

Spotlight on County Finances

Fiscal Month 01 of 12

October 31, 2014

Unaudited Interim Monthly Financial Report

As of September 30, 2014, the County budget includes 3 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 the Commissioners Court adopted the 2015 fiscal year operating budget which totaled \$311,757,136. Budget amendments totaling \$8,849,880 have been made this year, bringing the total final operating budget to \$320,607,016.

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 \$577,528 for the general fund and debt service fund in comparison to \$673,445 for the same timeframe in fiscal year 2014, a decrease of 14.24%.

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	\$513,748	\$588,214	(\$74,466)	(12.66%)
Sales and Use	-	-	-	0.00%
Bingo	-	-	-	0.00%
State Mixed Beverage	556,172	-	556,172	100.00%
Auto Sales Tax	-	-	-	0.00%
Licenses and Permits	7,159	17,382	(10,223)	(58.81%)
Intergovernmental	86,358	84,286	2,072	2.46%
Charges for Services	548,700	601,043	(52,343)	(8.71%)
Fines and Forfeits	18,789	6,082	12,707	208.93%
Interest	2,232	2,003	229	11.43%
Miscellaneous Revenue	151,680	61,594	90,086	146.26%
Other Financing Sources	-	-	-	0.00%
Total Revenue	\$1,884,838	\$1,360,604	\$524,234	38.53%

Expenditures

General fund expenditures for fiscal year 2015 to date total \$22,775,327 in comparison to \$14,104,521 in fiscal year 2014, an increase of \$8,670,806 or 61.48%. The table below reflects the year-to-date trend of general fund expenditures through October 2014 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	\$5,638,498	\$3,639,710	\$1,998,788	54.92%
Culture and Recreation	273,285	216,603	56,682	26.17%
General Government	3,949,090	2,376,366	1,572,724	66.18%
Health and Welfare	542,261	413,262	128,999	31.21%
Public Safety	12,333,164	7,432,954	4,900,210	65.93%
Resource Development	39,029	25,626	13,403	52.30%
Total Expenditures	\$22,775,327	\$14,104,521	\$8,670,806	61.48%

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

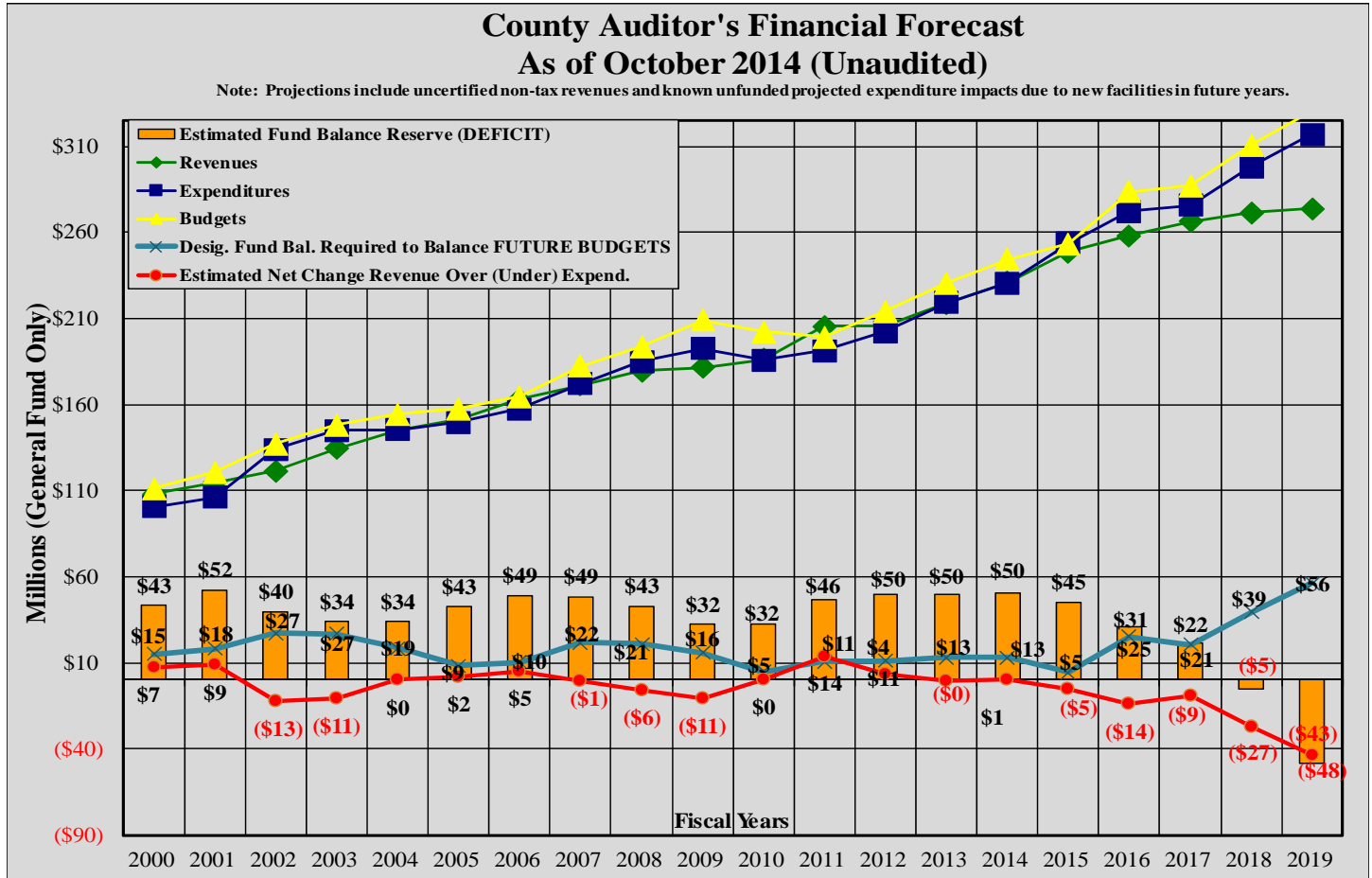
	FY 2015 Amount	FY 2014 Amount	Change From 2014	Percent Change From 2014
Total Revenues	\$1,884,838	\$1,360,604	\$524,234	38.53%
Total Expenditures	22,775,327	14,104,521	8,670,806	61.48%
Revenues over (under) Expense	(\$20,890,489)	(\$12,743,917)	(\$8,146,572)	

Specific General Fund Trends – Revenues & Expenditures

Overall revenue collections increased \$524,234 or 38.53% when compared to the same fiscal period last year. Total general fund property tax collections decreased \$74,466 or 12.66%. Sales and use, and auto sales taxes have not yet been received for this fiscal year. State mixed beverage taxes increased \$556,172 from \$0 last year due to tax receipt timing differences. Charges for services decreased by \$52,343 or 8.71% compared to last year's revenues largely due to a decrease of \$87,951 in coliseum rental fees and a decrease of \$11,435 in coliseum parking fees. Licenses and permits decreased \$10,223 or 58.81% due to a decrease in revenue from alcoholic beverages licenses and title runner licenses. Intergovernmental revenues increased by \$2,072 or 2.46% due to an increase in salary reimbursements and prosecutor longevity. There was an increase in interest revenues of \$229 or 11.43% due to an increase in investable funds. Miscellaneous revenues increased by \$90,086 or 146.26% due to an increase in commissions and rentals/leases. Revenue from fines and forfeitures increased by \$12,707 or 208.93% due to an increase in county attorney bond forfeitures. Other Financing Sources remained the same as last year due to no revenue receipts this month.

Year-to-date expenditures increased by \$8,670,806 or 61.45% compared to prior fiscal year. Administration of Justice expenditures increased \$1,998,788 or 54.92%, mainly due to an increase of expenditures by the County Attorney, District Attorney and Public Defender. Public Safety expenditures increased by \$4,900,210 or 65.93%, due to an increase in expenditures for Sheriff Jail Annex, Sheriff Detention and Sheriff Patrol. Expenditures for General Government programs increased by \$1,572,724 or 66.18%, due to an increase in Auditor, CDP and District Clerk departmental expenditures. Health and Welfare expenditures increased by \$128,999 or 31.21% mainly due to the Nutrition Administration and Medical Examiner departments. Culture and Recreation expenditures increased by \$56,682 or 26.17% due to additional winter seeding for the Sports Park. Resource Development expenditures increased by \$13,403 or 52.30%, due to a decrease in expenditures for infrastructure development. Public works expenditures remained at zero. It should be noted that increased expenditures across all county programs this month are attributed to a timing difference related to an extra payroll which occurred in November of last year as opposed to October of this year. As of October 2014, expenditures exceeded revenues by \$20,890,489.

Fund Balance



Note: Above projection assumes FY2014 Tax Rate and Est. future growth in property tax base by 2.5% yearly. One penny equals \$3.673 million and is dedicated to the County Capital Project Fund (CIP). Note: Projections include uncertified non-tax revenues and known unfunded projected

Future Unfunded Projected Expenditure Impacts	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
FPOE BRIDGE FEES	\$120,000	\$495,908	\$625,145	\$934,592	\$1,166,370
Indigent Defense Fees	\$981,108	\$981,108	\$981,108	\$981,108	\$981,108
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
Northwest Annex-FY15 (Avg of NE/MV Annex=\$48K) + 2%/Yr.	\$86,547	\$88,278	\$90,043	\$91,844	\$93,681
Eastside Annex FY15 (Avg of NE/MV Annex=\$48K) + 2%/Yr.	\$39,523	\$40,313	\$41,120	\$41,942	\$42,781
Ascarate Annex (ArmyReserve Remodeling)-Increase for Elevator Maint + 2%/Yr.	\$20,879	\$21,297	\$21,723	\$22,157	\$22,600
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)	\$90,305	\$92,111	\$93,953	\$95,832	\$97,749
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	\$1,273,732	\$1,299,207	\$1,325,191	\$1,351,695	\$1,378,728
Total Projected Unfunded Expenditure Impacts	\$2,612,094	\$8,529,622	-\$1,204,170	\$7,422,705	\$11,745,704
Projected Pennies on the Tax Rate if funded (Based on FY2015 Tax Revenues)	1.08	2.74	0.04	2.44	3.65

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 is projected to be presented to the Commissioners Court on April 6, 2015. The audited year-end total fund balance of the general fund for fiscal year 2014 is projected to end at \$50 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 operating costs and personnel and fringe benefits.

We are still assessing the full impact that we ultimately experienced as a result of the federal budget sequestration. 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 2014 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					
October 31, 2014					
Fund Type	Fund Balance	Adopted Budget as Amended	Operating Budget, including Carryover	Year to Date Expenditures and Encumb.	Total Remaining Balances
General	\$40,684,433	\$252,957,809	\$254,580,186	\$26,754,946	\$227,825,240
Special revenue	23,819,456	40,743,934	106,855,955	5,503,091	101,352,864
Debt service	484,862	20,387,583	20,387,583		20,387,583
Capital projects	91,572,126	3,760,010	105,436,599	44,228,778	61,207,821
Internal service	3,177,028			1,492,484	N/A
Enterprise	16,027,097	2,757,680	2,768,685	67,271	2,701,414
Agency				394	N/A
Agency-WTCSC				1,546,289	N/A
Total all funds	\$175,765,002	\$320,607,016	\$490,029,008	\$79,593,253	\$413,474,922
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					