

Spotlight on County Finances

Fiscal Month 06 of 12

March 31, 2015

Unaudited Interim Monthly Financial Report

As of March 31, 2015, the County budget includes 36 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 \$37,482,325 have been made this year, bringing the total final operating budget to \$349,239,461.

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 \$161,562,693 for the general fund and debt service fund in comparison to \$152,429,827 for the same timeframe in fiscal year 2014, an increase of 5.99%.

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	\$ 141,678,247	\$ 133,131,260	\$ 8,546,987	6.42%
Sales and Use	18,465,091	17,787,439	677,652	3.81%
Bingo	10,582	13,055	(2,473)	(18.94%)
State Mixed Beverage	532,548	490,234	42,314	8.63%
Auto Sales Tax				0.00%
Licenses and Permits	113,146	157,472	(44,326)	(28.15%)
Intergovernmental	1,994,835	2,712,067	(717,232)	(26.45%)
Charges for Services	11,676,690	11,348,717	327,973	2.89%
Fines and Forfeits	1,972,965	1,829,690	143,275	7.83%
Interest	44,891	39,541	5,350	13.53%
Miscellaneous Revenue	1,139,625	1,103,645	35,980	3.26%
Other Financing Sources	339,882	330,062	9,820	2.98%
Total Revenue	\$ 177,968,502	\$ 168,943,182	\$ 9,025,320	5.34%

Expenditures

General fund expenditures for fiscal year 2015 to date total \$112,337,875 in comparison to \$108,728,846 in fiscal year 2014, an increase of \$3,609,029 or 3.32%. The table below reflects the year-to-date trend of general fund expenditures through March 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	\$ 26,353,098	\$ 26,632,256	\$ (279,158)	(1.05%)
Culture and Recreation	1,573,630	1,632,453	(58,823)	(3.60%)
General Government	22,835,486	19,798,958	3,036,528	15.34%
Health and Welfare	3,532,105	3,254,065	278,040	8.54%
Public Safety	57,881,889	57,267,399	614,490	1.07%
Public Works	178	176	2	1.14%
Resource Development	161,489	143,539	17,950	12.51%
Total Expenditures	\$ 112,337,875	\$ 108,728,846	\$ 3,609,029	3.32%

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

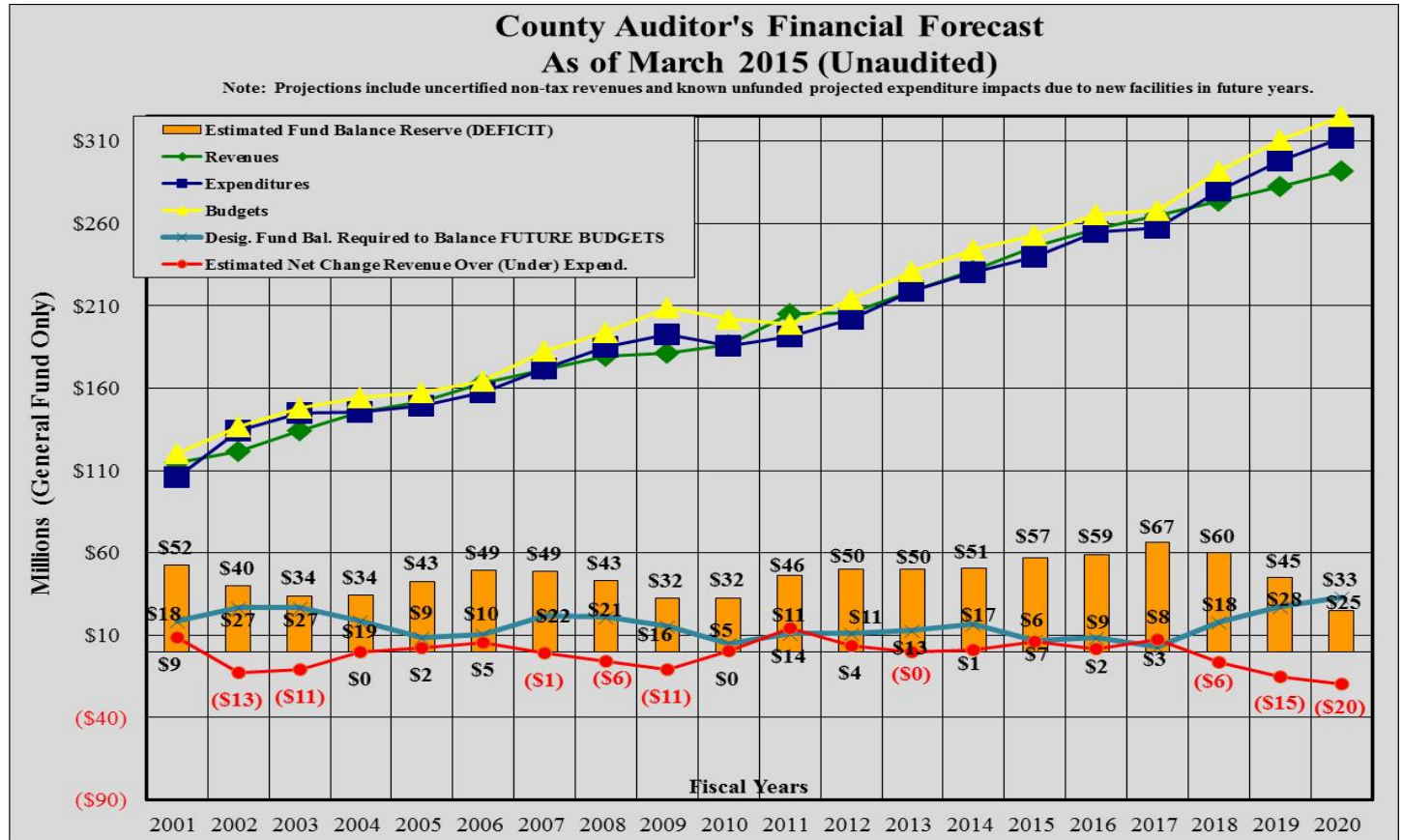
	FY 2015 Amount	FY 2014 Amount	Change From 2014	Percent Change From 2014
Total Revenues	\$ 177,968,502	\$ 168,943,182	\$ 9,025,320	5.34%
Total Expenditures	112,337,875	108,728,846	3,609,029	3.32%
Revenues over (under) Expense	\$ 65,630,627	\$ 60,214,336	\$ 5,416,291	

Specific General Fund Trends – Revenues & Expenditures

Overall revenue collections increased \$9,025,320 or 5.34% when compared to the same fiscal period last year. Total general fund property tax collections increased \$8,546,987 or 6.42%. Sales and use taxes increased by \$677,652 or 3.81% compared to last year. Bingo taxes decreased \$2,473 or 18.94%. As of March 2015, no auto sales taxes have been collected. State mixed beverage tax collections increased by \$42,314 or 8.63%. Charges for services increased by \$327,973 or 2.89% compared to last year's revenues due to an increase in the federal prisoner reimbursement account. Licenses and permits decreased by \$44,326 or 28.15% due to a decrease in revenue from alcoholic beverages licenses and title runner licenses. Intergovernmental revenues decreased by \$717,232 or 26.45% due to a decrease in indigent defense reimbursements and federal grants thru state. There was an increase in interest revenues of \$5,350 or 13.53% due to an increase in investable funds. Miscellaneous revenues increased by \$35,980 or 3.26% largely due to an increase in program income and commissions. Revenue from fines and forfeitures increased by \$143,275 or 7.83% due to an increase in juror fines and county attorney bond forfeitures. Other financing sources increased by \$9,820 or 2.98% due to an increase in transfers in – court reporter fees and transfers in – justice court manager fund.

Year-to-date expenditures increased by \$3,609,029 or 3.32% compared to prior fiscal year. Administration of Justice expenditures decreased by \$279,158 or 1.05%, mainly due to a decrease in expenditures in the child protective services, associate CPS court, and indigent defense departments. Public Safety expenditures increased by \$614,490 or 1.07% due to an increase in expenditures in the sheriff patrol, juvenile probation, and sheriff - jail annex accounts. General Government expenditures increased by \$3,036,528 or 15.34% 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 \$278,040 or 8.54% mainly due to the BCMH and medical examiner departments. Culture and Recreation expenditures decreased by \$58,823 or 3.60% due to decreased expenditures in the sports park and Ascarate golf course accounts. Resource Development expenditures increased by \$17,950 or 12.51% due to an increase in expenditures for the Agrilife extension department. Public works expenditures increased by \$2 or 1.14% due to an increase in Fabens airport expenditures. As of March 2015, revenues exceeded expenditures by \$65,630,627.

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.

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

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.		\$1,772,280	\$4,040,604	\$8,081,208	\$8,081,208
Northwest Annex-FY15 (Avg of NE/MV Annex=\$48K) + 2%/Yr.	\$51,495	\$52,525	\$53,576	\$54,647	\$55,740
Eastside Annex FY15 (Avg of NE/MV Annex=\$48K) + 2%/Yr.	\$23,516	\$23,987	\$24,466	\$24,956	\$25,455
Ascarate Annex (ArmyReserve Remodeling)-Increase for Elevator Maint + 2%/Yr.	\$12,423	\$12,671	\$12,925	\$13,183	\$13,447
ERP 5 year Est. Maint. Savings once off Mainframe (FY 16-20)	-\$488,600	-\$154,732	-\$137,069	-\$118,522	
P25 Operating Costs (FY2015 Licenses \$26,560+63,745)	\$53,731	\$54,806	\$55,902	\$57,020	\$58,161
27th Payroll, FY2016 (Occurs every 11 years), Reverses impact in FY2017	\$6,000,000	-\$6,000,000			
Road and Bridge Admin (Personnel cost only) + 2%/year Inflation	\$757,871	\$773,028	\$788,489	\$804,258	\$820,343
Road and Bridge Annual Road Paving Overlay Program (if R&B Funds Insufficient)					
Total Projected Unfunded Expenditure Impacts	\$7,906,345	-\$1,840,290	\$6,773,484	\$11,083,121	\$11,220,724
Projected Pennies on the Tax Rate if funded (Based on FY2015 Tax Revenues)	2.14	-0.50	1.83	3.00	3.04

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.

El Paso County, Texas Auditor's Unaudited Monthly Condensed Financial Report					
March 31, 2015					
Fund Type	Fund Balance	Adopted Budget as Amended	Operating Budget, including Carryover	Year to Date Expenditures and Encumb.	Total Remaining Balances
General	\$126,150,214	\$252,957,809	\$254,580,186	\$116,371,426	\$138,208,760
Special revenue	24,931,464	50,293,602	115,836,547	22,286,555	93,549,992
Debt service	6,165,636	39,470,360	39,470,360	\$15,372,022	24,098,338
Capital projects	77,954,066	3,760,010	105,436,599	51,154,942	54,281,657
Proprietary:					
Internal service	4,158,351			8,716,712	N/A
Enterprise	16,437,996	2,757,680	2,768,685	\$615,884	2,152,801
Agency				1,089	N/A
Agency-WTCSC				\$6,442,517	N/A
Total all funds	\$255,797,727	\$349,239,461	\$518,092,377	\$220,961,147	\$312,291,548
<p>Additional information may be obtained at the County Auditor's Office, 800 East Overland Street, Room 406, El Paso, Texas 79901-2407. www.epcounty.com</p>					