direction of the Commissioners Court and with the cooperation of elected officials and department heads, difficult decisions were made to reduce the trend of increasing expenditures in fiscal year 2010, 2011, and again in 2012, but integrated some operating increases in fiscal year 2013. Fiscal year 2013 depicted only minimal overall revenue growth but we remain optimistic that the local economy will continue trending positively. Therefore, emphasis will remain on expenditure efficiencies and/or savings and alignment with operating revenues, while continually assessing the County's financial condition on a monthly basis. The fiscal year 2015 General Fund operating budget increased by \$8.7 million or 3.57 percent above fiscal year 2014 and was mainly attributed to increased fringe benefits as well as departmental operating costs.

If the local economy contracts again in the future, it could possibly require county departments to exercise further fiscal restraint and frugal spending with an emphasis on revenue enhancement and collection efforts. Based on positive revenue gains in various areas in fiscal year 2012 and 2011 compared to 2010, active monitoring of financial condition will continue to remain our highest priority with emphasis on efforts to prevent depletion of general fund reserves and ensure continued financial stability in order to meet first quarter obligations, typically \$25 to 30 million in fiscal year 2015 and beyond.

In spite of recent indications of rebounding revenues amidst a sometimes lagging economy over the past 4 years, El Paso County has been more focused on operating within its means. Commissioners are to be commended for their attentiveness to managing the expenditure growth along with corresponding incremental revenue increases and their emphasis of mitigating further erosion of fund balance in the General Fund.

The graph on the prior page is a financial depiction of El Paso County's actual financial history of the County's financial health or fiscal instability irrespective of statutory budget constraints as well as a summary projection for the next five years. This depiction indicates stabilization in fiscal years 2009 and 2010 and positive trends experienced in 2011, 2012, and 2013 and again in 2014. In addition, this model was updated to include projected future unfunded operating expenditures anticipated due to the opening of new county facilities over the next five years. Due to the fact that revenues are significantly derived from taxes, both ad valorem and Sales tax, this component is factored with historical growth while other sources of revenues are factored with continued inflationary growth. Tax revenue must be determined annually based on state taxation guidelines and therefore this analysis provide the governing body with a means of better planning for its financial affairs in a responsible manner. For the future and in light of the projected future negative financial trends, it is imperative that emphasis continue to be placed on the collection of existing outstanding fines and fees and additional revenue generation. Failure to maintain alignment of expenditures with revenue sources could result in future operational difficulties and ultimately require reductions in overall government service levels. In light of the fact that erosion of fund balance reserves in the interim has been mitigated, added operational costs in future years and negative economic impacts are still possible and therefore, the Court is cautioned to exercise fiscal restraint when increasing appropriations. Additionally, the County must remain aware of potential negative budgetary impacts such as inflation and future restrictive revenue legislation affecting county finances, which will be closely monitored in future legislative sessions.

As in prior years, various factors will be monitored throughout the fiscal year and will include revenue and expenditure trends, attrition, current, and proposed revenue generating initiatives and other potential impacts that affect the financial stability of the County. In any event, it remains essential that the County ensure expenditures do not exceed revenues and available fund balance. Future legislative action could produce possible negative impacts for local government and restrict the County's ability to generate operating revenues, specifically, property taxes.

## The Future

The Office of the County Auditor will continue to provide the members of Commissioners Court, County departments, and the general public with the information necessary to make the decisions that will help guide the County in fiscal years to come.

Several final thoughts on County operations that will need consideration in the near future are:

- Continuing efforts to ensure that the County strives to maintain the level of quality service to the public without overburdening the public with any undue increased costs, while assessing all revenue sources to ensure that the County covers its costs. Furthermore, the County should continually strive to maintain a revenue stream that keeps pace with yearly incremental increases in its costs of providing public service.

- Appropriate measures to ensure that timely expenditures of capital bond proceeds are made for their intended purposes. In fiscal 2012 the Commissioners Court approved a capital improvement plan and also levied a one penny tax to fund short-term capital needs of the County. This is a commendable step taken by the Court and should result in greater efficiencies in providing needed equipment replacement as needed on a regular basis which therefore reduces cost of maintenance and repair, increases productivity within county government and ultimately is a costs savings to taxpayers of El Paso County by no longer paying interest on the issuance of debt.
- The County Auditor continues to conduct special monthly budgetary update meetings with the Commissioners Court. The focus of these meetings is to discuss impacts on current and future operations.
- Presented below is the summary condensed financial report that is also published in a newspaper of general circulation, this is reported at the fund level. Required summaries by department are included in the financial report portion of this document.

<b>El Paso County, Texas Auditor's Unaudited Monthly Condensed Financial Report</b>					
<b>June 30, 2015</b>					
<b>Fund Type</b>	<b>Fund Balance</b>	<b>Adopted Budget as Amended</b>	<b>Operating Budget, including Carryover</b>	<b>Year to Date Expenditures and Encumb.</b>	<b>Total Remaining Balances</b>
General	\$93,380,806	\$252,957,809	\$254,580,186	\$180,015,746	\$74,564,440
Special revenue	25,969,320	50,376,119	116,488,139	33,683,248	82,804,891
Debt service	6,188,234	48,165,361	48,165,361	\$34,386,024	13,779,337
Capital projects	72,601,743	3,760,010	105,436,599	52,685,040	52,751,559
Proprietary:					
Internal service	5,619,629			13,351,142	N/A
Enterprise	16,465,812	2,757,680	2,768,685	\$1,029,195	1,739,490
Agency				647	N/A
Agency-WTCSC				\$10,090,068	N/A
<b>Total all funds</b>	<b>\$220,225,544</b>	<b>\$358,016,979</b>	<b>\$527,438,970</b>	<b>\$325,241,110</b>	<b>\$225,639,717</b>
<b>Additional information may be obtained at the County Auditor's Office,            800 East Overland Street, Room 406, El Paso, Texas 79901-2407.  <a href="http://www.epcounty.com">www.epcounty.com</a></b>					