

# Spotlight on County Finances

Fiscal Month 01 of 12

October 31, 2015

## Unaudited Interim Monthly Financial Report

As of October 31, 2015, the county budget includes 2 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 5, 2015 Commissioner's Court adopted the 2016 fiscal year operating budget which totaled \$322,858,582. Budget amendments totaling \$4,038,783 have been made this year, bringing the total final operating budget to \$326,897,365.

### 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 2016, 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 2016 totaled \$888,186 for the General Fund and Debt Service Fund in comparison to \$577,528 for the same timeframe in fiscal year 2015, an increase of 53.79%.

#### Year-To-Date General Fund Revenue With Comparative Totals for Fiscal Year 2015

Revenue by Source	FY 2016 Amount	FY 2015 Amount	Change From 2015	Percent Change From 2015
Taxes				
Property	\$ 785,823	\$ 513,748	\$ 272,075	52.96%
Sales and Use	-	-	-	-
Bingo	-	-	-	-
State Mixed Beverage	-	-	-	-
Auto Sales Tax	-	-	-	-
Licenses and Permits	14,105	7,159	6,946	97.02%
Intergovernmental	45,586	86,357	(40,771)	(47.21%)
Charges for Services	529,402	548,699	(19,297)	(3.52%)
Fines and Forfeits	21,031	18,789	2,242	11.93%
Interest	7,034	2,232	4,802	215.14%
Miscellaneous Revenue	106,110	151,679	(45,569)	(30.04%)
Other Financing Sources	-	-	-	-
Total Revenue	\$ 1,509,091	\$ 1,328,663	\$ 180,428	13.58%

## Expenditures

General Fund expenditures for fiscal year 2016 to date total \$13,622,920 in comparison to \$22,775,327 in fiscal year 2015, a decrease of \$9,152,407 or 40.19%. The table below reflects the year-to-date trend of General Fund expenditures through October 2015 in comparison to the same period last fiscal year.

**Year-To-Date General Fund Expenditures by Program  
With Comparative Totals for Fiscal Year 2015**

<b>Expenditures by Function</b>	<b>FY 2016 Amount</b>	<b>FY 2015 Amount</b>	<b>Change From 2015</b>	<b>Percent Change From 2015</b>
Administration of Justice	\$ 3,414,328	\$ 5,638,498	\$ (2,224,170)	(39.45%)
Community Service	-	-	-	-
Culture and Recreation	187,771	273,285	(85,514)	(31.29%)
General Government	2,990,041	3,949,090	(959,049)	(24.29%)
Health and Welfare	321,156	542,261	(221,105)	(40.77%)
Public Safety	6,682,930	12,333,164	(5,650,234)	(45.81%)
Public Works	38	-	38	100.00%
Resource Development	26,656	39,029	(12,373)	(31.70%)
<b>Total Expenditures</b>	<b>\$ 13,622,920</b>	<b>\$ 22,775,327</b>	<b>\$ (9,152,407)</b>	<b>(40.19%)</b>

**Year-To-Date General Fund Revenues and Expenditures Summary  
With Comparative Totals for Fiscal Year 2015**

	<b>FY 2016 Amount</b>	<b>FY 2015 Amount</b>	<b>Change From 2015</b>	<b>Percent Change From 2015</b>
Total Revenues	\$ 1,509,091	\$ 1,328,663	\$ 180,428	13.58%
Total Expenditures	13,622,920	22,775,327	(9,152,407)	(40.19%)
Revenues over (under) Expense	\$ (12,113,829)	\$ (21,446,664)	\$ 9,332,835	

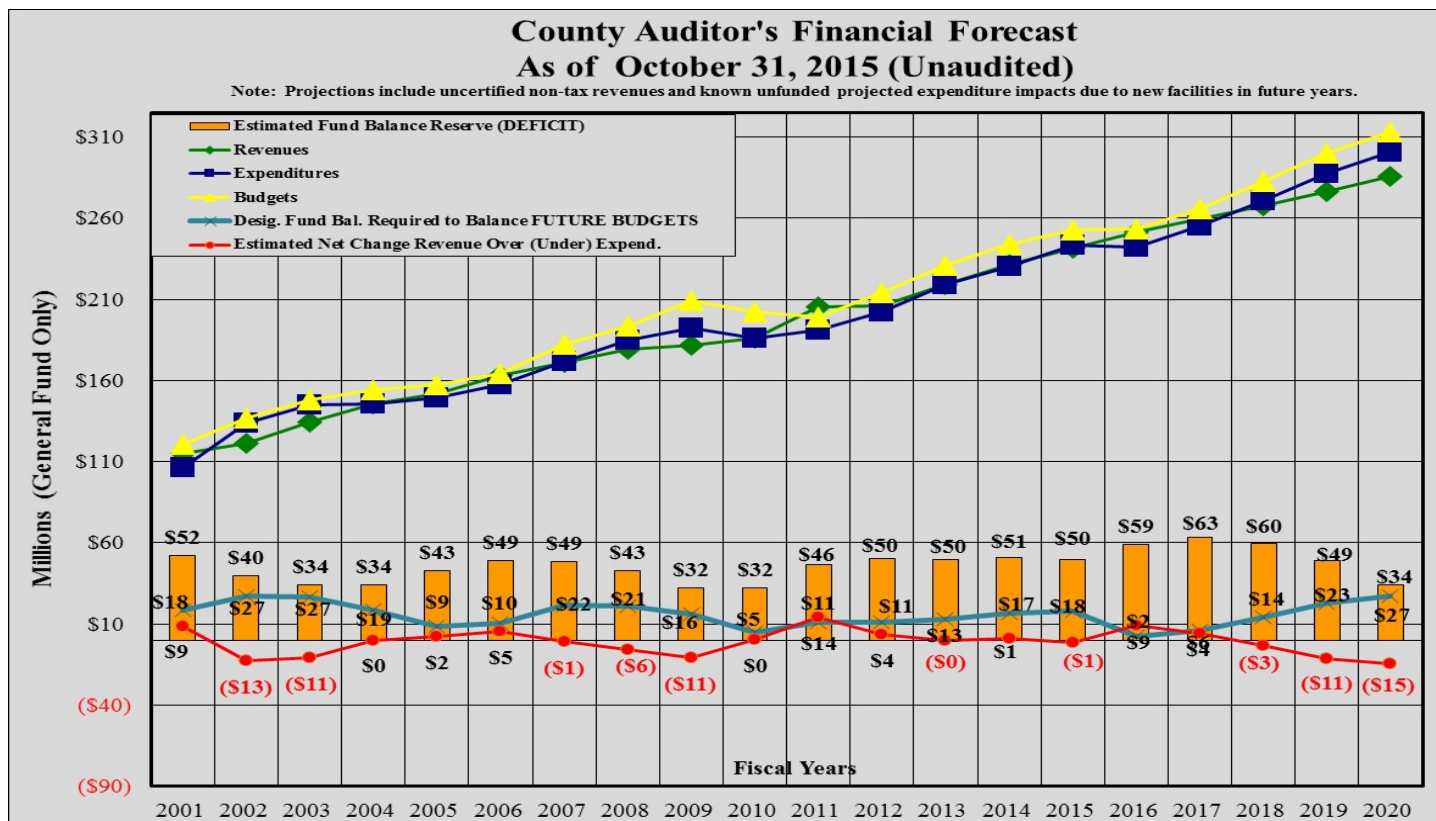
## Specific General Fund Trends – Revenues & Expenditures

Overall revenue collections increased \$180,428 or 13.58% when compared to the same fiscal period last year. Total General Fund property tax collections increased \$272,075 or 52.96%. As of October 2015, no sales and use taxes, bingo taxes, auto sales taxes, or state mixed beverage taxes have been collected. However, it should be noted that fiscal year 2015 financial reports will overstate state mixed beverage taxes by \$556,172 due to revenue being coded to the incorrect fiscal year. This error will be corrected in December's financial reports and as such it is omitted from this month's interim monthly financial report. Charges for services decreased by \$19,297 or 3.52% compared to last year's revenues due to a decrease in the DRO Filing Fees Account and the Coliseum Food Concessions Account. Licenses and permits increased by \$6,946 or 97.02% due to an increase in revenue from the Alcoholic Beverage Account. Intergovernmental revenues decreased by \$40,772 or 47.21% due to a decrease in the Prosecutor Longevity Account. There was an increase in the Interest Earnings Accounts of \$4,802 or 215.14% due to an increase in investable funds. Miscellaneous revenues decreased by \$45,569 or 30.04% largely due to a decrease in the Commissions Account. Revenue from fines and forfeitures increased by \$2,242 or 11.93% due to an increase in the County Attorney Bond Forfeiture Accounts. Lastly, there have been no revenue collections from other financing sources.

Year-to-date expenditures decreased by \$9,152,407 or 40.19% compared to prior fiscal year. Administration of Justice expenditures decreased by \$2,224,170 or 39.45%, mainly due to a decrease in expenditures in the County Attorney, District Attorney, and Public Defender Departments. There have been no Community Service expenditures as of October 2015. Public Safety expenditures decreased by \$5,650,234 or 45.81% due to a decrease in expenditures in the Sheriff Detention, Sheriff Jail Annex, and Sheriff Law Enforcement. General Government expenditures decreased by \$959,049 or 24.29% due to a decrease in the Auditor, District Clerk, and the Information Technology Accounts. Health and Welfare expenditures decreased by \$221,105 or 40.77% mainly due to the Medical Examiner and BCMH Departments. Culture and Recreation expenditures decreased by \$85,514 or 31.29% due to decreased expenditures in the Ascarate and Ascarate Golf Course Departments. Resource Development expenditures decreased by \$12,373 or 31.70% due to a decrease in expenditures for the Agrilife Extension Department.

Public Works expenditures increased by \$38 or 100.00% due to an increase in the Fabens Airport Account. As of October 2015, expenditures exceeded revenues by \$12,113,829.

## Fund Balance



**Note:** Above projection assumes FY2016 Tax Rate and estimated future growth in property tax base by 2.5% yearly. One penny approximates \$3.809 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
Sales Tax Abatement due starting in FY2015-Paul Foster Fountains Mall	(\$750,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
FPOE BRIDGE FEES (TBD Traffic Study)					
Indigent Defense Fees					
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
Eastside Annex FY16 (Avg of NE/MV Annex=\$48K) + 2%/Yr. Opened May 2015	\$23,055	\$23,516	\$23,987	\$24,466	\$24,956
ERP 5 year Est. Maint. Savings once off Mainframe (FY 16-20)		-\$488,600	-\$154,732	-\$137,069	-\$118,522
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>\$23,055</b>	<b>\$1,307,196</b>	<b>\$3,909,859</b>	<b>\$7,968,605</b>	<b>\$7,987,642</b>
Projected Pennies on the Tax Rate if funded (Based on FY2015 Tax Revenues)	0.01	0.35	1.06	2.16	2.16

The Comprehensive Annual Financial Report for fiscal year 2015 is anticipated to be presented to the Commissioners Court on April 4, 2016. The audited year-end total fund balance of the general fund for fiscal year 2015 is projected to end the year at approximately \$50 million of which \$14.37 million is designated to balance the 2016 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 2015 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 2016 General Fund operating budget increased by \$10.1 million or 3.99 percent above fiscal year 2015 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 2016 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 thru 2015. 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>October 31, 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	\$49,002,927	\$263,062,111	\$264,913,975	\$17,565,933	\$247,348,042
Special revenue	27,644,279	35,959,465	104,903,485	6,697,354	98,206,131
Debt service	1,332,770	20,544,747	20,544,747		20,544,747
Capital projects	59,053,256	3,913,294	105,589,883	19,407,819	86,182,064
Proprietary:					
Internal service	6,571,021			1,578,629	N/A
Enterprise	16,449,342	3,417,748	3,419,056	20,477	3,398,579
Agency					N/A
Agency-WTCSC				1,611,184	N/A
<b>Total all funds</b>	<b>\$160,053,595</b>	<b>\$326,897,365</b>	<b>\$499,371,146</b>	<b>\$46,881,396</b>	<b>\$455,679,563</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>					