



# Budget Update

February 1, 2022



# Agenda

Recap of the current budget (FY 2021 – 2022) by:

- Priorities
- Cost Drivers
- Fixed Costs

Next Steps....

# Look ahead....

- Continuing to fund priorities
- Operating costs from capital projects
- Workforce investments
- Addressing budgetary pressures (inflation, labor, property tax cap)

# Look ahead....

- Minimizing impact on tax rate and tax relief for disabled and seniors
- New collective bargaining agreements in FY 2023 (fire) and FY 2024 (police)
- More officers for the 300 Officer Initiative and fire fighters for new commands and stations
- Remaining 2012 Quality of Life Bond project operating costs
- Workforce investments – compensation increases and healthcare
- Remaining amount of debt to issue for capital projects (Public Safety Bond)

# Making Priorities a Priority

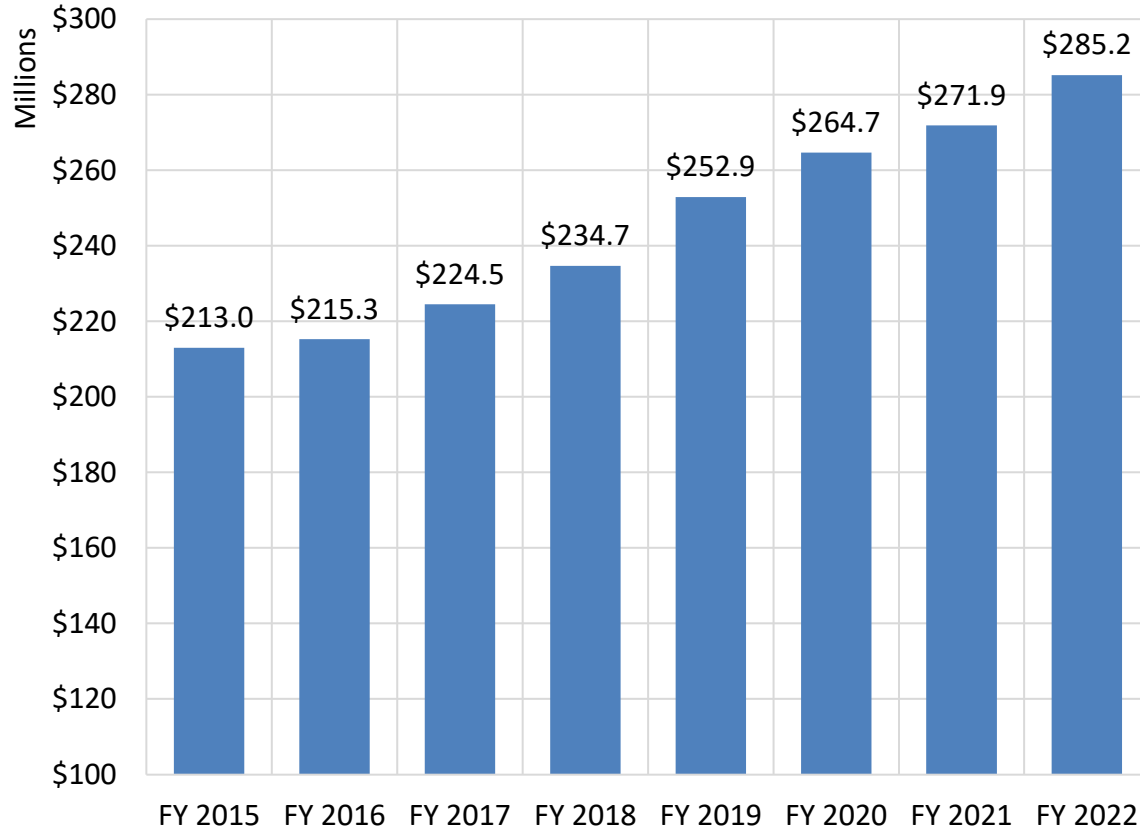
Strategic Goal	FY 2020 (Pre-COVID)	FY 2021 Budget	FY 2022 Budget	FY 2021 / FY 2022 \$ Variance
Economic Development	1,914,207	1,826,045	1,961,689	135,644
→ Public Safety	269,925,210	277,071,145	290,553,847	13,482,702
Visual Image	7,725,084	7,343,043	6,950,879	(392,164)
→ Quality of Life	55,442,603	42,734,506	53,429,275	10,694,769
I.T./Communication	19,858,231	18,953,219	21,442,986	2,489,767
Sound Governance	44,213,129	44,768,429	41,569,626	(3,198,803)
→ Infrastructure	50,794,322	41,792,085	52,567,893	10,775,808
Community Health	8,072,146	7,496,849	7,754,668	257,819
<b>Total:</b>	<b>\$ 457,944,931</b>	<b>\$ 441,985,321</b>	<b>\$ 476,230,863</b>	<b>\$ 34,245,542</b>

# Current Year Budget...

## Expanded Public Safety Investment



Police and Fire Annual Budgets



- Staffing
  - Since the summer of 2015 (FY 2016) the Police and Fire budgets have increased by \$70 million, or 32%
  - Police staffing plan to add a net increase of 300 Officers began in FY 2016
  - Additional investments include the Crisis Intervention Team and an increase 911 Communicators
- Fleet/Capital Replacement
  - Summer of 2019 the budget included \$4 million for fleet and capital replacement
  - Summer 2021 the budget included \$7.8 for fleet and capital replacement
- 2019 Public Safety Bonds
  - \$167.3 million, or 40%, of the total \$413.1 million in bonds have been issued

# Next Year Budget... (FY 2022 – 2023)



## Public Safety:

- Collective Bargaining Agreements:
  - Fire CBA Expires on August 31, 2022
  - Police CBA Expires on August 31, 2023
- Increase in staffing – three Police and three Fire academies, and 911 Communicator academies
- Public Safety Equipment – continue set-aside funding for capital replacement
- 2019 Public Safety Bond operation impacts – Fire Station 36

# Current Year Budget...

## Delivering Priority Services for our Community



- Streets – restored set-aside funds and funded new safety initiative
  - \$8.9 million (set-aside funds) for residential street resurfacing projects
  - \$3 million for collector street resurfacing projects
  - \$1.8 million for a new traffic safety program (Vision Zero)
  - \$500K for ADA on-demand request projects
  - \$250K for Neighborhood Traffic Management Plan



# Next Year Budget... (FY 2022 – 2023)



- Streets - Maintenance and traffic safety and ADA
  - Residential and collector street resurfacing projects
  - Continued funding of Vision Zero
  - ADA on-demand request projects
  - Neighborhood Traffic Management Plan

# Current Year Budget...

## Delivering Priority Services for our Community

10

- Restored funding for senior centers, libraries, recreation, and pools
  - Reopening 32 additional sites (72 total w/ current year), including recreation centers, aquatic facilities, libraries, and senior centers
  - New automated irrigation pilot project (water conservation efforts)
- Restored funding for Winterfest
- Restored funding for enhanced maintenance at sports complexes

# Next Year Budget...

## (FY 2022 – 2023)

- Increase for Quality of Life services and operating costs for completion of 13 major new bond projects to include the Children’s Museum, Mexican American Cultural Center and the Penguins exhibit;
- Continue funding sports complex facility maintenance;
- Evaluation and review of the automated irrigation pilot project
- Expanded Winterfest

# Current Year Budget...

## Delivering Priority Services for our Community

12

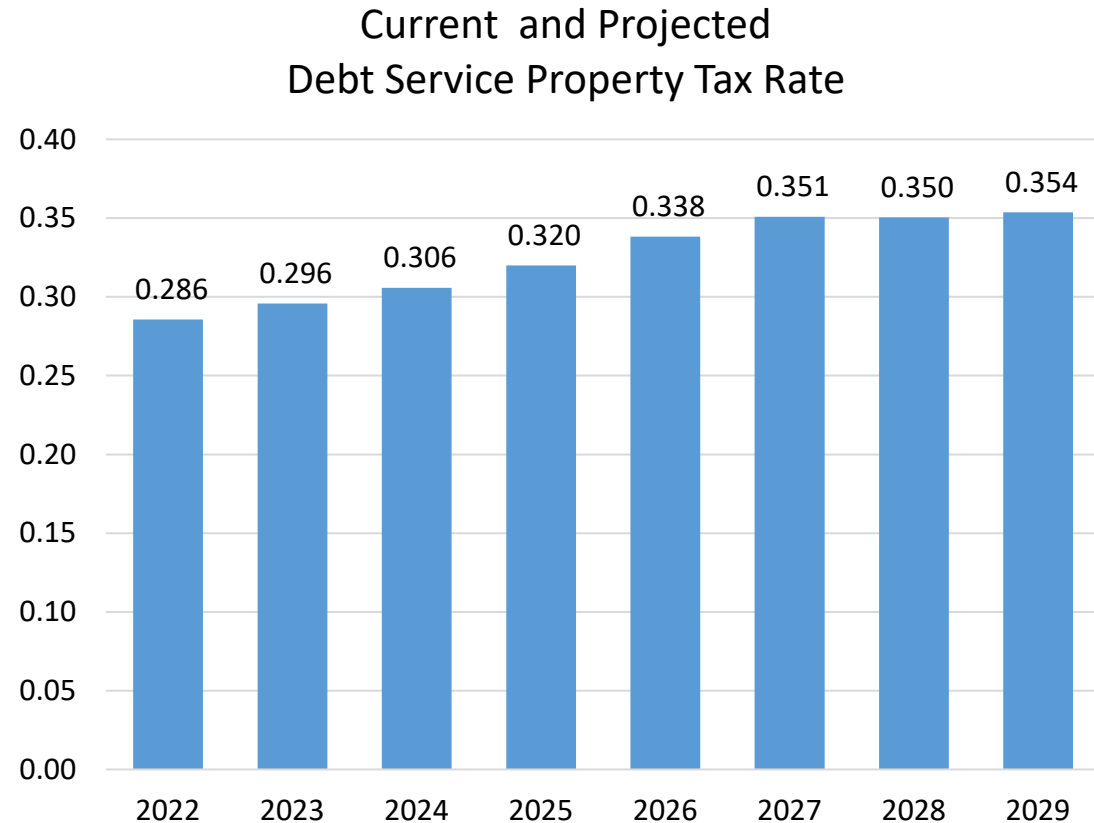
- Compensation – minimum 1.5%
- Implementation of internal equity adjustments
- No healthcare cost increase for civilian employees
- Funding Shape-it-Up wellness program – up to \$1,800 annually
- Funding Health Savings Account - \$500 to \$1,000 annually (for Consumer Driven Healthcare Plan participants)

# Next Year Budget... (FY 2022 – 2023)

- Compensation Increases
- Reviewing current and new incentives
- City healthcare cost increases
- Funding Shape-it-Up wellness program
- Funding Health Savings Account - \$500 to \$1,000 annually (for Consumer Driven Healthcare Plan participants)

# Capital Project Financing

- \$407.1 million in remaining debt to issue for approved capital projects (public safety, quality of life, streets)
- Remaining issuances to be done over next several years, based on cash flow
- Debt model (chart at right) is currently being revised, but is projected to include annual increases in the debt service tax rate until FY 2029
- Current model does not include impact from potential Nov. 2022 bond election



# Budgetary Pressures

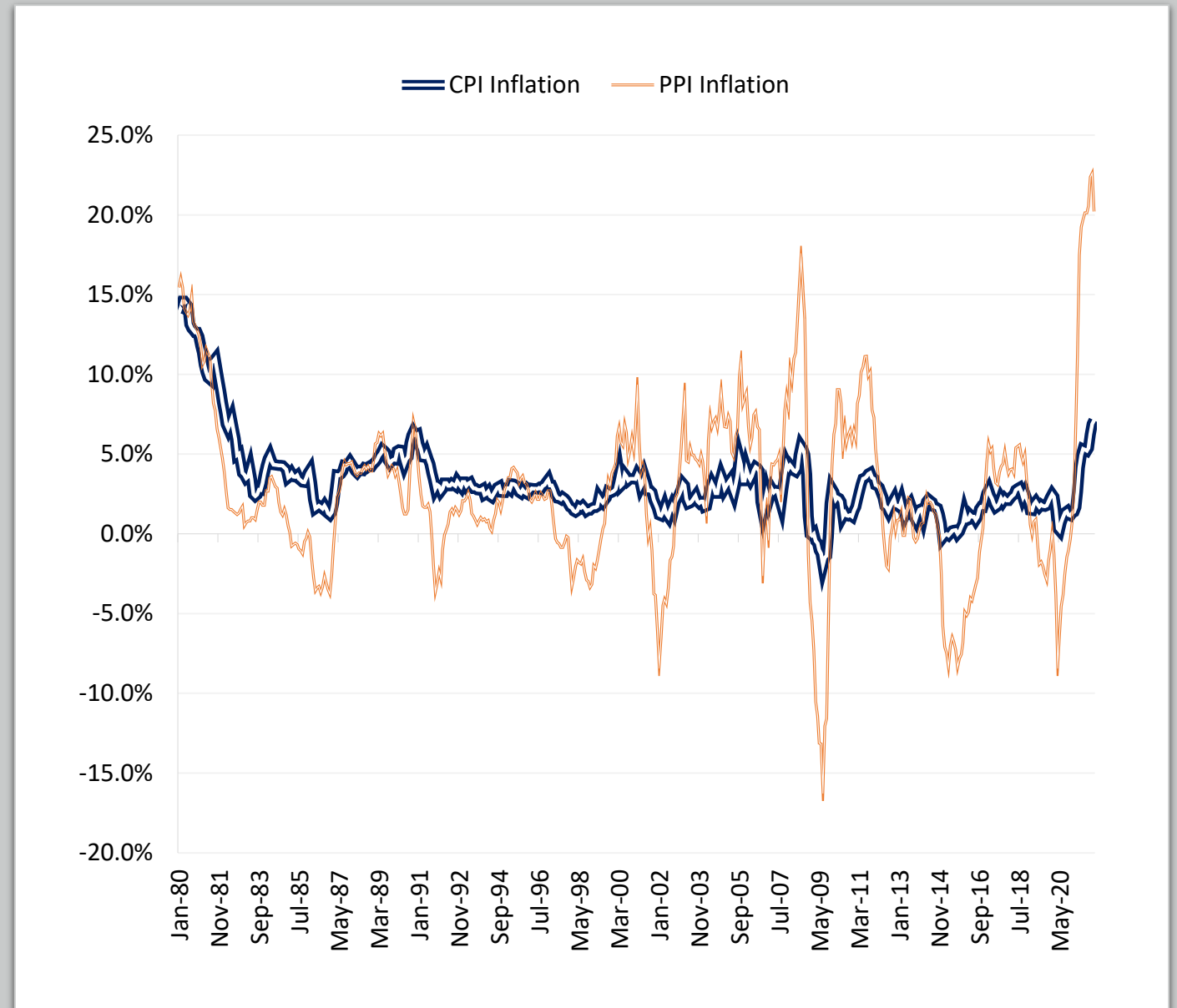
## Budgetary impacts on FY 2023 and beyond....

- **Inflation pressures** – Consumer Price Index growth rate for December 2021 is at 7.1% the highest levels in 40 years ([www.bls.gov](http://www.bls.gov))
- **Labor Market Challenges** – Difficulty finding qualified applicants to fill growing number of vacancies.
- **“The Great Resignation”** - continues to dominate headlines and stun business leaders as turnover reaches new highs.
- November 2021 - a record 4.5 million workers left their jobs.

*U.S. Bureau of Labor Statistics, “Job Openings and Labor Turnover Summary” January 4, 2022*

# Consumer and Producer Prices

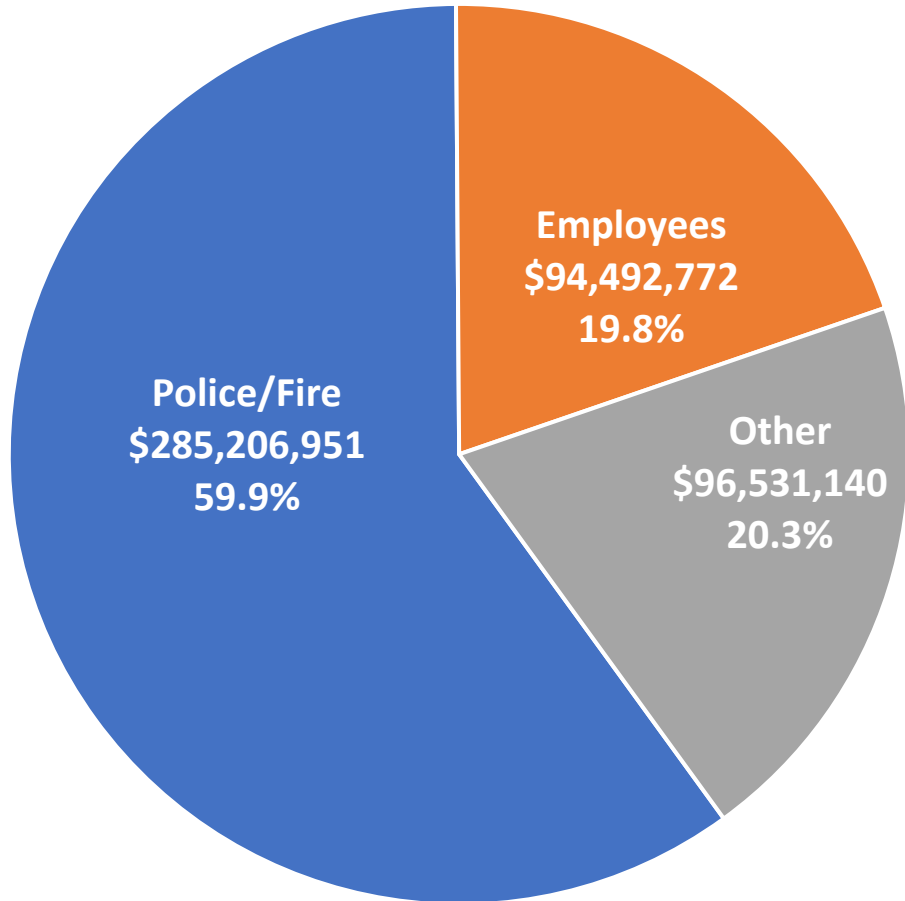
- Consumer Price Index
  - December 2021 CPI growth rate of 7.1% is the highest increase year over year since 1982.
- Producer Price Index
  - December 2021 PPI growth rate of 20.2% is the among the highest levels in more than 40 years.





# Current Year General Fund

## FY 2022 Budget Breakdown

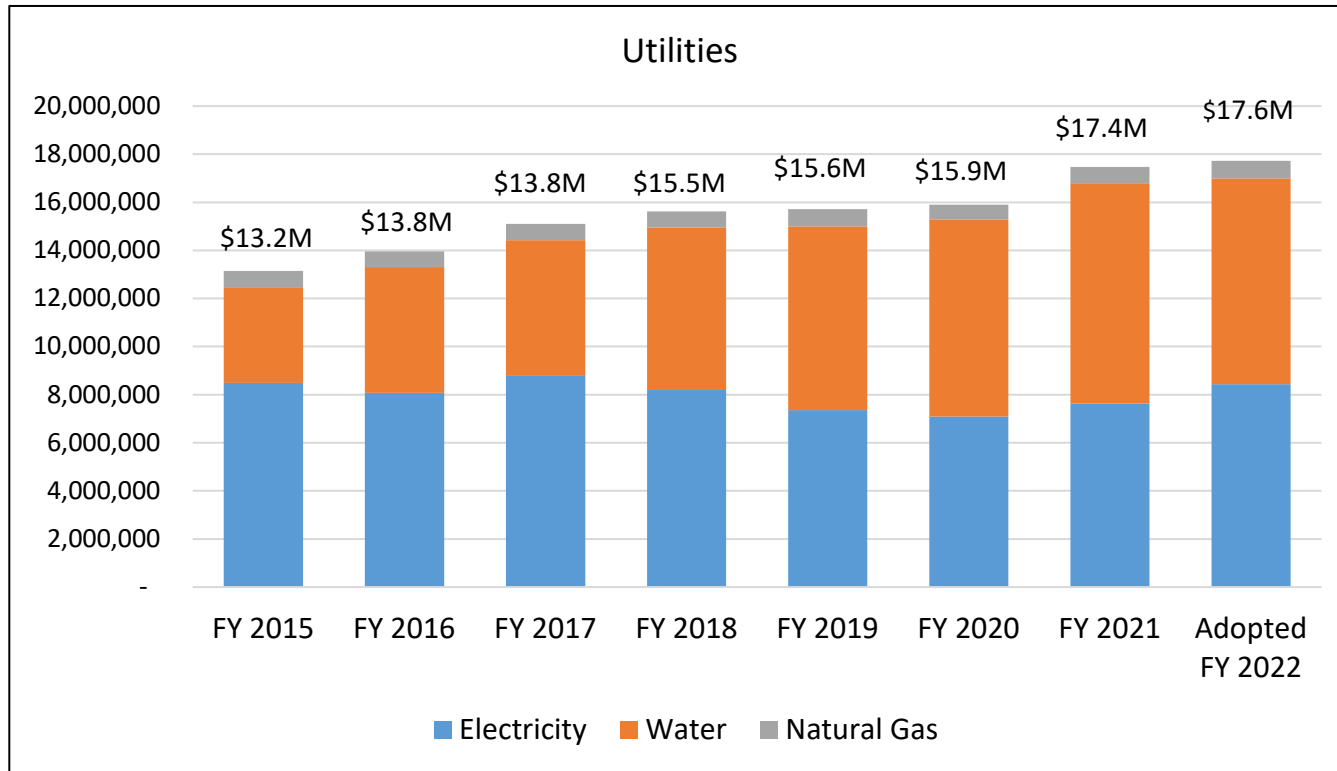


Examples of What's in the "Other" Category	Amount
Utilities	\$17,727,659
Appraisal Services	\$4,497,542
IT software/hardware contracts	\$9,323,702
Vehicle maintenance/fuel	\$5,381,547
Phones, postage, shipping	\$2,103,238
Maintenance & repairs (bldgs. Pools, streets)	\$6,319,193
General liability and property insurance	\$1,742,978
Janitorial and security contracts	\$3,893,311
Economic Incentive agreements	\$5,136,484
Animal Shelter (employee costs budgeted as a transfer)	\$3,892,958
Residential street projects	\$6,463,841
Waterparks (employee costs budgeted as a transfer)	\$3,384,943
<b>Subtotal</b>	<b>\$69,917,396</b>

= \$69.9 million is 14.7% of total budget.

Leaves only 5.6% of total budget remaining

# Utilities



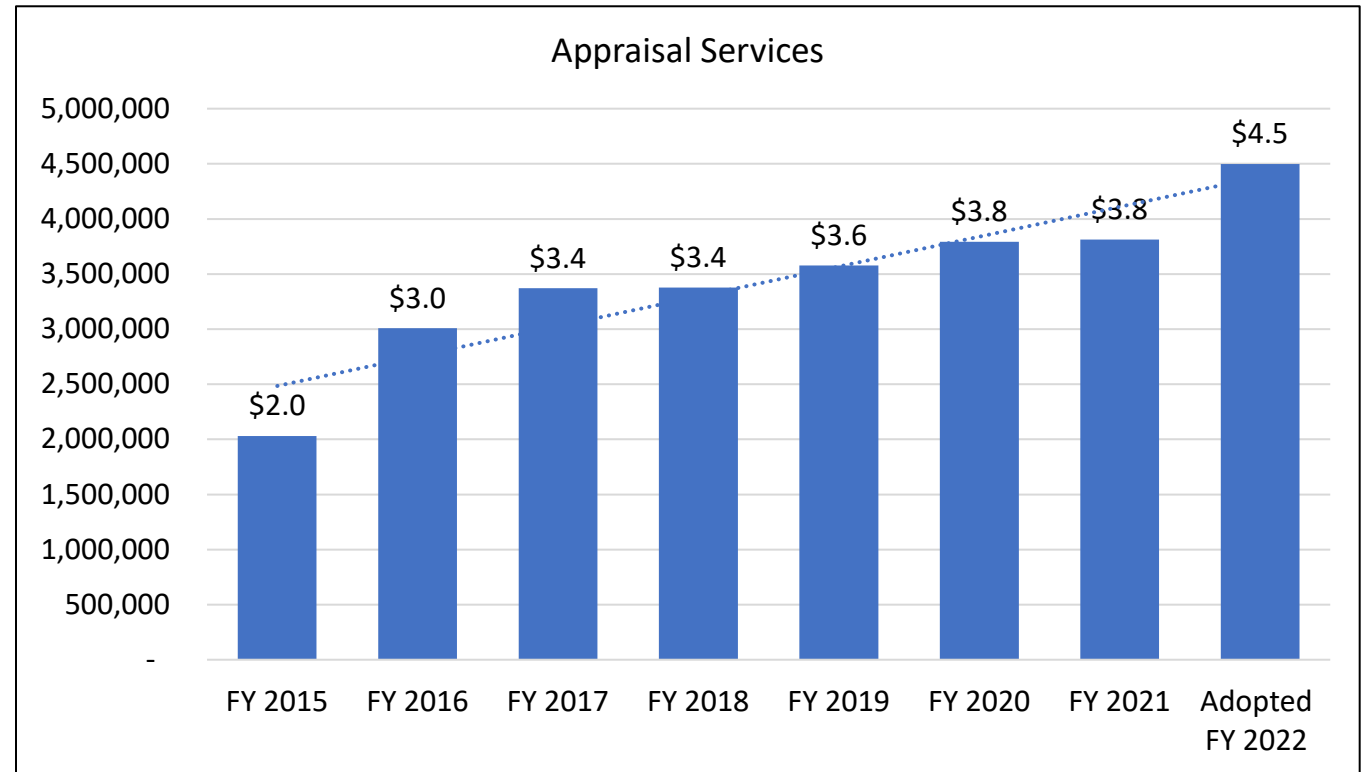
### Key Factors:

- Increasing utility rates
- New Quality of Life Capital Projects (ex. more park acreage, new community centers)

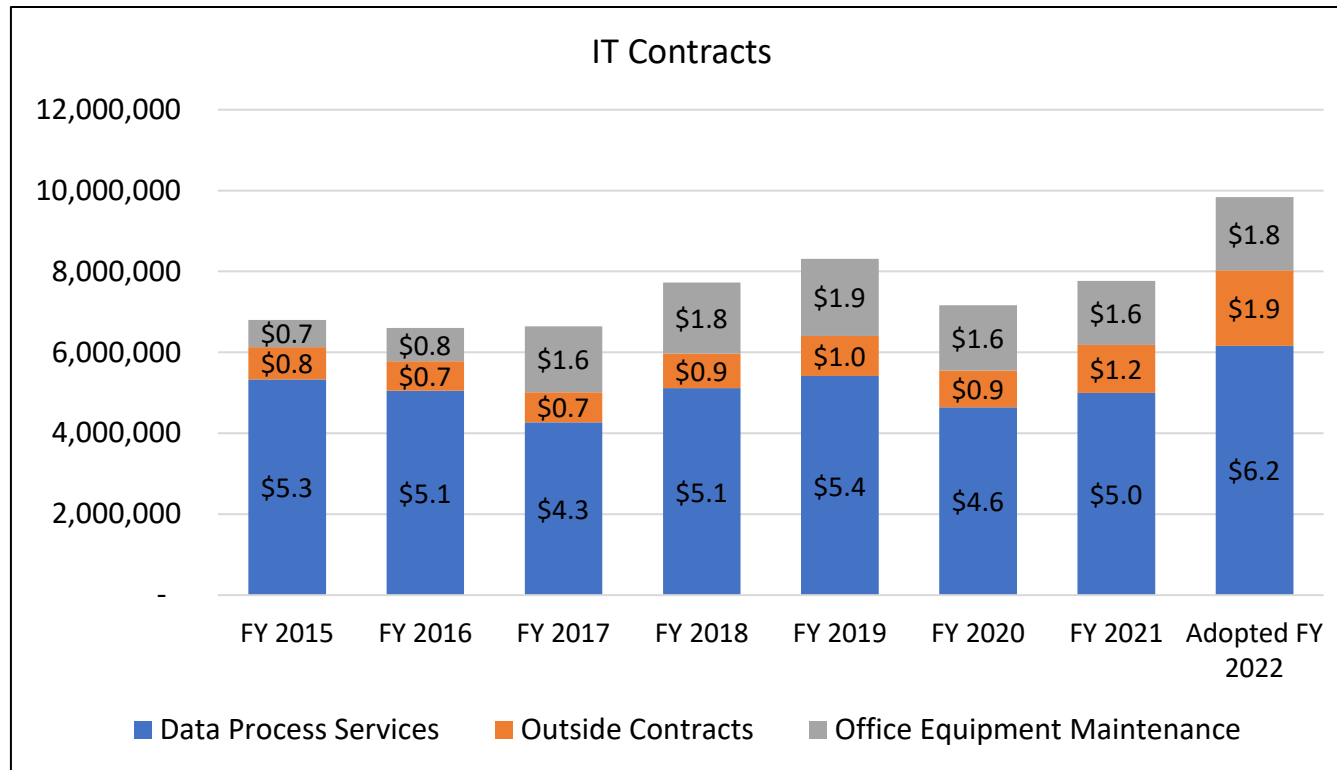
# Appraisal Services

## Key Factors:

- Based on the El Paso Central Appraisal Districts Operating Budget of \$18 million
- City of El Paso pays 25.2% of the Central Appraisal District budget
- Calculation is set by the Texas Tax Code



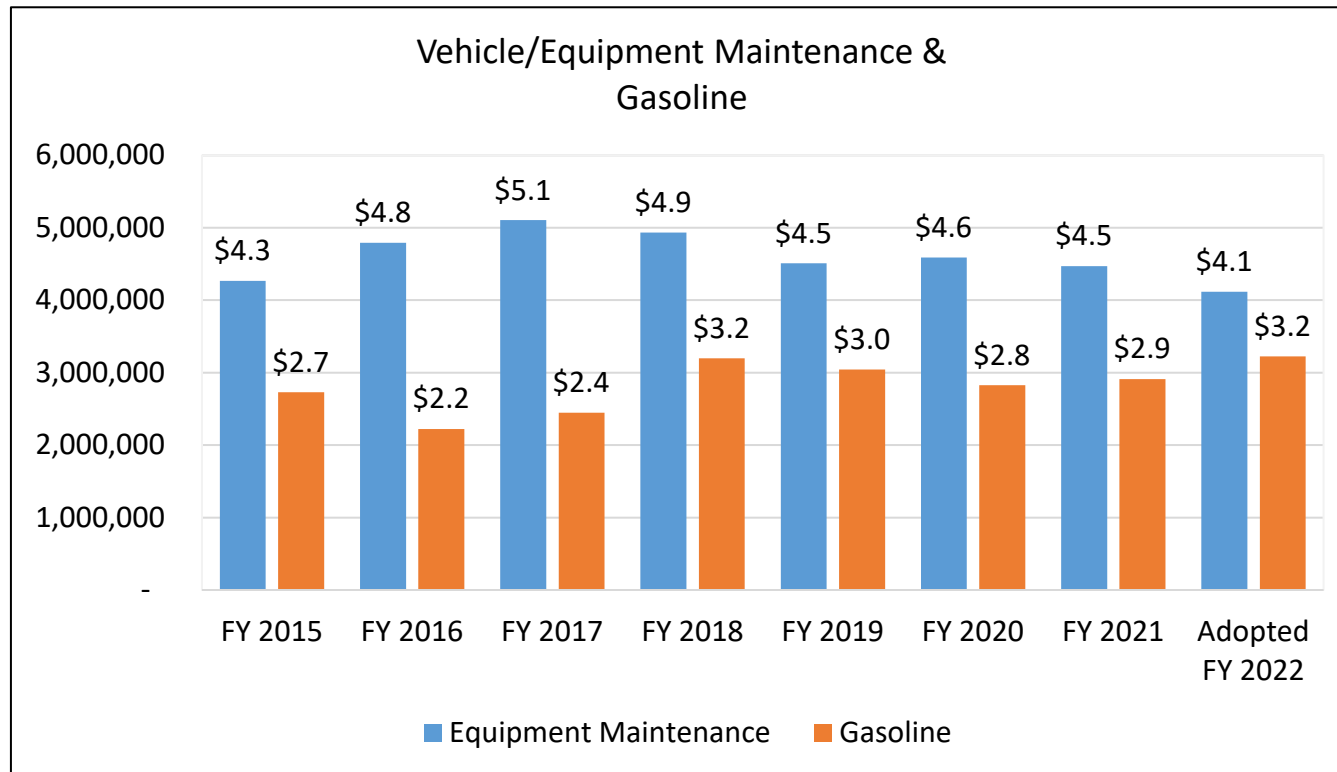
# Information Technology Contracts



## Key Factors:

- Includes enterprise agreements
- Investment in telecommuting support services
- Motorola P25 (public safety radio) contract increase
- Projected increase in costs for existing contracts
- Enhanced cybersecurity efforts

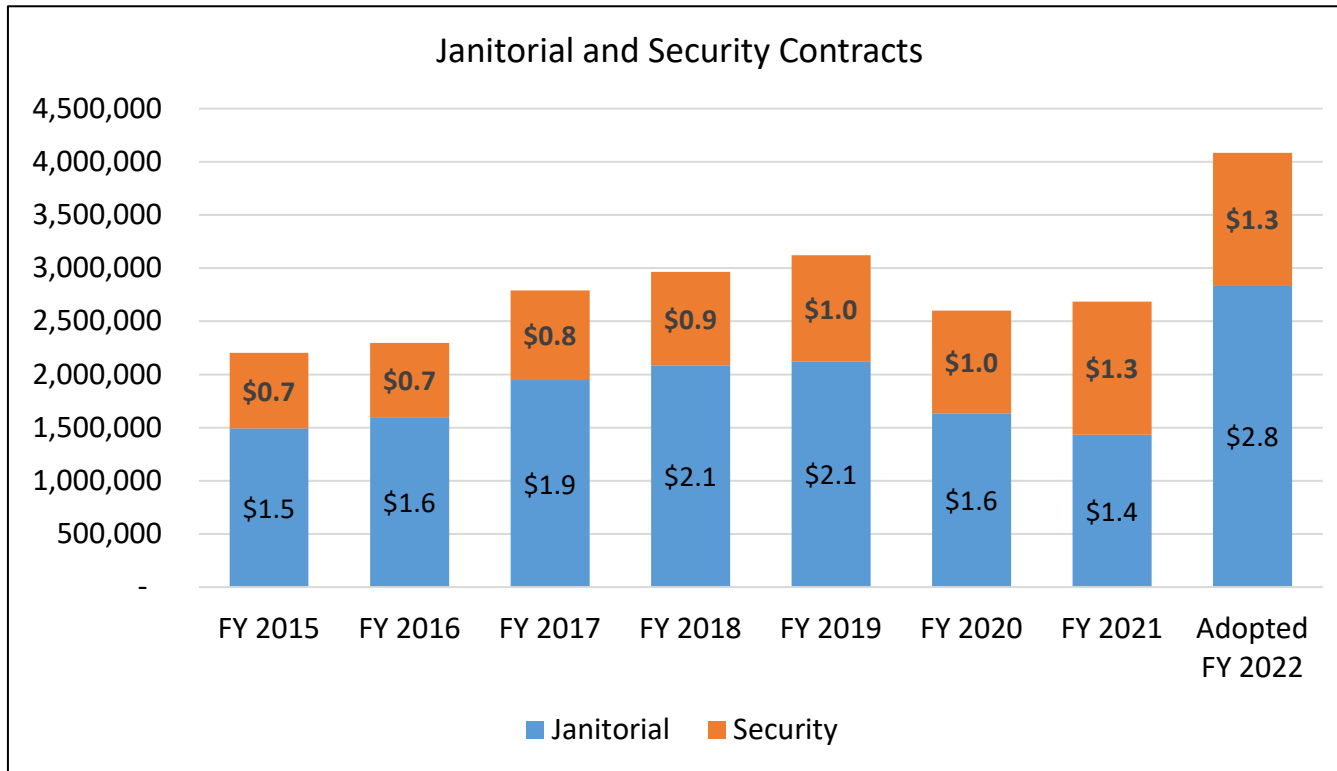
# Vehicle Maintenance/Gasoline



## Key Factors:

- Vehicle Maintenance is impacted by the age of the fleet for proactive and reactive maintenance
- New vehicles help reduce maintenance costs and improve fuel efficiency
- Gasoline prices fluctuate with the market

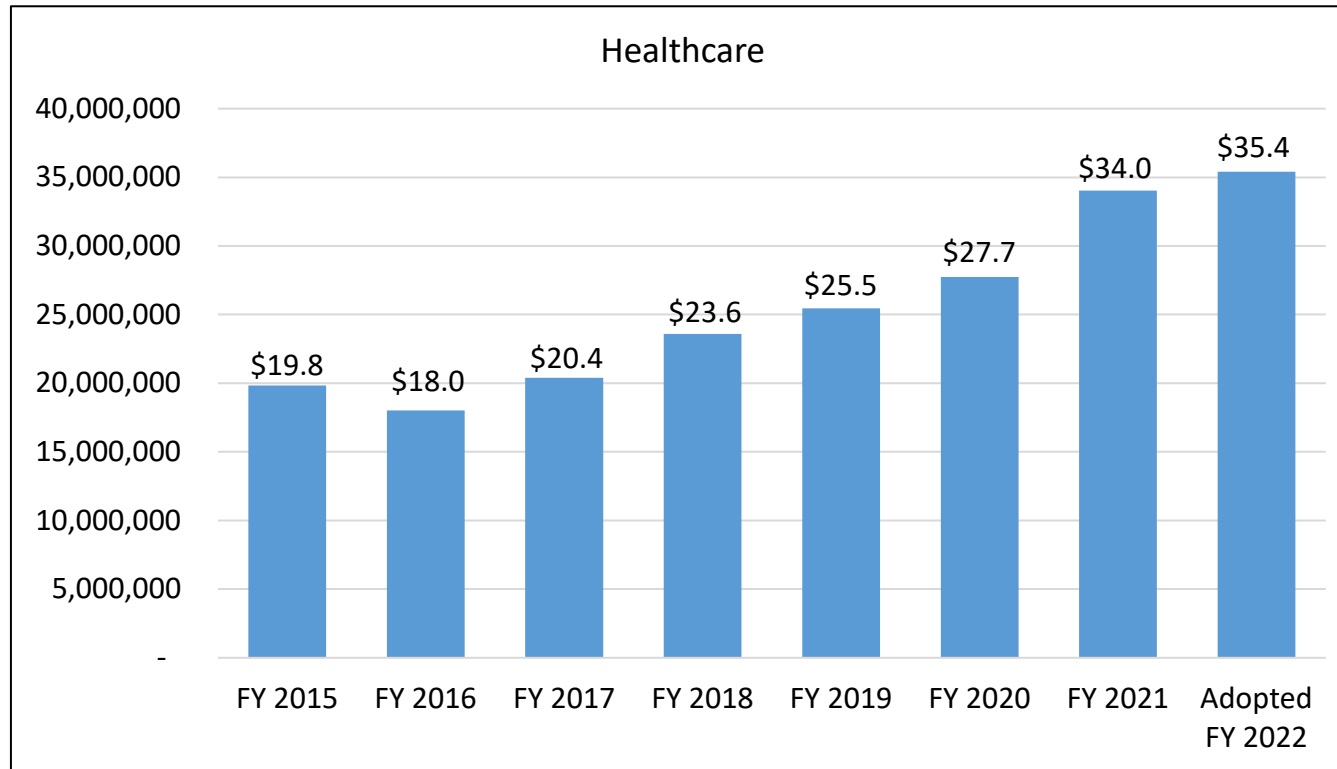
# Janitorial & Security Contracts



## Key Factors:

- Increase in number of facilities to maintain
- Increase in estimated cost of services due to current labor market
- COVID-19 Impact during FY 2020 and FY 2021

# Healthcare Costs



## Key Factors:

- Increase in General Fund healthcare costs have nearly doubled from \$18 million to \$35.4 million
- Large increase in FY 2021 mainly due to impacts of COVID-19

# FY 2023 and Beyond In Summary

- Public Safety – future collective bargaining impacts, increased staffing and operating costs from 2019 Public Safety Bond projects
- Capital projects - \$407.1 million in bonds remaining to issue for previously approved projects
- Workforce – address vacancies, retention, and healthcare costs
- 2012 Quality of Life Bond – future operating costs for bond projects
- Unfunded needs - facility maintenance, vehicle and equipment replacement, technology investments, additional capital projects



# Budget Challenges

- Unfunded departmental supplemental requests
- Unfunded Council Budget Requests
- Retaining and recruiting essential vacancies
- COVID Operations – estimated costs still being determined based on current response levels
- Aging Infrastructure, facilities, and equipment

# Budget Challenges

## Limited Annual Revenue Growth

- Revenue is being impacted by State actions
- S.B. 2 – limiting property tax increase on local governments (from 8% to 3.5%)
- Median Maintenance on State Roads - City forced to take over after defunding by State
- Senate Bill 1152 – impacted revenue generated from telecommunications franchise
- Red light Camera – elimination of revenue source

# Financial Transformation

## Tools and Actions

- Creation of pay-go funding for priorities (streets, public safety, parks, economic development)
- Regional economic development strategy – sales tax
- Evaluate service delivery – eliminate/reduce
- Evaluate electrification of fleet
- Continuous improvement – LSS Projects and Examiner Training
- Utilizing the organization chart to improve alignment and service delivery, while consolidating positions

# Financial Transformation

## Tools and Actions

Strategically save money while increasing revenue:

- Increased reserves every year since 2015
- Stabilization fund created - March 2020
- Organizational restructuring – efficiencies and savings of \$6.4 million in savings
- Existing debt refinancing - create savings of \$46 million in debt refinancing since 2016
- El Paso Electric franchise agreement - \$750K for General Fund and \$5.3M for Economic Development

# Next Steps.....

- Finalize the Five-Year Financial Forecast
- Present to City Council
- Chime In! Kickoff



## Mission

Deliver exceptional services to support a high quality of life and place for our community



## Vision

Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government



## Values

Integrity, Respect, Excellence,  
Accountability, People