

REVISED

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Multi-Year Financial Outlook (MYFO) FY 2027 – FY 2031

Office of Management and Budget
City of El Paso



February 2026



A Message from the CFO

El Pasoans,

Every year, we adopt a budget that reflects our community's priorities. But responsible financial management requires us to look beyond one year. The Multi-Year Financial Outlook (MYFO) is our five-year forecast — a planning tool that helps us understand where we are headed and what decisions today will mean for tomorrow.

This report does not set policy or lock in spending. Instead, it provides transparency about the financial trends we see on the horizon and prepares us to act early and responsibly.

Where We Stand Today

The FY 2026 Adopted General Fund budget totals **\$625.7 million**. Through disciplined fiscal management, we have:

- Maintained one of the **lowest property tax rates in more than a decade**
- Reduced overall debt by approximately **\$300 million since 2022**
- Invested in voter-approved public safety projects
- Expanded staffing in Police, Fire, and 911 operations
- Opened new fire stations and strengthened public health services
- Dedicated funding for street resurfacing and infrastructure improvements

These investments reflect what residents told us through public engagement and the Chime In survey: **public safety, infrastructure, and quality of life remain top priorities.**

What the Five-Year Outlook Shows

Looking ahead to FY 2027 through FY 2031, we anticipate steady but modest revenue growth — averaging approximately **2% per year**.

At the same time, several cost pressures are expected to increase:

- **Public safety collective bargaining agreements**
- **Civilian workforce compensation adjustments**
- **Rising healthcare and benefit costs**
- **Inflation impacting contracts, utilities, and materials**
- **Transition of ARPA-funded programs back to the General Fund**
- Ongoing infrastructure and service demands

By FY 2031, if no changes are made, projected expenditures grow faster than projected revenues, creating a widening structural gap. Identifying this now allows us to plan carefully and avoid sudden service disruptions or reactive measures later.



Economic Conditions

El Paso's economy remains resilient. The Business Cycle Index indicates continued growth, though at a more moderate pace than the post-pandemic surge. Property valuations are stabilizing, and sales tax growth is returning to historical norms.

However, we are also navigating:

- Slower national economic growth
- Persistent inflation pressures
- State-imposed limits on property tax growth
- Declining telecommunications franchise revenues

These factors reinforce the importance of conservative forecasting and long-term planning.

Our Commitment Moving Forward

The City's approach remains grounded in:

- **Fiscal discipline**
- **Strategic investment**
- **Workforce stability**
- **Debt reduction**
- **Protecting essential services**

We will continue prioritizing public safety, infrastructure reliability, and quality of life — while ensuring long-term financial sustainability.

The Multi-Year Financial Outlook gives us clarity. It allows us to act deliberately, adjust when necessary, and preserve the financial stability that residents expect.

Thank you for your continued engagement and partnership as we plan responsibly for El Paso's future.



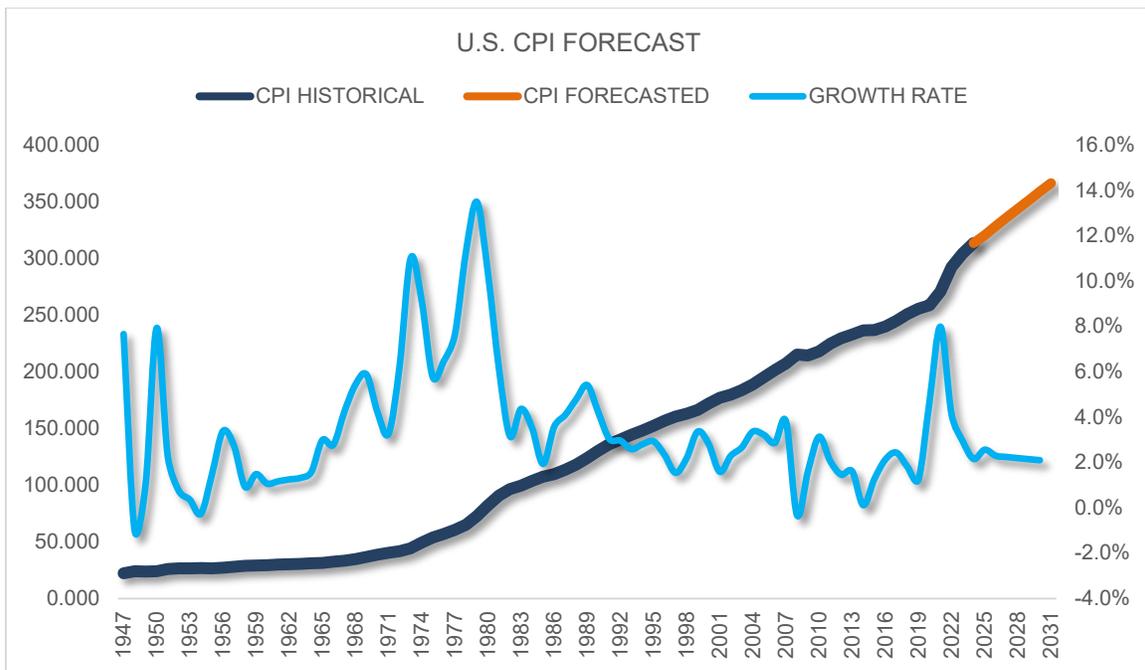
Economic Environment

The economic environment continues to face significant headwinds associated with the effects of tariffs on consumer goods and a weakening labor market leading to a slowing economy. The impacts do not just transcend nationally, but regionally as well. Federal Reserve Bank of Dallas 2026 Texas Economic Outlook indicated that Texas’ economy slowed in 2025 pressured by higher tariffs, failing immigration, federal government cutbacks and widespread policy uncertainty, and as well job growth that fell to near zero in 2025 and a downturn in residential construction.

The underlying forecast presented in this document will focus on the key national and regional economic indicators used as assumptions to derive the FY 2027 – FY 2031 revenue and expenses forecast.

The U.S. economy is expected to remain resilient but show slowing growth caused by persistent inflation driven largely by tariffs, and a weakening labor market. These factors will cause below-trend GDP growth in the short term, with a high degree of uncertainty influenced by ongoing policy shifts, including trade and fiscal measures. After a strong 3.8% annual growth rate in the second quarter of 2025, economic expansion is projected to decelerate. Full-year real GDP growth of 1.9% is expected in 2025 and the softness will continue in 2026 with an expected growth rate of 1.7%. Growth will be weaker than recently observed, but a recession will be avoided. There is a potential for increased momentum in AI investment and data center construction. While Dallas and Houston will see high impact of FIFA World Cup, El Paso will see minimal benefits since most of the games are played far away.

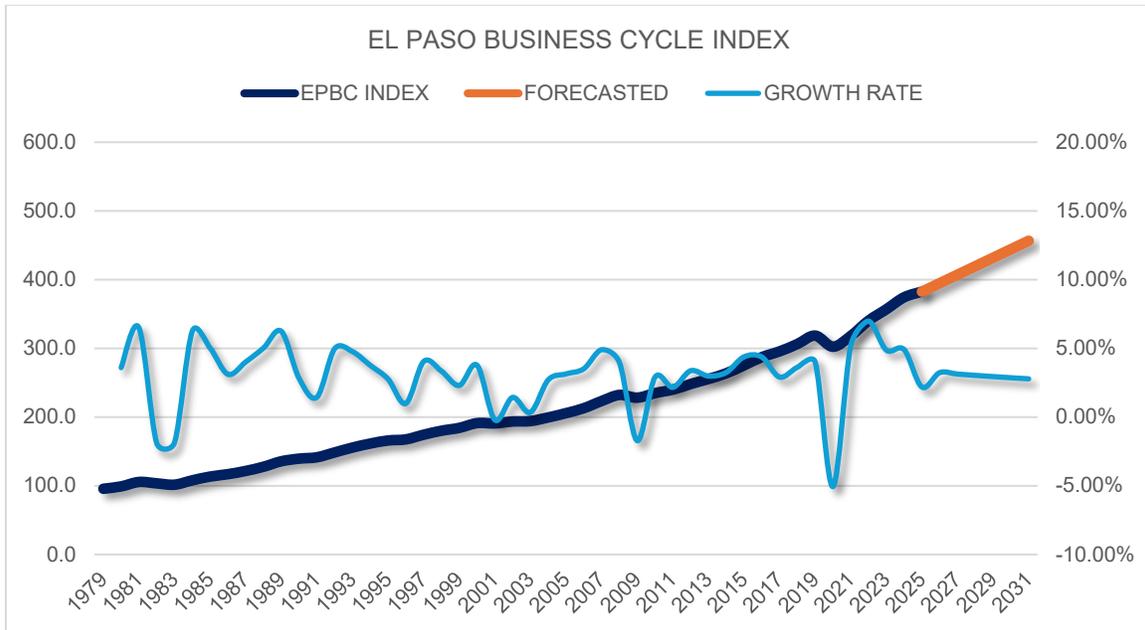
The inflation outlook is for persistently elevated prices, driven by tariffs and strong services inflation, even as the labor market cools. Elevated tariffs are expected to temporarily increase consumer prices in 2026. While the Federal Reserve has begun cutting interest rates in response to a weakening economy, this is complicated by the effects of tariffs on consumer goods.





Inflation is expected to moderate gradually but remain above the central bank's 2% target through 2026 as illustrated by the graph above. However, slowing consumer demand and easing housing costs should help bring inflation to near the Federal Reserve's target in the long term.

A key regional economic indicator that defines the health of the local economy in El Paso is the El Paso Business Cycle Index produced by the Federal Reserve Bank of Dallas. In the long-run, the El Paso economy has grown at a 2.9% annual growth rate. In the last 25 years, the El Paso economy has only observed three years of negative growth rates which include, the 2001 U.S. recession, the 2009 Financial Crisis and during the first year of the COVID-19 Pandemic in 2020. In the past 5 years, the El Paso economy has observed a strong recovery after the Pandemic by growing at an annual growth rate of 4.8%.



Illustrated above is the historical and forecasted El Paso Business Cycle Index. The Office of Management and Budget's forecast indicates that the El Paso economy will continue to grow at a moderate pace than had been observed in the five years. The table below shows El Paso's economy is expected to average an annual growth rate of 3.0% over the next 5 years, compared to an average annual growth rate of 4.8% over the past 5 years.

	HISTORICAL 5-YR GROWTH RATE	FORECASTED GROWTH RATE
BUSINESS CYCLE INDEX	4.8%	3.0%

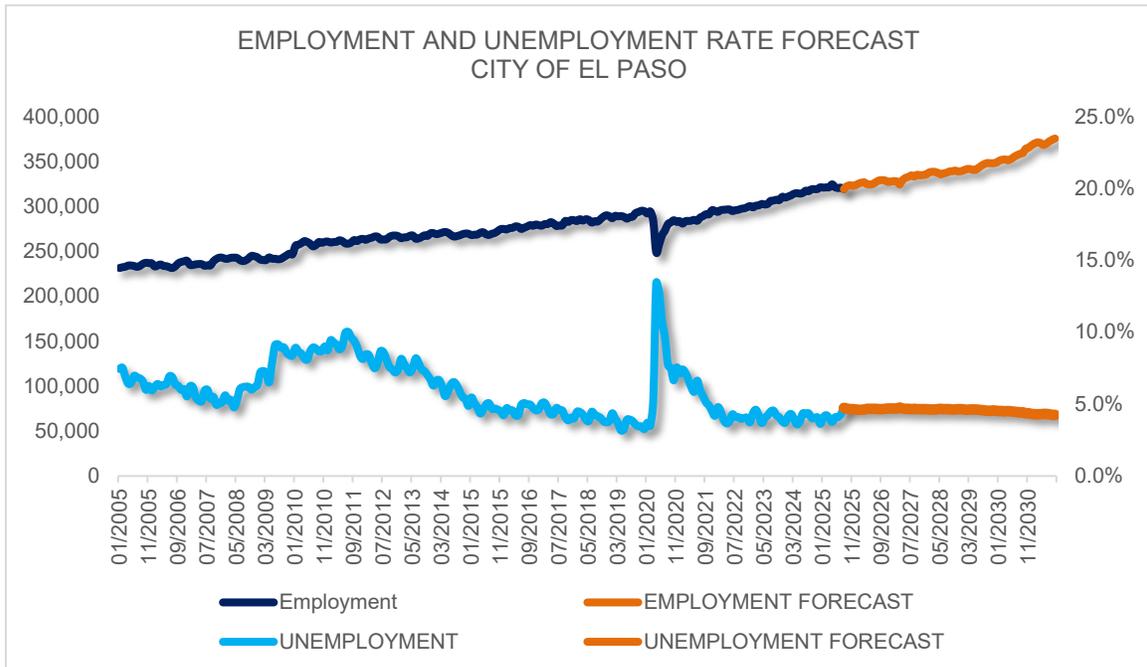
Additional key economic indicators including El Paso's employment growth and unemployment rate are summarized below. The table includes forecasted data developed by the Office of Management and Budget to be used in the development of the MYFO FY2027 – FY2031 Revenue Forecast.

	HISTORICAL 5-YR GROWTH RATE	FORECASTED GROWTH RATE	FY27	FY28	FY29	FY30	FY31
EMPLOYMENT	3.0%	2.4%	1.3%	1.6%	2.5%	3.2%	4.8%
UNEMPLOYMENT	4.3%	4.5%	4.7%	4.6%	4.6%	4.4%	4.2%



Over the past 5 years, employment rate increased 3.0% annually while the unemployment rate decreased to 4.3%, in El Paso. The forecast illustrates that with a softness in economic activity in the next couple of years, the unemployment rate will tick up to 4.7%. However, as employment growth gains steam starting in 2028 – 2031, the unemployment rate will decrease to 4.2% by 2031.

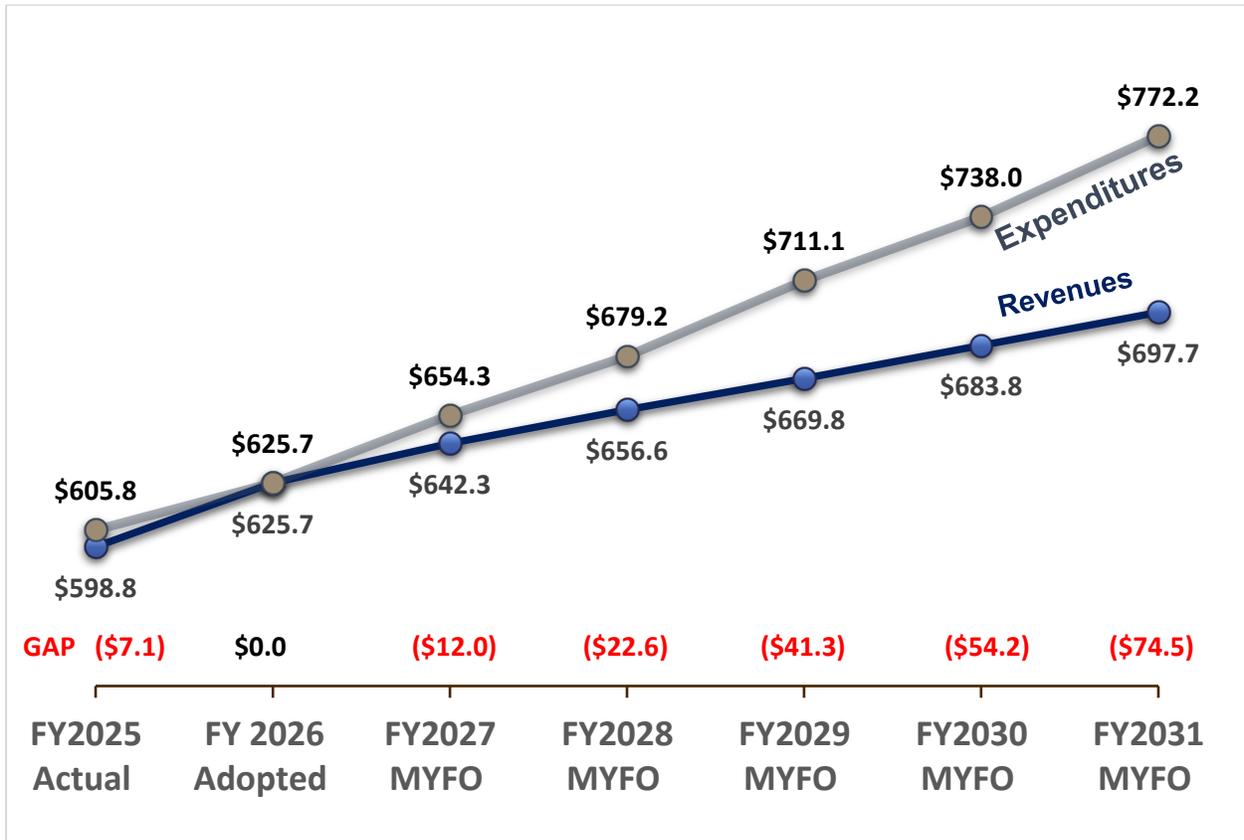
Illustrated below are the historical and forecasted data series for the unemployment rate and employment growth for El Paso. The forecasted data generated by the Office of Management and Budget indicates employment growth in El Paso will continue to grow at a slightly lower rate than in the previous five years but still at a health rate. The national economic slowdown should only have a minimum impact in El Paso as the region does not observe the large fluctuations that are seen in other communities.





General Fund - Five-Year Forecast

\$ in Millions	FY2025 Actual	FY2026 Adopted	FY2027 MYFO	FY2028 MYFO	FY2029 MYFO	FY2030 MYFO	FY2031 MYFO
REVENUES							
Property Taxes	\$ 280.4	\$ 304.9	\$ 320.9	\$ 327.9	\$ 333.9	\$ 340.1	\$ 346.4
Sales Taxes	140.7	146.7	151.0	156.0	161.2	166.5	172.1
Franchise Fees	58.7	61.7	61.0	61.5	62.1	62.7	63.4
Charges for Services	34.7	35.2	35.0	35.7	36.0	36.6	36.8
Fines and Forfeitures	7.1	7.0	6.3	6.4	6.6	6.7	6.8
Licenses and Permits	12.3	12.1	12.0	12.0	12.0	12.0	12.0
Intergovernmental Revenues	3.6	3.9	3.9	3.9	3.9	3.9	3.9
Interest	8.9	2.5	2.5	2.5	2.5	2.5	2.5
Rents and Other	12.6	12.6	12.1	12.4	12.7	13.0	13.3
Other Sources (Uses)	0.5	-	0.5	0.5	0.5	0.5	0.5
Operating Transfers In	39.1	39.0	37.0	37.7	38.5	39.2	40.0
Total Revenues	\$ 598.8	\$ 625.7	\$ 642.3	\$ 656.6	\$ 669.8	\$ 683.8	\$ 697.7
Net \$ Increase		\$ 26.9	\$ 16.6	\$ 14.3	\$ 13.2	\$ 13.9	\$ 13.9
Net % Increase		4.5%	2.7%	2.2%	2.0%	2.1%	2.0%
EXPENDITURES							
Salaries & Wages	\$ 314.4	\$ 332.4	\$ 342.6	\$ 359.1	\$ 376.9	\$ 395.6	\$ 415.3
Employee Benefits	119.5	115.3	128.7	134.5	140.6	147.0	153.7
Contractual Services	1.8	1.7	1.8	1.9	2.0	2.1	2.2
Professional Services	13.1	13.0	14.9	15.3	15.7	16.1	16.5
Outside Contracts	37.5	42.1	43.9	43.9	48.1	47.4	51.0
Interfund Services	5.4	4.9	5.4	5.5	5.6	5.7	5.8
Operating Leases	2.5	2.7	2.9	2.5	3.1	2.6	3.2
Fuel And Lubricants	3.4	3.9	3.8	3.8	3.9	4.0	4.1
Materials And Supplies	15.8	16.1	16.2	16.5	16.9	17.3	17.8
Maintenance And Repairs	8.8	8.8	8.8	8.9	9.1	9.1	9.2
Minor Equipment And Furnitu	2.9	1.8	1.7	1.7	1.8	1.8	1.9
Communications	2.1	2.9	2.8	2.9	3.0	3.2	3.3
Utilities	22.4	23.5	23.6	24.3	25.1	25.9	26.7
Travel	0.5	0.8	0.8	0.8	0.8	0.8	0.8
Other Operating Expenditure:	5.4	8.6	7.9	8.0	8.0	8.0	8.1
Community Service Projects	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Other Non-Operating Expend	1.1	1.7	2.1	2.1	2.1	2.2	2.2
Grant Match	1.3	1.6	1.4	1.4	1.5	1.5	1.5
Operating Transfers Out	46.7	43.5	44.5	45.5	46.5	47.3	48.3
Capital Outlay	1.0	0.2	0.3	0.3	0.3	0.3	0.3
Total Expenditures	\$ 605.8	\$ 625.7	\$ 654.3	\$ 679.2	\$ 711.1	\$ 738.0	\$ 772.2
Net \$ Increase		\$ 19.9	\$ 28.6	\$ 24.9	\$ 31.9	\$ 26.9	\$ 34.2
Net % Increase		3.3%	4.6%	3.8%	4.7%	3.8%	4.6%
Net	\$ (7.1)	\$ (0.0)	\$ (12.0)	\$ (22.6)	\$ (41.3)	\$ (54.2)	\$ (74.5)

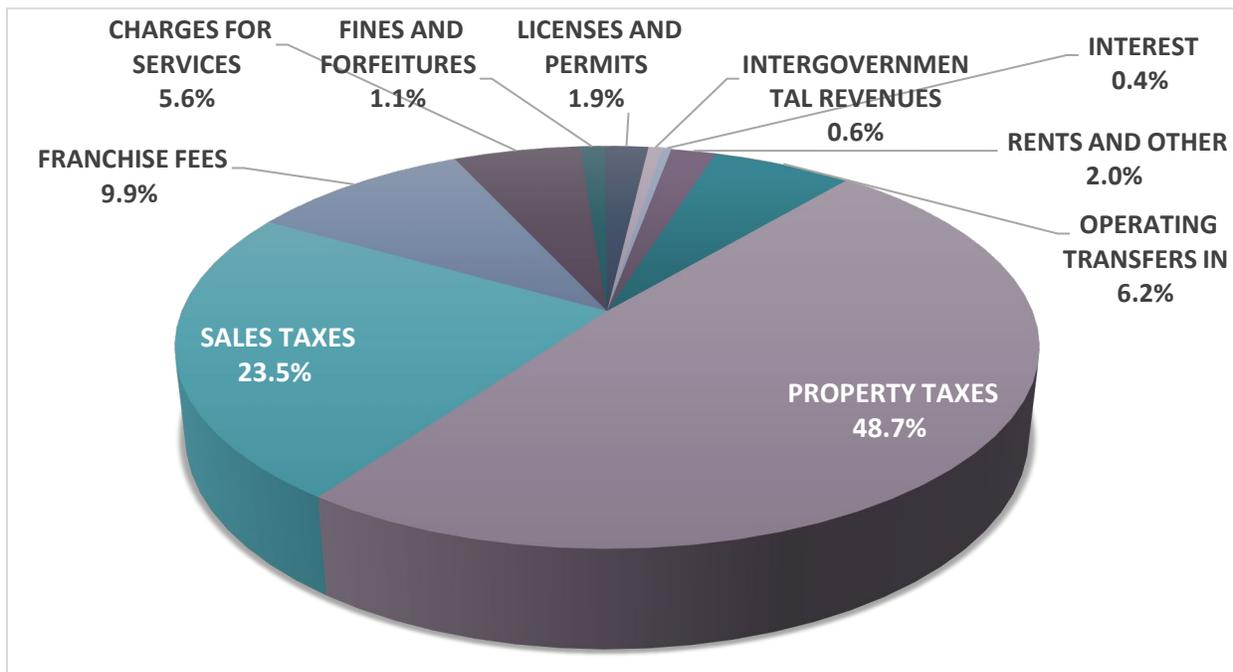


Multi-Year Financial Outlook (MYFO) is a City of El Paso five-year financial forecast and is intended for planning purposes only and all estimates are subject to change during the annual budget development process



General Fund - Revenue Forecast

General Fund revenue estimates are based on historical data and known factors. The economic assumptions discussed provide the underlying assumptions of the long-term General Fund Revenue forecast. In addition, several assumptions including no changes to the current fee schedule, known adjustments to utility (water, electric, and natural gas) rates along with customer growth, maintaining our current service levels, property valuation growth, sales tax collection growth, and revenue generated from quality-of-life bond projects. Detailed discussion on the key assumptions to property tax, sales tax and franchise revenue is provided in the following section. These three revenue sources constitute 82% of General Fund Revenues.





Following table summarizes General Fund Revenues including FY 2025 Actual, FY 2026 Adopted and FY 2027 – FY 2031 forecast. FY 2027 General Fund revenues are expected to increase by 16.6 million over FY2026 Adopted. Over the 5-year forecast period the annual average growth rate is 2.1% ranging from 2.6% in FY 2027 to 1.9% in FY2031.

\$ in Millions	FY2025	FY 2026	FY2027	FY2028	FY2029	FY2030	FY2031
	Actual	Adopted	MYFO	MYFO	MYFO	MYFO	MYFO
PROPERTY TAXES	\$ 280.4	\$ 304.9	\$ 320.9	\$ 327.9	\$ 333.9	\$ 340.1	\$ 346.4
SALES TAXES	140.7	146.7	151.0	156.0	161.2	166.5	172.1
FRANCHISE FEES	58.7	61.7	61.0	61.5	62.1	62.7	63.4
CHARGES FOR SERVICES	34.7	35.2	35.0	35.7	36.0	36.6	36.8
FINES AND FORFEITURES	7.1	7.0	6.3	6.4	6.6	6.7	6.8
LICENSES AND PERMITS	12.3	12.1	12.0	12.0	12.0	12.0	12.0
INTERGOVERNMENTAL REVENUES	3.6	3.9	3.9	3.9	3.9	3.9	3.9
INTEREST	8.9	2.5	2.5	2.5	2.5	2.5	2.5
RENTS AND OTHER	12.6	12.6	12.1	12.4	12.7	13.0	13.3
OTHER SOURCES (USES)	0.5	-	0.5	0.5	0.5	0.5	0.5
OPERATING TRANSFERS IN	39.1	39.0	37.0	37.7	38.5	39.2	40.0
TOTAL REVENUE	\$ 598.8	\$ 625.7	\$ 642.3	\$ 656.6	\$ 669.8	\$ 683.8	\$ 697.7
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Net % Increase		4.5%	2.7%	2.2%	2.0%	2.1%	2.0%

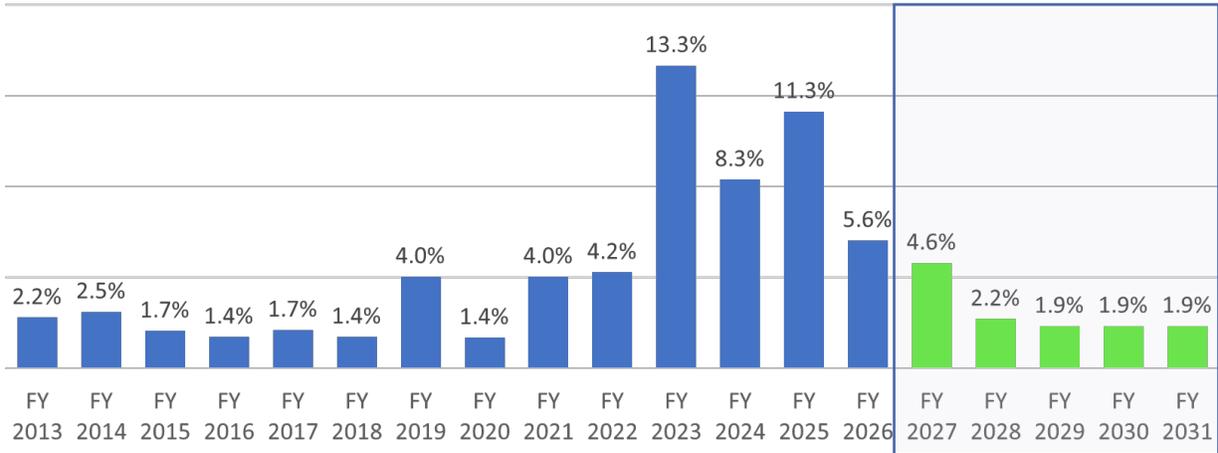
Property Tax Forecast and Tax Rate Outlook

Property tax revenue is the largest General Fund Revenue category for the City of El Paso. This category is impacted by State legislation along with property valuation growth and the adopted property tax rate. One of the biggest recent legislative impacts affecting property tax revenue was Senate Bill 2, passed in 2019, as this limited taxing entities to adopt an O&M property tax rate not more than 3.5% above the no new revenue tax rate before having to call for an election and have voter approval. This rate of 3.5% is significantly lower than the 8% that was previously implemented. Starting January 1, 2026, Texas law was changed so that businesses can exempt up to \$125,000 of the value of their income-producing tangible personal property at each business location. This is an increase of \$122,500 as previous exemption was \$2,500. The City is actively evaluating legislative sessions. Latest 89th Texas Legislative Session which proposed change to voter-approval rate cap (SB 9) for permissible growth for O&M tax rate without triggering a vote from 3.5% to 2.5% was not enacted.

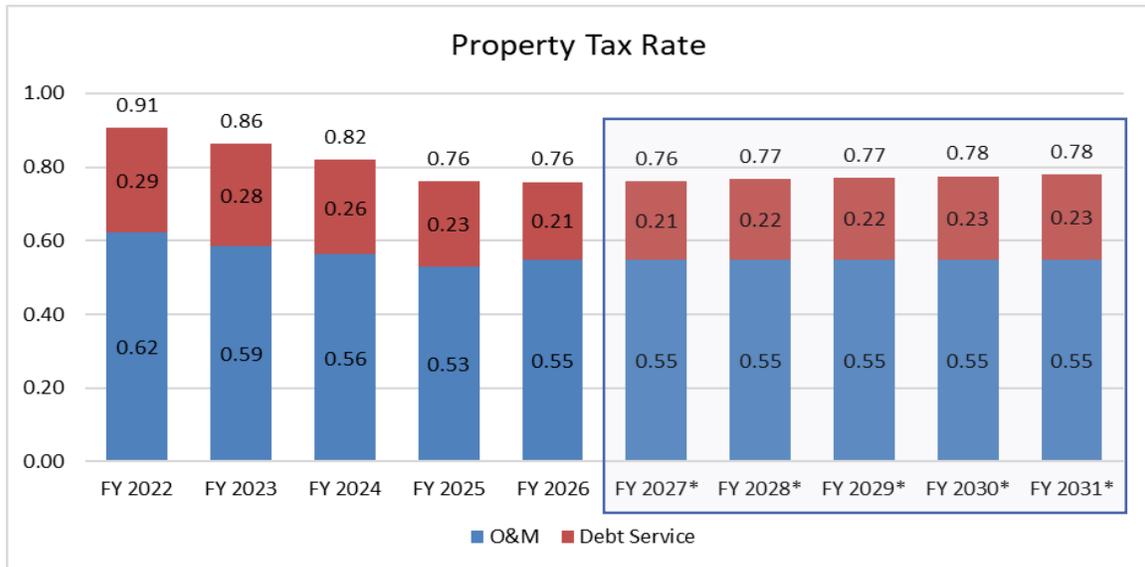
The graph below illustrates the property tax valuations expected from FY 2027 – FY 2031. FY 2026, property valuations grew by 5.6%, lower than the 11.3% observed in FY 2024. FY 2027 through 2031 in the graph below are forecasted changes in taxable valuations. In FY 2027, property valuations are expected to increase by 4.6% and continue to stabilize to its historical growth trend in subsequent years.



Taxable Property Valuations - Historical and Projected



Another key assumption in developing the FY 2027 – FY 2031 Property Tax Revenue forecast is the expected tax rate. The Property Tax Rate has two components, Debt and Operating and Maintenance (O&M) rates. For the generation of this forecast, the projected O&M property tax rate is maintained at the FY 2026 adopted rate of \$0.549469 per 100 of valuation.



FY 2027 –2031 Property Tax Rates are for modeling (comparison) purposes and are not the recommended or proposed rates

The table below summarizes the expected FY 2027 – FY 2031 property tax revenue.

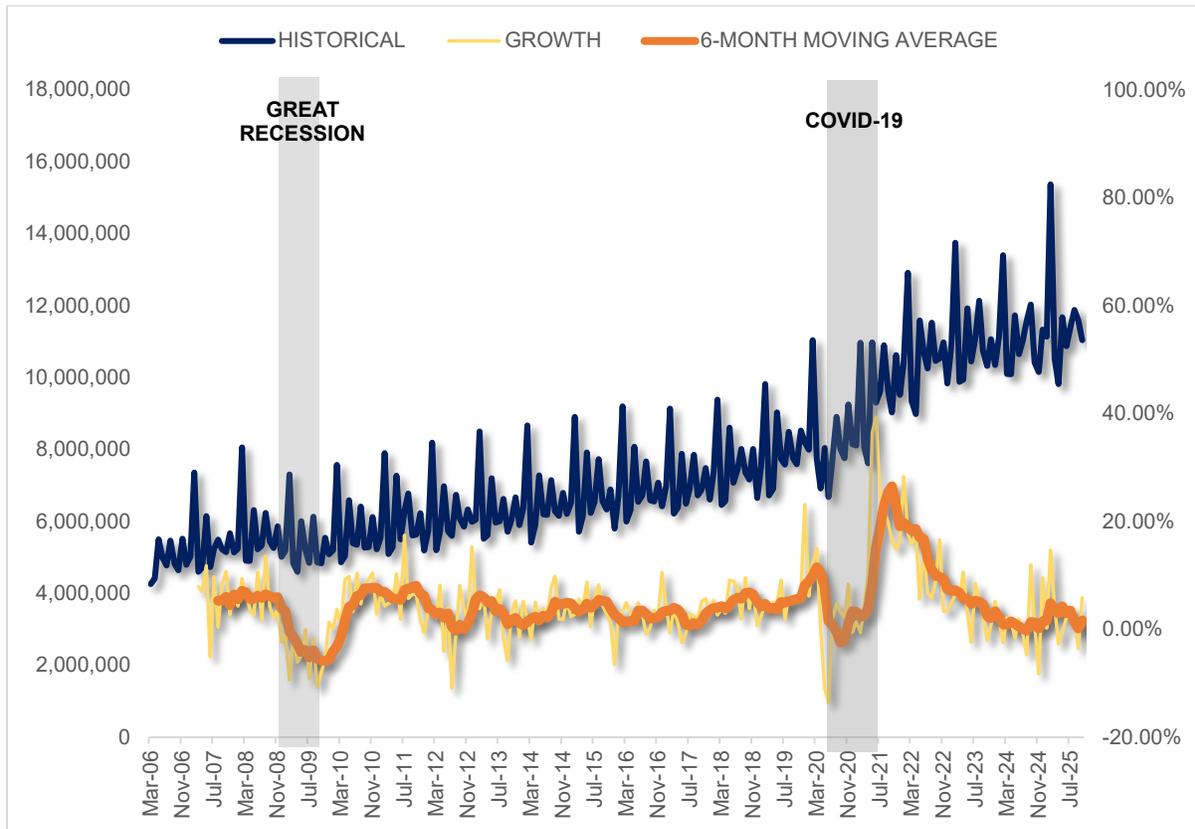
REVENUE BY SOURCE	FY 2026 Adopted	FY2027 MYFO	FY2028 MYFO	FY2029 MYFO	FY2030 MYFO	FY2031 MYFO
Property Taxes	\$304.0	\$319.8	\$326.8	\$332.8	\$339.0	\$345.3
Growth		5.6%	2.2%	1.9%	1.9%	1.9%



Sales Tax Forecast

Sales tax revenues are the second-largest income source for the City of El Paso. While these revenues are influenced by broader economic factors, they are significantly boosted by cross-border shopping from Northern Mexico. The substantial increase in sales tax revenue over the last five years was primarily a temporary effect of pent-up demand following the pandemic and rising inflation

As national inflation eased to 2.2% year-over-year in the third quarter of 2025, a significant drop from the June 2022 high of 9.1%, the Federal Reserve has progressively lowered interest rates. These cuts are intended to stimulate economic growth by making borrowing cheaper for both consumers and businesses. For El Paso, this shift in monetary policy is expected to positively influence retail sales.



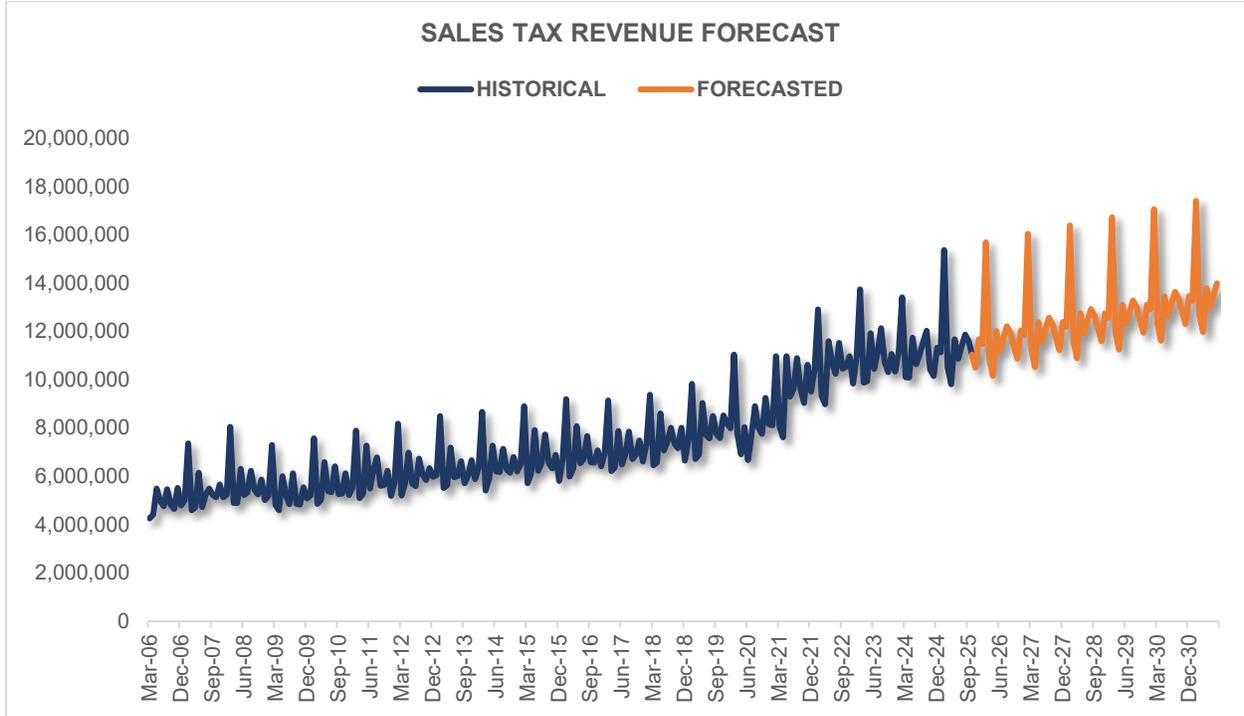
Taking these factors into account, sales tax revenue growth is expected to be moderate compared to the rapid gains observed over the past five years.

The forecast for sales tax revenues indicates a shift toward more sustainable, long-term growth, moving away from the accelerated rates experienced in FY2021. The immediate outlook for FY2026 suggests modest but steady growth, driven by a combination of lower interest rates stimulating consumer activity and higher consumer prices stemming from new federal tariffs. Beyond FY2026, from FY2027 through FY2031, the economic environment is expected to stabilize, with growth rates anticipated to converge toward long-term historical averages.

The sales tax revenue outlook for FY2027–FY2031 has been revised to reflect several economic shifts. The forecast considers additional Federal Reserve interest rate cuts, the potential effects of tariffs on

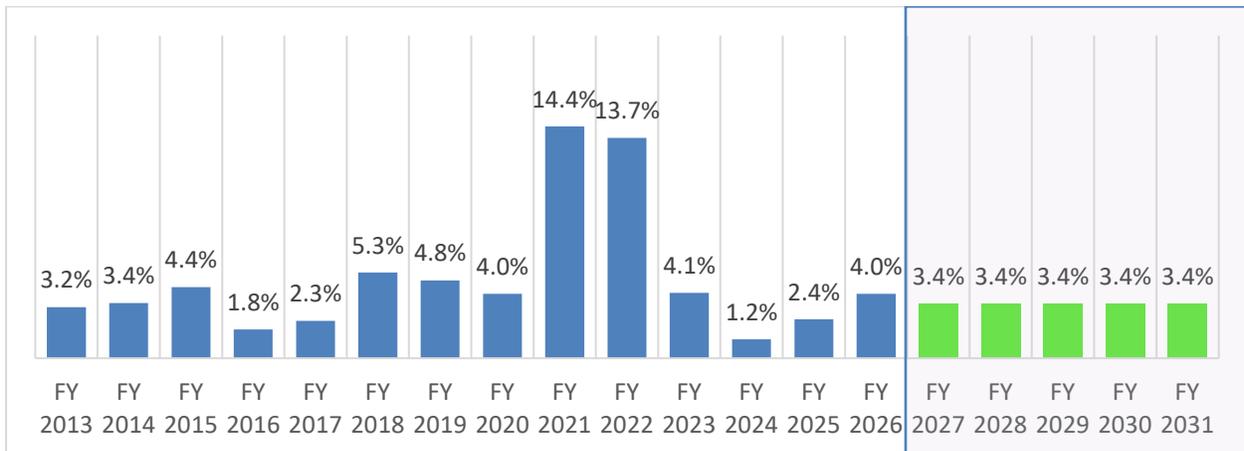


consumer purchasing power, and a projected slowdown in both the local and national labor markets. The El Paso Cycle Index also suggests a softening economic cycle. While the pace of growth will likely slow from the rapid post-pandemic period, the improving economic conditions are expected to enable more consistent and predictable sales tax revenue growth.



The table and chart below summarizes a 5-year Sales Tax revenue forecast which is expected to stabilize and return to its historical levels of 3.4% annual growth.

SALES TAX REVENUE	FY 2026 Projected	FY2027 MYFO	FY2028 MYFO	FY2029 MYFO	FY2030 MYFO	FY2031 MYFO
	\$142.3	\$147.1	\$152.1	\$157.3	\$162.6	\$168.1



FY2027 – FY2031 Multi – Year Financial Outlook



Franchise Revenue

The third largest source of General Fund revenue, behind property and sales taxes, comes from franchise and easement fees. Franchise fees are collected from both public and private utilities and assessed for the continued use of the public right-of-way. Electric, gas, telephone, water, cable, and telecommunications are among the utilities included in this source of revenue.

\$ in Millions	FY 2025	FY 2026	FY2027	FY2028	FY2029	FY2030	FY2031
	Actual	Projected	MYFO	MYFO	MYFO	MYFO	MYFO
420230 TEXAS GAS SERVICE	\$ 9.8	\$ 9.7	\$ 10.3	\$ 10.3	\$ 10.4	\$ 10.5	\$ 10.6
420240 TIME-WARNER	2.2	2.4	2.0	1.9	1.8	1.7	1.7
420250 EL PASO WATER UTILITIES	24.5	24.7	25.6	26.2	26.7	27.2	27.8
420290 AT&T	1.4	1.1	0.9	0.8	0.7	0.6	0.5
420300 ONEOK	0.9	0.8	0.9	0.9	0.9	0.9	1.0
420320 ELECTRIC COMPANY	19.4	19.4	20.9	21.1	21.3	21.5	21.7
420330 TELECOM FRANCHISES	0.4	0.5	0.4	0.3	0.3	0.3	0.2
TOTAL FRANCHISE FEES	\$ 58.7	\$ 58.6	\$ 61.0	\$ 61.5	\$ 62.1	\$ 62.7	\$ 63.4

Natural Gas Franchise Fees

The City of El Paso regulates natural gas providers that use public rights-of-way for the transmission and delivery of natural gas to local customers. The primary provider is Texas Gas Service. The City also holds a pipeline transmission franchise with ONEOK WesTex Transmission, L.L.C., which delivers gas through pipelines that cross City-owned streets and easements.

The previous ONEOK pipeline franchise expired in 2008, and City Council approved a new agreement in 2010 which expires in 2028. Under the new ordinance (No. 017640), the franchise rate for pipeline transportation increased from 2.5 percent to 4.0 percent and besides on transportation it also applied to the imputed value of gas delivered within City limits.

For distribution service, the City entered into a revised franchise with Texas Gas Service in 2013. The ordinance approved a step-up schedule for the franchise rate on gross receipts from gas sales and transport within the City:

- 3.0 percent effective February 25, 2014
- 3.5 percent on September 1, 2014
- 4.0 percent on September 1, 2015
- 4.5 percent on September 1, 2016
- 5.0 percent on September 1, 2017 - which remains the current rate today.

Franchise revenues are calculated by multiplying the applicable rate by the company's actual gross receipts from the sale and transport of gas to residential, commercial, industrial, irrigation, public-authority, and transport customers within the City. Revenues from this source are influenced by demographic and economic factors as well as seasonal weather variations and wholesale gas prices.

Overall, the natural-gas franchise fees are expected to remain stable through the FY 2027 – FY 2031 period, supported by the expected moderate customer growth, and regulatory monitoring of utility rate adjustments.



Telecommunication related franchise fees

Telecommunications franchise fees represent about 9.9% of General Fund revenue for the City of El Paso, supporting essential municipal services and infrastructure. These revenues are generated through franchise agreements that authorize telecommunications providers to use public rights-of-way for the installation, operation, and maintenance of cable, broadband, and telecommunications facilities.

The City’s primary franchise fee revenues are derived from major providers, including AT&T and Time Warner Cable (now operating under Charter Communications). In addition, the City receives payments from several smaller telecommunications and cable service providers that operate within the community. Together, these agreements ensure that private providers compensate the public for the commercial use of municipal property.

Franchise fees are generally calculated as a percentage of gross revenues generated within the City’s service area, in accordance with federal and state regulations and locally adopted franchise agreements. This structure allows revenues to adjust with market conditions, customer demand, and changes in service offerings, helping maintain long-term fiscal stability.

In general, the City receives revenue based on two key components: a per-line fee for use of the public rights-of-way, and 1 % of gross revenues for video programming services. As traditional cable subscriptions continue to evolve toward digital and streaming platforms, in addition to growth in cellular and mobile-only usage and shift from traditional land-line telephone services the City has experienced a consistent downward trend in these revenues.

Looking forward, the decline is anticipated to continue. Recent state legislation (e.g., SB 924) clarifies that streaming video services are no longer subject to local video-service franchise fees. While there will remain demand for traditional land-line and cable services, the volume of those services continues to contract, which will translate into further revenue reductions from this source.





El Paso Water Utilities

The El Paso Water Utilities (EPWU) is a component of the City of El Paso and managed by the Public Service Board. The Public Service Board was established by City Ordinance No.752 in 1952 to manage and operate the water and wastewater system in the City of El Paso. EPWU pays the City 10% of the total gross receipts received from the sale of water in lieu of property taxes (PILOT or PILT). EPWU also pays for solid waste disposal fees, paving inspections, and 5% of the net proceeds from the sale of any land owned by EPWU. In FY 2015, the City Council approved a franchise fee of \$3,550,000 to compensate the City for the use of city streets and rights of way for utility lines and wear and tear on city streets. In FY 2020, City Council approved an additional \$3,000,000 to the franchise fee, designated for the resurfacing of collector streets, for a total annual amount of \$6,550,000.

The number of metered water customers has continued to increase steadily. According to the FY 2024 and FY 2025 Annual Comprehensive Financial Reports (ACFRs), El Paso Water has averaged approximately 0.9 % – 1.7 % annual customer growth, adding roughly 1,800 to 2,100 new accounts per year. In line with that growth, Public Service Board (PSB) for its FY 2025-26 budget approved a 7% increase (effective on March 1, 2025) in combined water, wastewater, and stormwater rates (which amounts to about \$5.71 more per month for a typical residential bill). In addition, as part of FY 2026–27 budget PSB approved another increase that will take effect on March 1, 2026. Newest rate change will increase average bill by \$9.99 or 12%. Collections for this revenue category are affected by demographic growth, economic expansion, water rate policies, conservation efforts, and seasonal weather patterns. Future revenues projected are expected to base on a growing customer base and anticipated future water rate increases.

Electric Company Franchise Fee

El Paso Electric is a public utility company, which generates, transmits, and distributes electricity in West Texas and Southern New Mexico. In order for El Paso Electric to operate effectively and serve the El Paso area, it is necessary that power lines and infrastructure be located on City owned property with cross easements throughout the city. The City of El Paso and El Paso Electric have negotiated and agreed upon a franchise agreement which runs through July 31, 2060 in consideration for the easement. The annual franchise fee of 5% of electrical energy taxable revenues is paid quarterly to the City by the electric utility for access to these properties. The rate is distributed as follows: 3.25% to General Fund, 1.75% dedicated to the “Impact Fund” and 1.0% allocated to the “Auxiliary Fund”. The original 2005 agreement set the franchise fee at 3.25%. A 2010 amendment added 0.75% dedicated to “Impact Fund” for economic development and renewables. A 2018 amendment added another 1% called “Auxiliary Fee”. El Paso Electric serves approximately 465,000 customers in West Texas and Southern New Mexico.

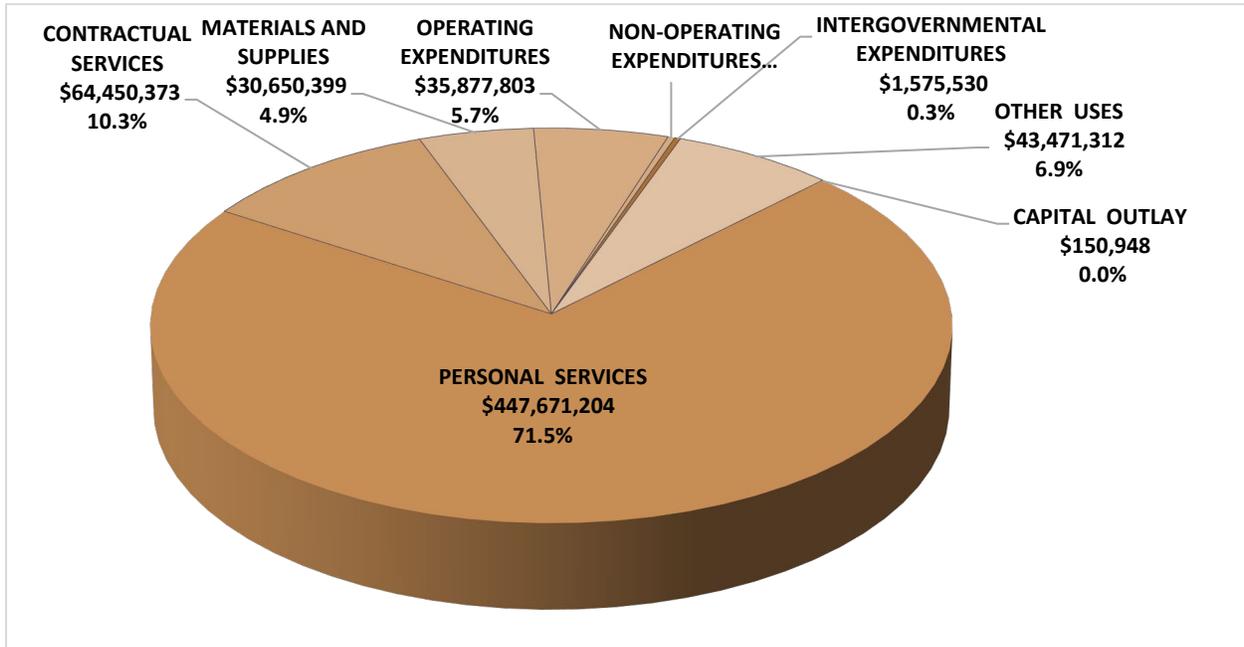
Estimates for this revenue source are based on growth in the customer base, trends in taxable sales and collections while considering any actions or refunds approved by the Public Utility Commission of Texas. Taxable sales, as reported by the electric utility, fluctuate based on demand, weather, rates, and the fuel factor currently in effect. Electricity consumption is affected by numerous variables, including regional economic activity, income growth, KWH rates, usage efficiency, and weather conditions. The future outlook is shown in the following table.

In Millions	Fund	Fee %	FY2025	FY 2026 Budget	FY2027 MYFO	FY2028 MYFO	FY2029 MYFO	FY2030 MYFO	FY2031 MYFO
General Fund	1000	3.25%	19.4	20.7	20.9	21.1	21.3	21.5	21.7
“Impact Fund”	2313	0.75%	4.4	4.8	4.9	4.9	5.0	5.0	5.1
“Auxiliary Fund”	2315	1.00%	5.7	7.6	7.7	7.8	7.9	7.9	8.0
		5.00%	29.5	33.1	33.5	33.8	34.1	34.4	34.7
				12.2%	1.2%	0.9%	1.2%	0.6%	1.2%



General Fund - Expenditures Forecast

The expenditures are categorized in the following main groups: personal services, contractual services, materials and supplies, operating expenditures, non-operating expenditures, intergovernmental expenditures, other uses, and capital outlay.



General Fund expenditures are expected to grow by a steady pace during next 5 years mainly due to projected increases resulting from contractual increases, collective bargaining agreements for uniform employees for Police and Fire, and as well compensation increases for City’s civilian employees. Additionally, as ARPA federal grant funding related to COVID-19 emergency response is scheduled to be exhausted at the end of calendar 2026, projects needing ongoing support will be assessed and transferred back to the General Fund.

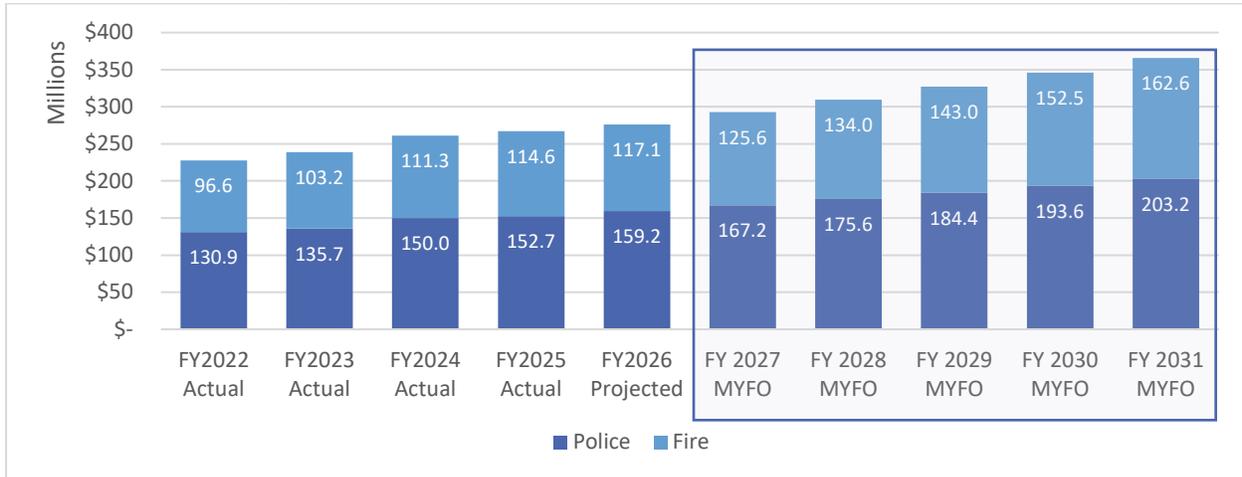
In the next 5 years, the City will continue to fund priorities, focus on its workforce and proactively address pressing budgetary issues such as economic slowdown, revenue gap, labor shortage and property tax cap requirements. The City will continue focusing on already established priorities: public safety, infrastructure and quality of life. These priorities have been vetted through enormous public input through the annual *Chime In!* survey, community briefings, town hall meetings and focus groups.



Personal Services

Personal Services include costs related to employee compensation such as salaries, wages, taxes, and fringe benefits. 72% of the total General Fund expenditures are related to City of El Paso workforce and as expected they will have the biggest impact in the next 5 years. There will be an increased focus on our workforce during next years and the City will address vacancies, retention concerns and healthcare costs.

Uniform Salaries and Benefits



The City of El Paso made significant investments in Public Safety in recent years. During FY 2016 to FY 2026 period we made over \$142.5 million investment to the annual budgets of Police and Fire, added Crisis Intervention Team to Police, increased pay to 911 Communicators and increased funding for vehicle replacement. In 2019 City Council approved Public Safety Bond - a \$413.1 million (\$167.7 million already issued) package of capital projects and improvements for Police and Fire. These projects will increase both the personnel and operation and maintenance portions to their annual budgets. Significant impact to future Police and Fire budgets include collective bargaining agreements. Current contracts expire in FY 2026 (for Fire department) and FY 2027 (for Police department). Below table shows annual increases assuming continuation of current trend and respective contracts.

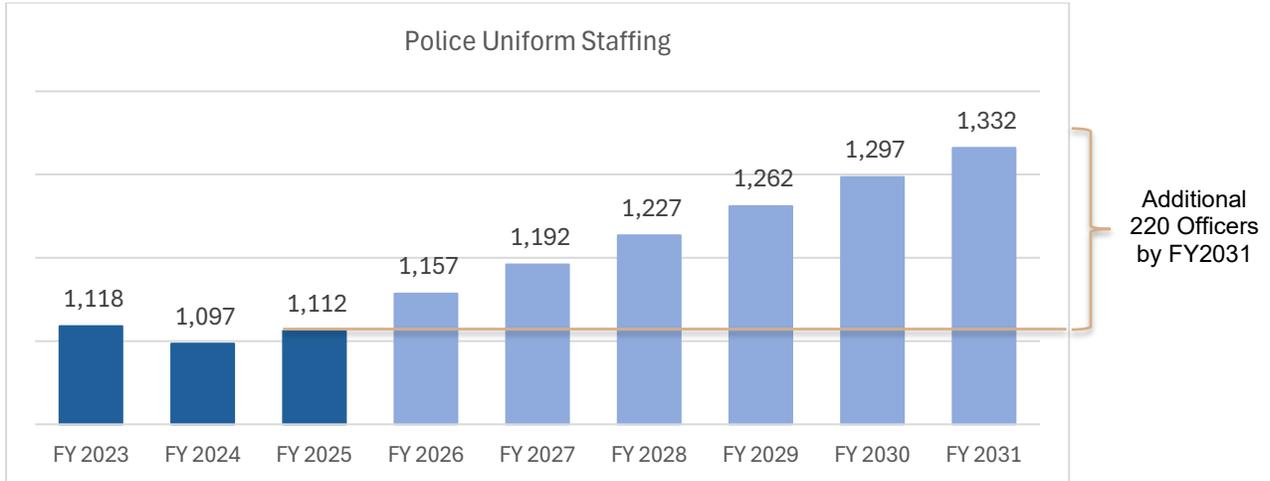
	FY 2027 MYFO	FY 2028 MYFO	FY 2029 MYFO	FY 2030 MYFO	FY 2031 MYFO
POLICE	\$8.0M	\$8.4M	\$8.8M	\$9.2M	\$9.7M
FIRE	\$8.5M	\$8.4M	\$9.0M	\$9.5M	\$10.1M
	\$16.5M	\$16.7M	\$17.8M	\$18.7M	\$19.8M

Police Uniform Staffing

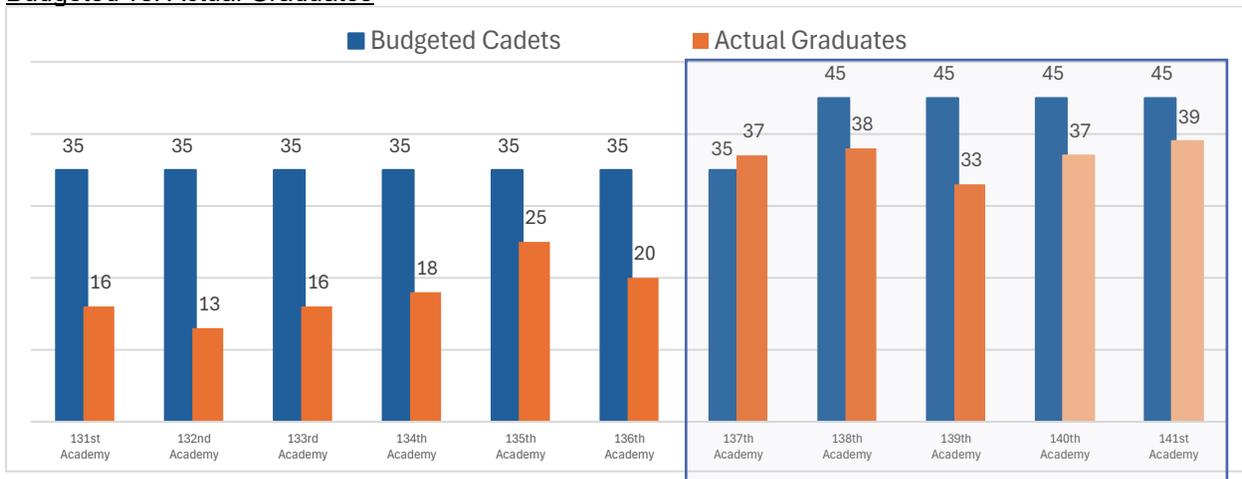
In 2021 the City's Police Department switched from larger size academies to three smaller academies per year, each accommodating 30-35 cadets, with an annual cost of approximately \$4.2 million. As these academies span nearly 10 months, two cross fiscal years, impacting the next year's budget. In FY2025 with appointment of the new City Manager the City changed its recruiting strategy and successfully reversed negative trend. For FY2026 the City is planning 3 (three) police officer training academies thus bringing the number of police officers to pre-COVID levels. The positive growing trend is expected to continue in the next years.



To further address recruitment difficulties, the department is exploring creative strategies, such as lateral academies, and is focusing on retention as at least 250 officers were eligible to retire going into FY2025, with continued eligibility expected in FY2026. Current CBA introduces additional pay steps for senior officers at the maximum pay scale to ensure continued salary growth, reducing the likelihood of early retirements. With attrition expected to remain steady at 4%, or about 70-75 officers per year, these steps aim to retain experienced officers and focus on long term stability.



Budgeted vs. Actual Graduates



In addition to general wage increases, the CBA enhances incentives for officers in specialized roles, such as SWAT, the bomb squad, and canine units. These monthly incentives recognize the expertise and additional responsibilities required by officers in these roles, aiming to improve job satisfaction and reduce turnover in critical areas. The department is also introducing a Sick Leave Buy-Back Program, which allows officers who maintain a balance of sick hours to sell back hours annually. This program is designed to reduce absenteeism and maintain operational efficiency. Overtime, healthcare premiums, and other benefits are projected to grow at historical rates, with healthcare costs expected to rise significantly. The provisions of the new CBA—including wage adjustments, incentives, and benefit enhancements—are reflected in budget projections through FY 2031.



Fire Uniform Staffing

For Fire department we planned 1 (one) fire academy with 65 trainees that will serve to staff Fire Station #38 (Upper Eastside) and Special Ops. Division Station (Stations 1, 9, and 11) that are planned to open in 2026. In addition, we planned 6 (six) public safety call taker academies (911) (25 per class) which will bring the level of 911 operations to its optimal levels.

Uniform salaries and benefits for the El Paso Fire Department are also projected to grow in the coming years, particularly as the COVID-19 Response Team transitions into the department’s regular operations. The current Fire Collective Bargaining Agreement (CBA), effective September 1, 2022, through August 31, 2026, provides structured salary and benefit increases to maintain market competitiveness and support recruitment and retention. Planning for the next Fire CBA will begin during FY2026, allowing the City to proactively evaluate operational needs, regional pay comparisons, and fiscal capacity prior to negotiations.

As previously mentioned, there are two fire stations that are planned to come online in FY2026. Staffing for these new facilities was originally planned under the Public Safety Bond for Fire Stations 36 and 38; however, the earlier-than-anticipated opening of Station 36 accelerated the budgetary impact. Looking ahead, steady growth of approximately 6.8% annually is projected for FY2027 through FY2031. Cost-of-living adjustments (COLA) are expected to average 3% per year during this period and are incorporated into future financial forecasts. The next Fire CBA, beginning in September 2026, is anticipated to reflect these projected increases within its terms.

Civilian Salaries and Benefits

The City has been working to address civilian workforce pay and has made efforts to provide continuous annual increases since FY2018. In addition, to providing more than needed salary increases the City absorbed all healthcare increases including employee portion providing additional benefit to employees insured by the City offered health care plans.

Moreover, the City implemented a series of targeted pay adjustments and incentive programs in job categories experiencing higher retention challenges. These efforts focused on positions critical to service delivery, including Transit Operators and Heavy Vehicle Operators requiring Commercial Driver Licenses (CDL), 911 Communicators, and Accounting and Finance personnel.

With appointment of our new City Manager, and effort to remain competitive and address rising market pressures in February 2025 the City increased minimum wage from \$13.61 to \$15.75. This milestone became the foundation for a comprehensive three-phased compensation strategy designed to promote long-term pay equity, reduce compression, and strengthen employee retention across all classifications.

- Phase I: Implemented in February 2025 with the increase of the minimum wage from \$13.11 to \$15.75
- Phase II: Implemented in January 2026 and will increase Professional & Managerial starting pay from \$20.85 to \$23.00, further addressing internal compression and market alignment.
- Phase III: Planned for FY2027 to increase minimum wage targeting “living wage” accompanied with across-the-board salary adjustments to maintain competitiveness and support retention goals.

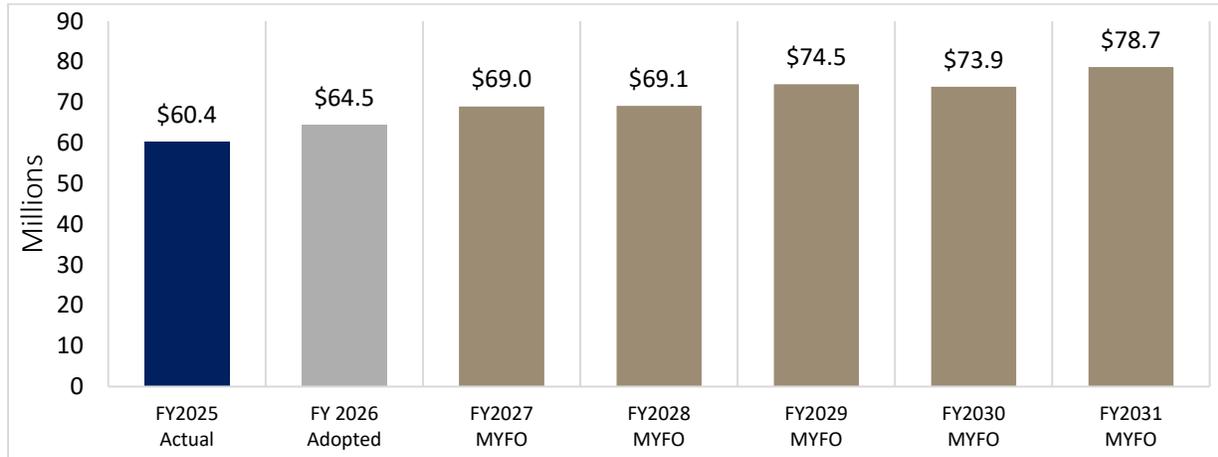
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Civilian Compensation Increases	Equity Adjustments +1.5% ATB + Lump Sums \$500/\$250	Increase Min Wage \$11.11 to \$12.11	Increase Min Wage \$12.11 to \$13.11	Increase Min Wage \$13.11 to \$15.75	Adjusted pay scale for PM (that was needed due to GS increase in prior year), addressed equity differentiation for tenured staff and 1% ATB	Increase Min Wage and ATB targeting “living wage” over the next five years

* ATB – Across the Board increases



Contractual Services

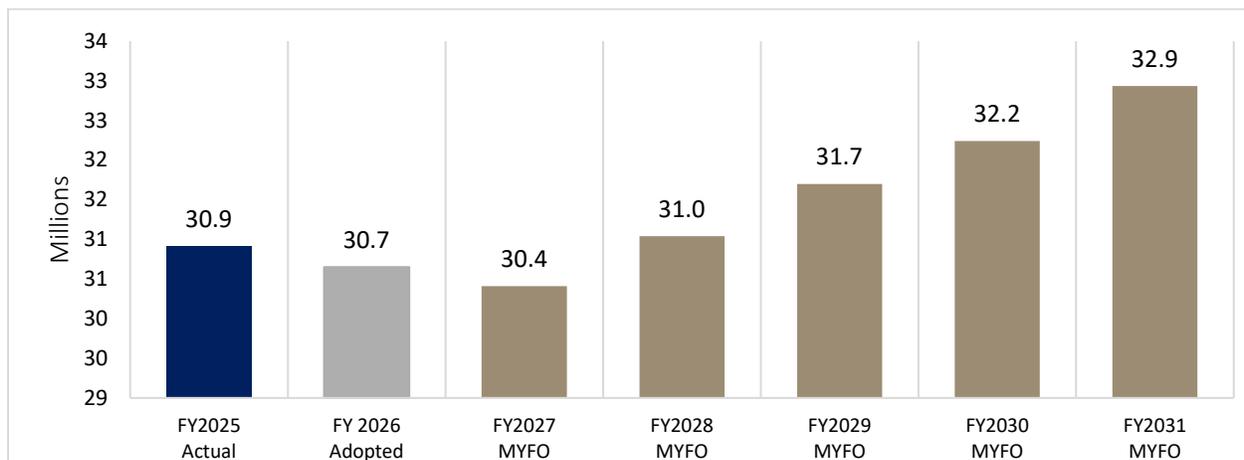
Contractual Services includes costs that are derived from contractual agreements for services. This group includes: outside contracts, operating leases, professional services, interfund services and contractual services. City of El Paso has been using an inflation adjustment to most of the major agreements and contracts. This category makes up 10.3% of our total General Fund Budget.



Materials and Supplies

Materials and Supplies include the costs of expendable items used to support daily operational activities. Expenditures increased from \$26.1 million in FY 2024 to \$30.9 million in the FY 2025, followed by a slight decrease to \$30.7 million in FY 2026 Adopted Budget. The growth over this period reflects continued cost pressures associated with supply chain adjustments and inflationary impacts on essential goods and maintenance materials.

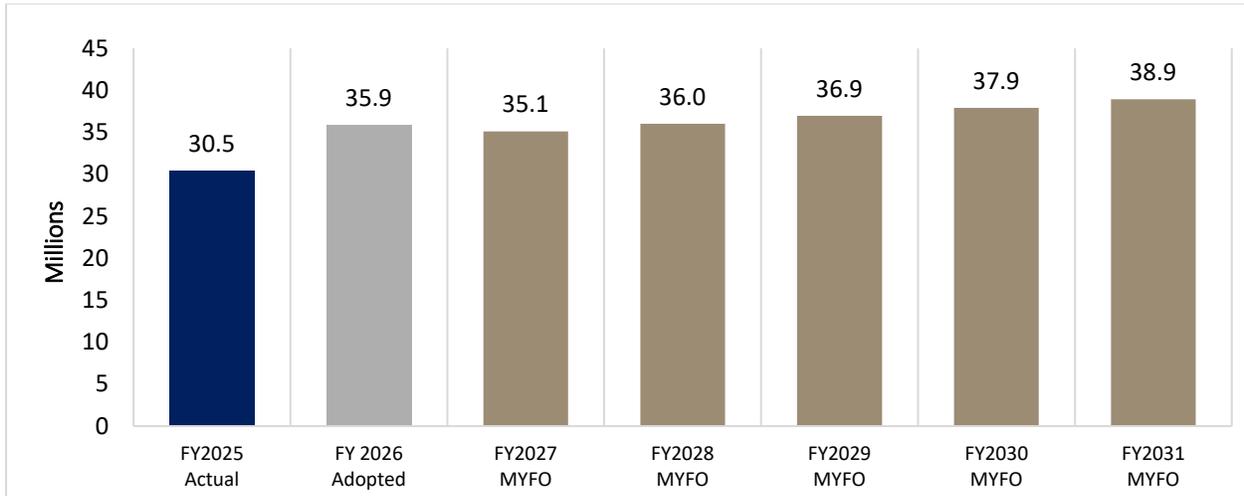
Looking ahead, expenditures for Materials and Supplies are projected to grow at a steady annual rate from FY 2027 through FY 2031, aligning with inflation trends and sustained service levels across departments.





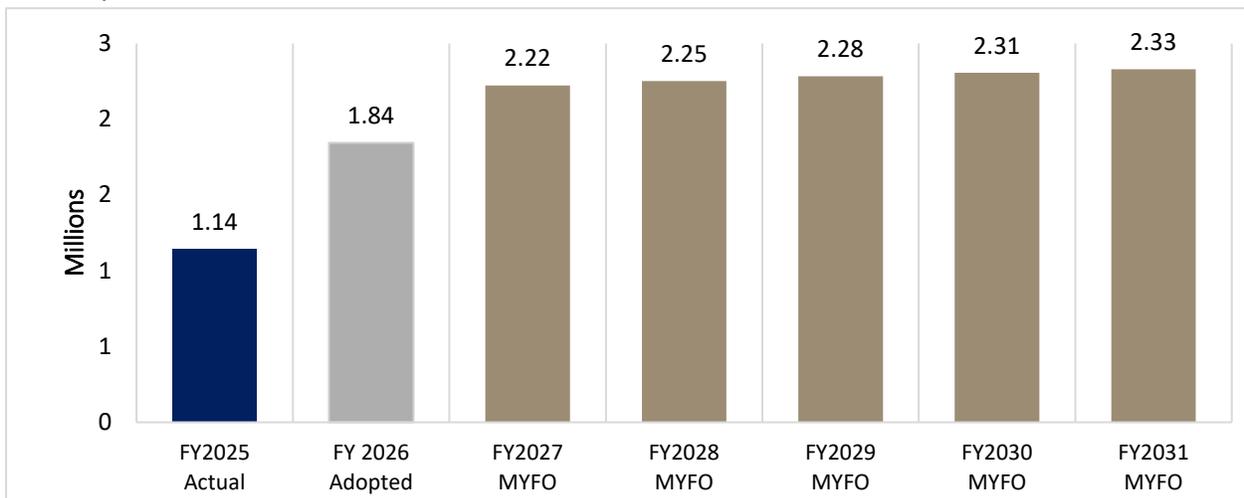
Operating Expenditures

Operating Expenditures include items that support day-to-day operations of a department such as utilities, mileage reimbursements, travel, training expenses, and communication costs. Similar to previous categories, Operating Expenditures are also projected to increase by a steady pace in the next 5 years.



Non-Operating Expenditures

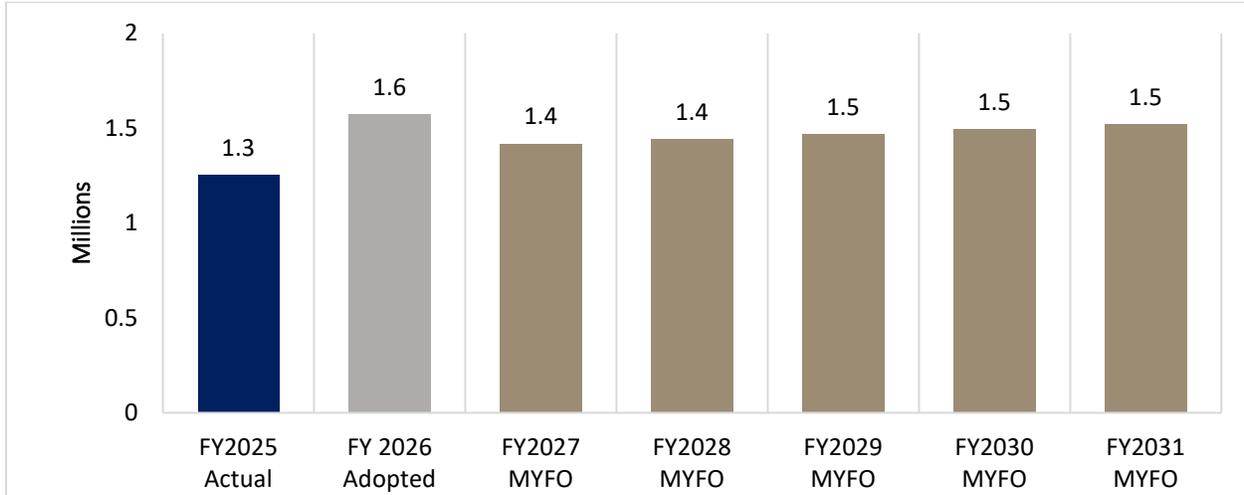
This category includes costs such as principal and interest expenses, community service project allocations, housing rehabilitation costs, and damages/settlement costs. It represents 0.3% of total General Fund expenditures.





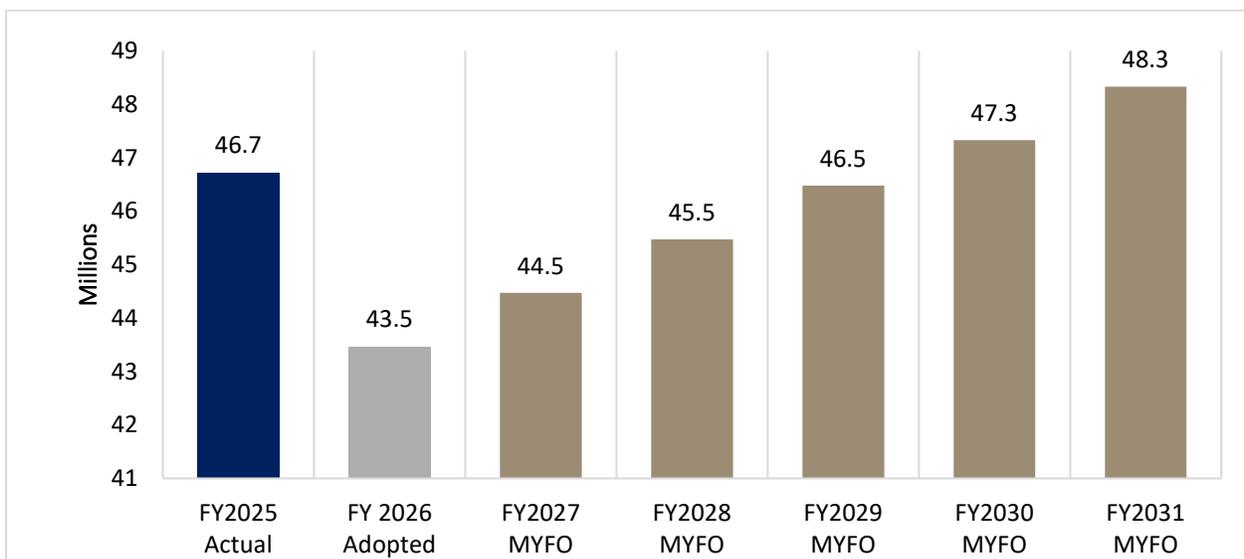
Intergovernmental Expenditures

Intergovernmental Expenditures include grant-matching funds in order to leverage federal and state funding. Intergovernmental expenditures represent 0.3% of total General Fund expenditures.



Other Uses

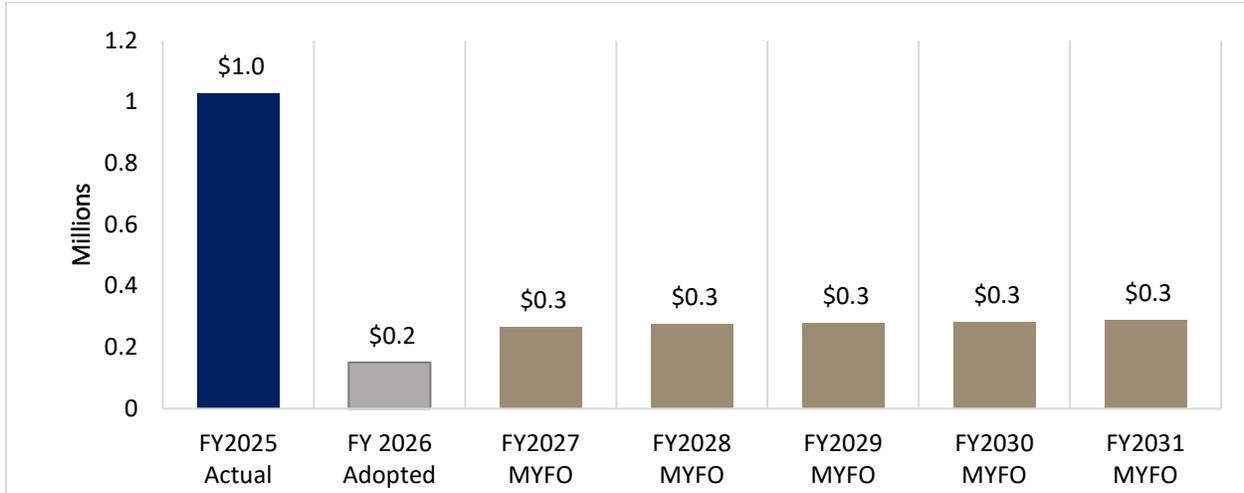
The Other Uses category includes nonrecurring transfers that do not qualify as revenues or expenditures to the receiving or disbursing department. Pay-go funding such as vehicles and capital replacement for Fire and Police, facility renovation and residential street resurfacing, transfers related to debt service and interdepartmental transfers related to Streets and Maintenance, Police and Fire are all part of this category. This category represents approximately 6.9% of the General Fund.





Capital Outlay*

Capital Outlay includes construction, equipment, and land acquisition. This category represents less than 0.1% of the General Fund.



* This Capital Outlay includes only General Fund funding for smaller equipment and purchases. Most major capital projects are funded through other, non-General Fund sources and managed by the Capital Improvement Department and individual departments.

Multi-Year Financial Outlook (MYFO) is a City of El Paso five-year financial forecast and is intended for planning purposes only and all estimates are subject to change during the annual budget development process.