

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: City Manager, Financial Services and Administrative Support
AGENDA DATE: Tuesday, January 31, 2012
CONTACT PERSON/PHONE: William F. Studer, Deputy City Manager, 541-4215
DISTRICT(S) AFFECTED: All

SUBJECT:

Presentation and discussion on the 1st Quarter Financial Report for FY 2012.

BACKGROUND / DISCUSSION:

The 2012 Budget Resolution requires that within forty-five (45) days after the end of each fiscal quarter, the City Manager or his/her designee shall provide a quarterly report to City Council regarding the status and year-end projection of the budget.

PRIOR COUNCIL ACTION:

Yes, the 3rd Quarter Financial Report for Fiscal year 2011 was presented on July 12, 2011.

AMOUNT AND SOURCE OF FUNDING:

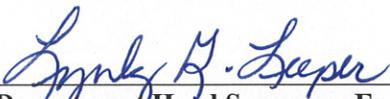
N/A

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:



(If Department Head Summary Form is initiated by Purchasing, client department should sign also)

Information copy to appropriate Deputy City Manager

Dedicated to Outstanding Customer Service for a Better Community

SERVICE SOLUTIONS SUCCESS



January 25, 2012

To: Honorable Mayor and City Council Members

CC: Joyce Wilson, City Manager
Bill Studer, Deputy City Manager
David Almonte, Deputy City Manager
Deborah Hamlyn, Deputy City Manager
Jane Shang, Deputy City Manager

Fm: Lynly Leeper, Chief Budget Officer *lyl*

RE: 1st Quarter Financial Report – Fiscal Year (FY) 2012

Attached please find the Financial Report for the First Quarter of FY 2012 and an accompanying PowerPoint presentation that will be presented at the regular meeting of City Council on Tuesday, January 31, 2012.

This report is presented to Council with a conservative perspective toward growth in the national and local economy. While the City of El Paso's major revenue collections for the First Quarter of FY 2012 are greater than this time last year by \$2.26 million or 5.45%, collections by the end of the fiscal year are projected to be under budget by about (\$2 million) or (0.72%). Economic indicators are mixed. The El Paso business-cycle index, a measure of economic activity, increased at an annualized rate of 2.2% in August, but contracted in September and October, (2.6%) and (0.4%), respectively. This contraction was likely due to recent government, educational and health services job losses resulting from public sector budgetary issues.¹ Other economic indicators forecast some growth in spending with El Paso's real

¹ December 2011, Economic Update, Federal Reserve Bank of Dallas, El Paso Branch.



Two Civic Center Plaza
El Paso, TX 79901
(915) 541-4777

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John F. Cook

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Susie Byrd

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Dr. Michiel R. Noe

District 6
Eddie Holguin Jr.

District 7
Steve Ortega

District 8
Cortney Carlisle Niland

City Manager
Joyce A. Wilson

CITY OF EL PASO

First Quarter Financial Report

Page 2 of 3

Gross Metropolitan Product (GMP) estimated to be 1.2% higher in FY 2012 and commercial activity higher by 3.2%. Even with some growth, unemployment is projected to remain above 9.5%.² The City's General Fund revenues are forecasted to be \$319.63 million, which is **(\$2.53 million)** or **(0.79%)** below the adjusted revenue budget. The Office of Management and Budget will continue to monitor and report any changes in financial forecasts to upper management and recommend solutions to sustain prudent fiscal policy.

The following is a detailed discussion of the General Fund revenues including taxes, franchise fees, licenses and permits, charges for services, fines, international bridge revenues and expenses.

Tax Revenues – \$1,043,923

The main driver for a positive outlook is sales tax, projected to be over budget by \$1,084,628. Offsetting this increase is a slight reduction in property tax revenue, including penalties and interest, projected to be under the budgeted amount by **(\$109,498)**.

Franchise Fees – \$365,245

Minimal change is projected in franchise fees with small increases forecasted for El Paso Water Utilities and Time-Warner Cable. To date, Texas Gas, AT&T, ONEOK, and El Paso Electric are generating revenues as budgeted.

Licenses and Permits – (\$312,365)

Licenses and permits are estimated to come in under budget for FY 2012, impacted mostly by a considerable decline in business license penalties and late fees **(\$323,796)**.

Charges for Services – (\$2,269,625)

Charges for services include ambulance service fees, building permits and inspection fees, general services, health service fees, culture and recreation service fees, and public safety fees. The decrease is the net result of two major revenue streams – ambulance service fees and inspection fees. The ambulance service revenue is below budget by **(\$2,089,542)** due to several factors which include payer mix, fewer transports, a drop in miles driven, and type of services provided.

Fines – (\$223,294)

Overall, fines are projected to be under budget for FY 2012. This forecast is mainly attributable to a reduction in collections for parking forfeitures/fines, credit card fees, liability insurance violations, moving violation forfeitures, and driver license suspension fines.

² December 2011, Borderplex Economic Outlook: 2011 – 2013, The University of Texas at El Paso

International Bridge Revenue – (\$1,085,094)

The forecast below budget is influenced by first quarter reductions in pedestrian and automobile crossings. However, this decline is mitigated by an increase in commercial crossings.

Expenditures - \$1,008,005

Year-end General Fund expenditures are projected to be under budget by \$1,008,005, mostly due to contractual savings.

Overall, the forecast depicts revenue projections coming in less than budgeted, tempered slightly by conservative expenditures. The Office of Management and Budget will continue to track and project FY 2012 revenue and expenditure trends to assist management with identifying any necessary budget adjustments.



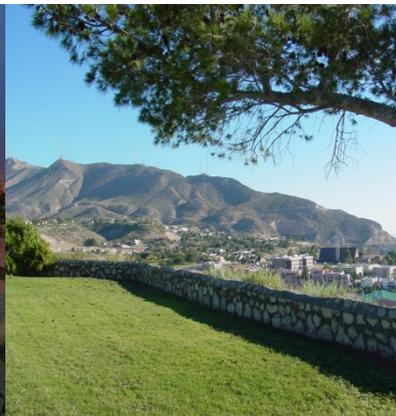
1st Quarter Budget Report

January 31, 2012

Bill Studer

Deputy City Manager

Finance and Management Support Services





Unemployment

National Unemployment Rate – November 2011 8.7%

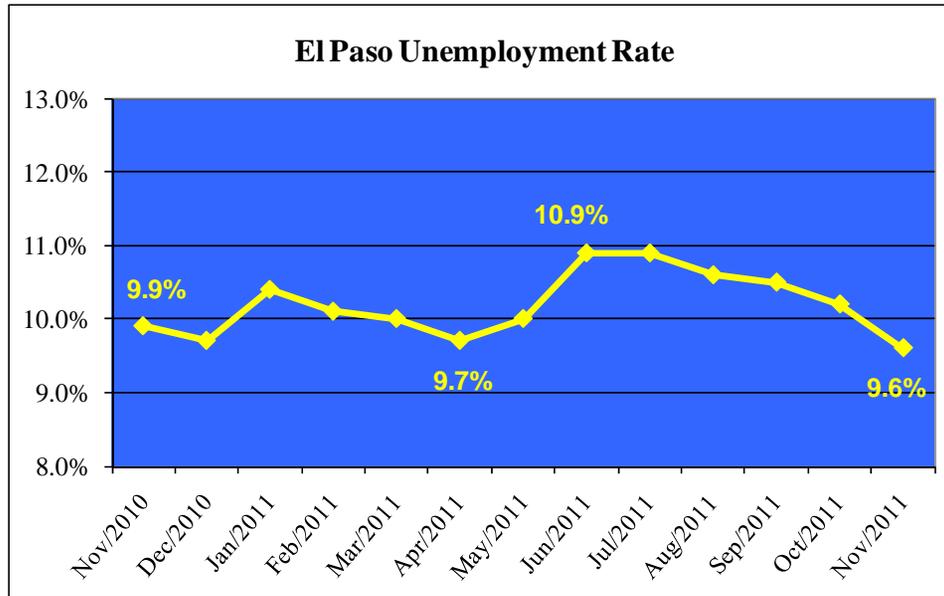
El Paso Metropolitan Statistical Area

November 2010

Employment: 291,141
 Unemployment: 31,991
 Unemployment Rate: 9.9%

November 2011

Employment: 292,976
 Unemployment: 30,993
 Unemployment Rate: 9.6%



Unemployment rates are not seasonally adjusted



El Paso Home Sales

November 2010

Sales: 392

Average Price: \$146,200

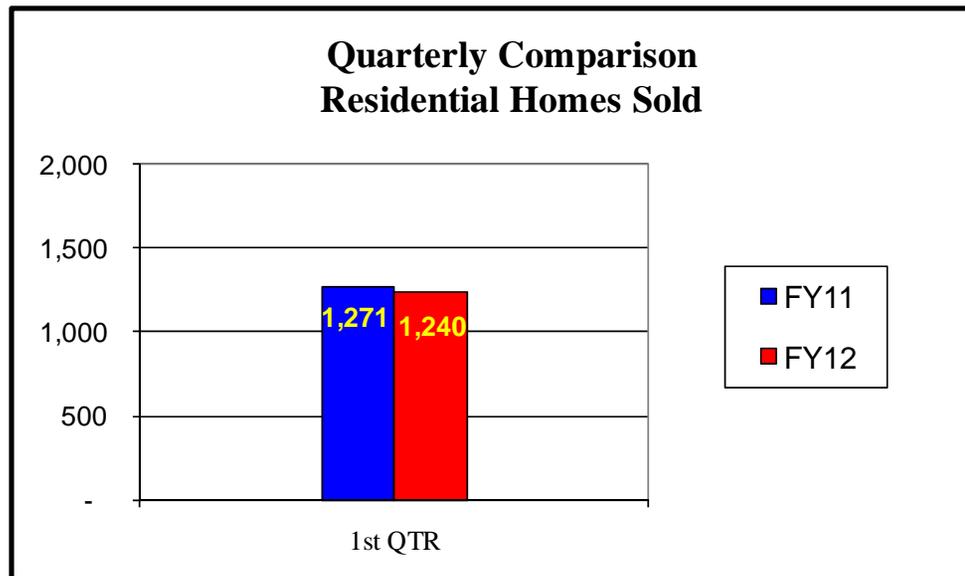
Median Price: \$134,100

November 2011

Sales: 375

Average Price: \$161,700

Median Price: \$137,500





Fiscal Year 2012 General Fund Analysis First Quarter

January 31, 2012



General Fund First Quarter

Fund Balance

Beginning Unrestricted and Committed	\$22,454,681
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Year End Projected

Revenues Over/(Under) Budget	(\$2,533,943)
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Expenses (Over)/Under Budget	<u>\$1,008,005</u>
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Difference	(\$1,525,938)
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Use of Salary Reserve and Contingency	<u>\$1,490,486</u>
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<u>Projected Ending Fund Balance</u>	\$22,419,229
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Year-End General Revenue Fund Projections

	ADJUSTED BUDGET FY 2012	FY 2012 ACTUAL TO DATE	YEAR-END PROJECTION	OVER/(UNDER) BUDGET	
REVENUES					
Taxes	208,547,912	25,591,793	209,591,835	1,043,923	0.50%
Franchise & Easement	42,423,028	12,198,257	42,788,273	365,245	0.86%
Licenses & Permits	6,336,750	1,525,505	6,024,385	(312,365)	(4.93%)
Intergovernmental Revenue	2,894,583	511,506	2,894,583	0	0.00%
Charges for Service	22,977,106	4,842,067	20,707,481	(2,269,625)	(9.88%)
Fines	13,616,030	2,799,649	13,392,736	(223,294)	(1.64%)
Bridge Revenues	10,597,832	2,847,318	9,512,738	(1,085,094)	(10.24%)
Other Revenues	14,775,439	3,230,845	14,722,706	(52,733)	(0.36%)
TOTAL REVENUE: ¹	322,168,680	53,546,938	319,634,737	(2,533,943)	(0.79%)

¹ Excludes approved use of fund balance



Tax Revenues

FY 2012 Budget	Collected through First Quarter	Year End Projection
\$208,547,912	\$25,591,793	\$209,591,835

Projected Over Budget by \$1,043,923 or 0.50%

- **Property Tax** collections including penalties and interest projected under budget by **(\$109,498)** or **(0.08%)**
- **Sales Tax** projected over budget by \$1,084,628 or 1.47%
- **Mixed Beverage Tax** projected over budget by \$68,793 or 4.24%



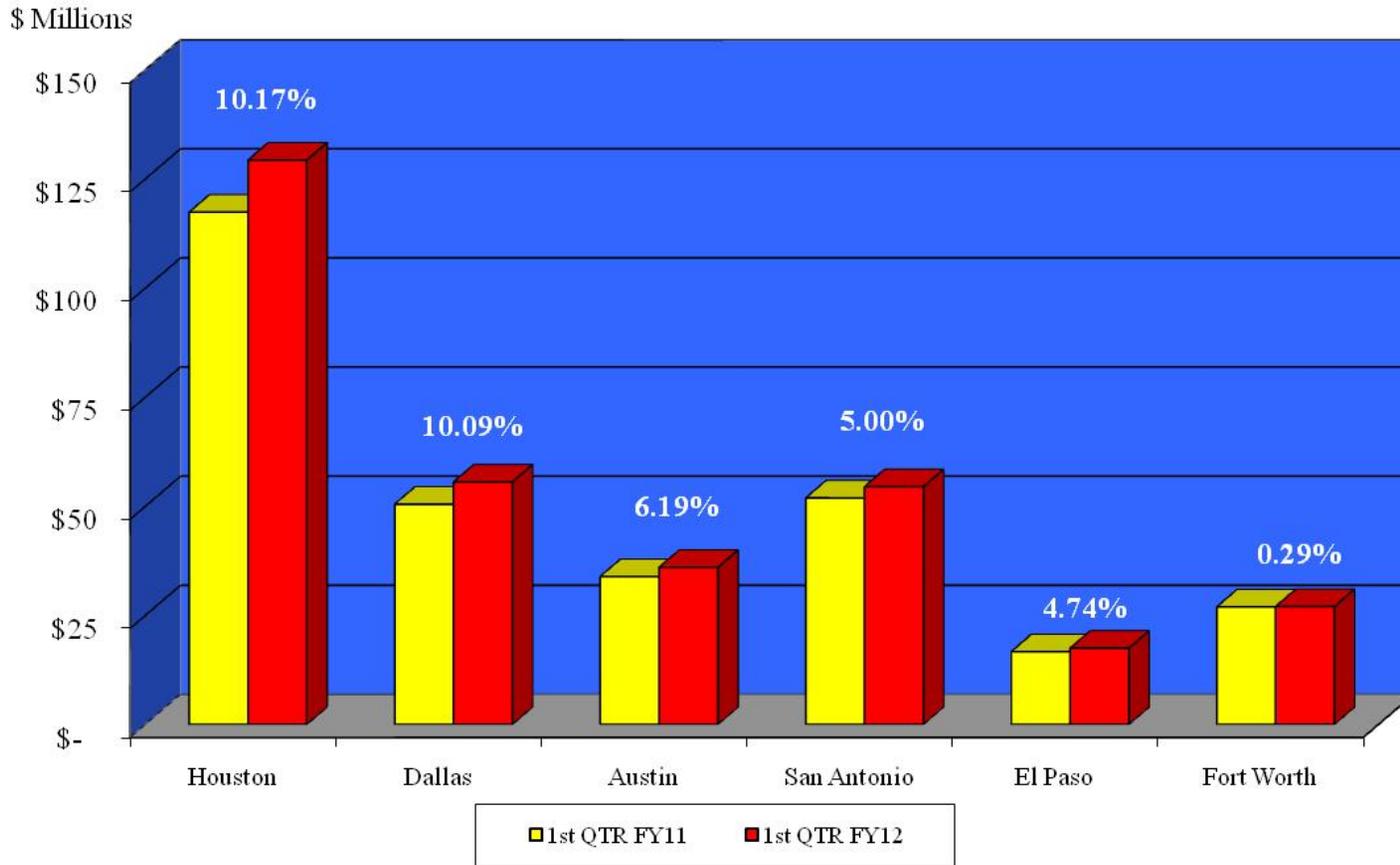
Sales Tax Revenue

Period (Month)	FY 2011	FY 2012	% Change FY11 / FY12
Sep	6,126,633	6,228,214	1.66%
Oct	5,230,501	5,197,035	(0.64%)
Nov	5,544,144	5,754,347	3.79%
Dec	7,898,094		
Jan	5,098,318		
Feb	5,291,509		
Mar	7,274,395		
Apr	5,499,531		
May	6,285,929		
Jun	7,470,297		
Jul	5,612,229		
Aug	5,637,024		
	72,968,605	17,179,595	

Cumulative increase of 1.65% (accrual method)



Sales Tax Revenue Comparison Texas Top 6 Cities





Sales Tax Revenue Comparison Texas Top 20 Cities

City Rank	City	% Difference
1	Midland	21.21%
2	Grand Prairie	21.11%
3	Corpus Christi	17.39%
4	Irving	14.56%
5	Frisco	12.05%
6	Sugar Land	10.35%
7	Houston	10.17%
8	Dallas	10.09%
9	Arlington	9.92%
10	Amarillo	9.11%

City Rank	City	% Difference
11	Lubbock	6.30%
12	Austin	6.19%
13	San Antonio	5.00%
14	<i>El Paso</i>	4.74%
15	McAllen	2.66%
16	Round Rock	1.66%
17	Mesquite	1.06%
18	Tyler	0.33%
19	Fort Worth	0.29%
20	Plano	(1.10%)



Franchise and Easement Fees

FY 2012 Budget	Collected through First Quarter	Year End Projection
\$42,423,028	\$12,198,257	\$42,788,273

Projected Over Budget by \$365,245 or 0.86%

- **Texas Gas Service, AT&T, and ONEOK, El Paso Electric** projected at budget
- **El Paso Water Utilities** projected over budget \$286,450 or 2.81%
- **Time-Warner** projected over budget \$78,795 or 2.39%



Licenses and Permits

FY 2012 Budget	Collected through First Quarter	Year End Projection
\$6,336,750	\$1,525,505	\$6,024,385

Projected Under Budget by (\$312,365) or (4.93%)

- **Business License Penalties and Late Fees** projected under budget (\$323,796) or (76.40%)
- **Special Privilege Permits** projected under budget (\$40,670) or (73.06%)
- **Residential Building Permits** projected over budget \$45,472 or 1.42%
- **Taxicab Operating Permits** projected over budget \$14,900 or 42.45%



Charges for Service

FY 2012 Budget	Collected through First Quarter	Year End Projection
\$22,977,106	\$4,842,067	\$20,707,481

Projected Under Budget by (\$2,269,625) or (9.88%)

- **Ambulance Service Fees** projected under budget by **(\$2,089,542) or (17.87%)**
- **Inspection Fees** projected under budget **(\$103,049) or (2.05%)**
- **Cultural & Rec Fees** projected under budget **(\$169,445) or (6.27%)**
- **Public Safety Services** projected under budget by **(\$36,390) or (7.11%)**
- **Street Services** projected over budget by \$10,000 or 11.33%
- **Health Services** projected over budget by \$30,910 or 2.83%



Ambulance Revenue Impacts

FY 2012 Budget was based on Historical Data

- Payer Mix approx. (\$1.5 million)
 - Self Pay is 9% higher
- Transports down (\$56,542)
- Average mileage is down from 10 to 5.08 (\$351,000)
- ALS vs. BLS (\$350,000)
 - Currently, ALS 64%, BLS 31% & 5% TNT
- Fee Increase - Six month impact of \$168,000



Fines

FY 2012 Budget	Collected through First Quarter	Year End Projection
\$13,616,030	\$2,799,649	\$13,392,736

Projected Under Budget by (\$223,294) or (1.64%)

- **Parking Forfeitures/Fines** projected under budget **(\$55,058)** or **(3.00%)**
- **Credit Card Fees** projected under budget **(\$50,373)** or **(40.18%)**
- **Liability Ins. Violations** projected under budget **(\$42,927)** or **(2.00%)**
- **Moving Violation Forfeitures** projected under budget **(\$31,189)** or **(1.00%)**
- **Driver License Suspension Fines** projected under budget **(\$22,744)** or **(31.59%)**



International Bridge Revenue

FY 2012 Budget	Collected through First Quarter	Year End Projection
\$10,597,832	\$2,847,318	\$9,512,738

Projected Under Budget by (\$1,085,094) or (10.24%)

TRAFFIC SUMMARY				
	YTD FY2011	YTD FY2012	Difference	Percentage Inc / Dec
Santa Fe	778,945	707,340	(71,605)	(9.19%)
Stanton	266,597	213,393	(53,204)	(19.96%)
Zaragoza	139,250	146,242	6,992	
Total Pedestrian	1,184,792	1,066,975	(117,817)	(9.94%)
Stanton	367,733	291,021	(76,712)	(20.86%)
Zaragoza	583,775	531,916	(51,859)	(8.88%)
Total Automobile	951,508	822,937	(128,571)	(13.51%)
Zaragosa Commercial	81,435	87,335	5,900	7.25%
Total Traffic	2,217,735	1,977,247	(240,488)	(10.84%)

Note: Pedestrian fee is \$0.50, Vehicle fee \$2.50 and Commercial fee is \$3.50 per axle. January 31, 2012



Year-End General Fund Expenditure Projections

	ADJUSTED BUDGET FY 2012	FY 2012 ACTUAL TO DATE	YEAR-END PROJECTION	(OVER)/UNDER BUDGET	
EXPENDITURES					
Personal Services	251,123,241	62,677,342	251,152,339	(29,098)	(0.01%)
Contractual Services	30,393,099	5,251,061	29,063,500	1,329,599	4.57%
Material & Supplies	15,817,464	3,252,839	15,894,587	(77,123)	(0.49%)
Operating Expenditures	19,192,542	4,248,986	19,407,572	(215,030)	(1.11%)
Non-Operating Expenditures	3,466,600	83,263	3,466,943	(343)	(0.01%)
Intergovernmental Appropriations	1,767,628	0	1,767,628	0	0.00%
Other Uses	1,588,750	0	1,588,750	0	0.00%
Capital Expenditures	281,455	109,161	281,455	0	0.00%
TOTAL EXPENDITURES: ²	323,630,779	75,622,652	322,622,774	1,008,005	0.31%

² Includes approved use of fund balance



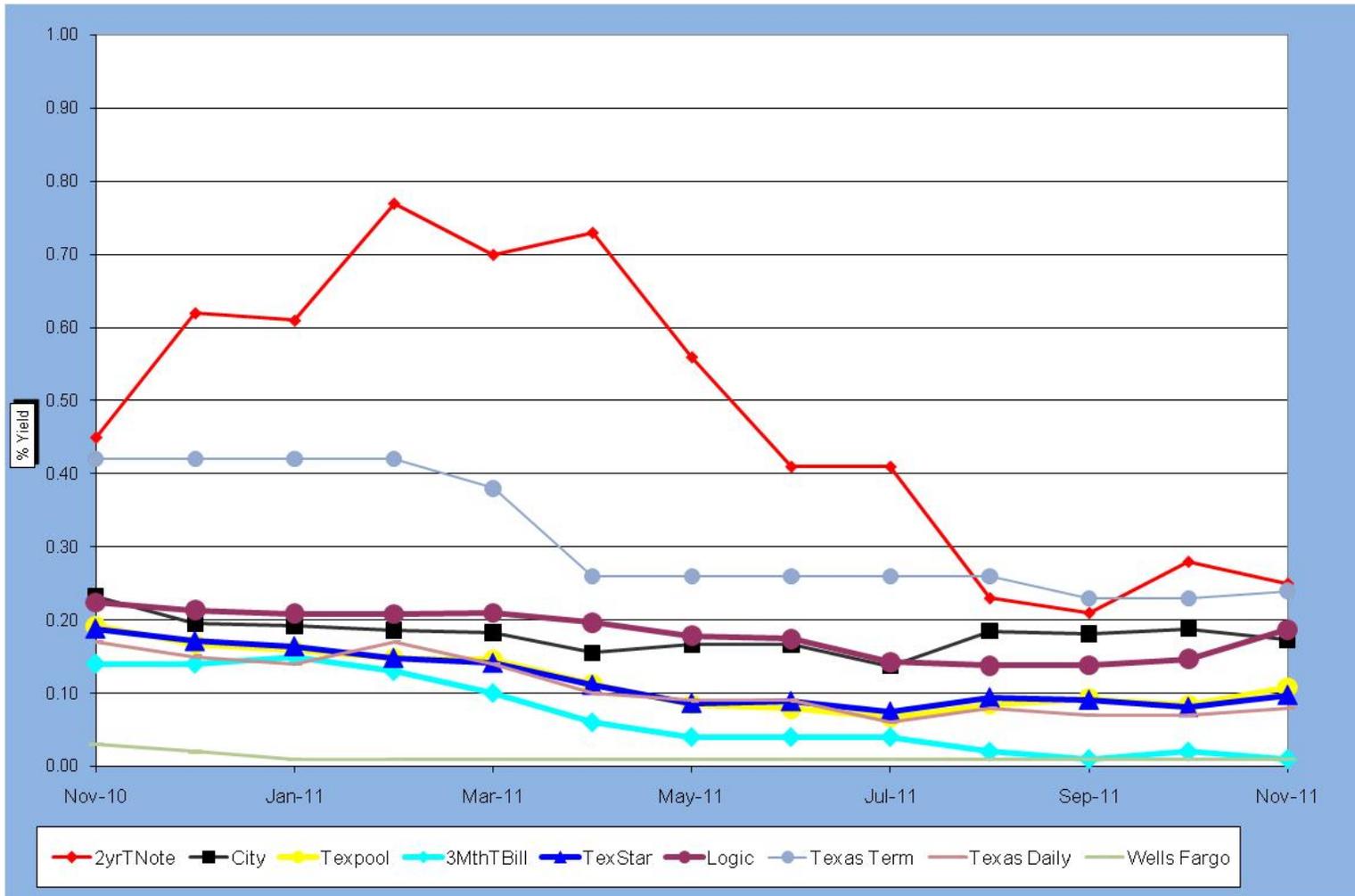
Major Appropriation Variances

- **Personal Services** over budget **(\$29,098)** or **(0.01%)**
 - Due to increases in Fire overtime
- **Contractual Services** under budget \$1,329,599 or 4.57%
 - Due to under utilization of Park services, a delay in the build out of 311 facilities and infrastructure, and a reduction in ambulance billing and collection fees
- **Operating & Non-Operating Expenditures** over budget **(\$215,373)** or **(0.94%)**
 - Due to additional water and electrical accounts in FY 2012



Treasury Services

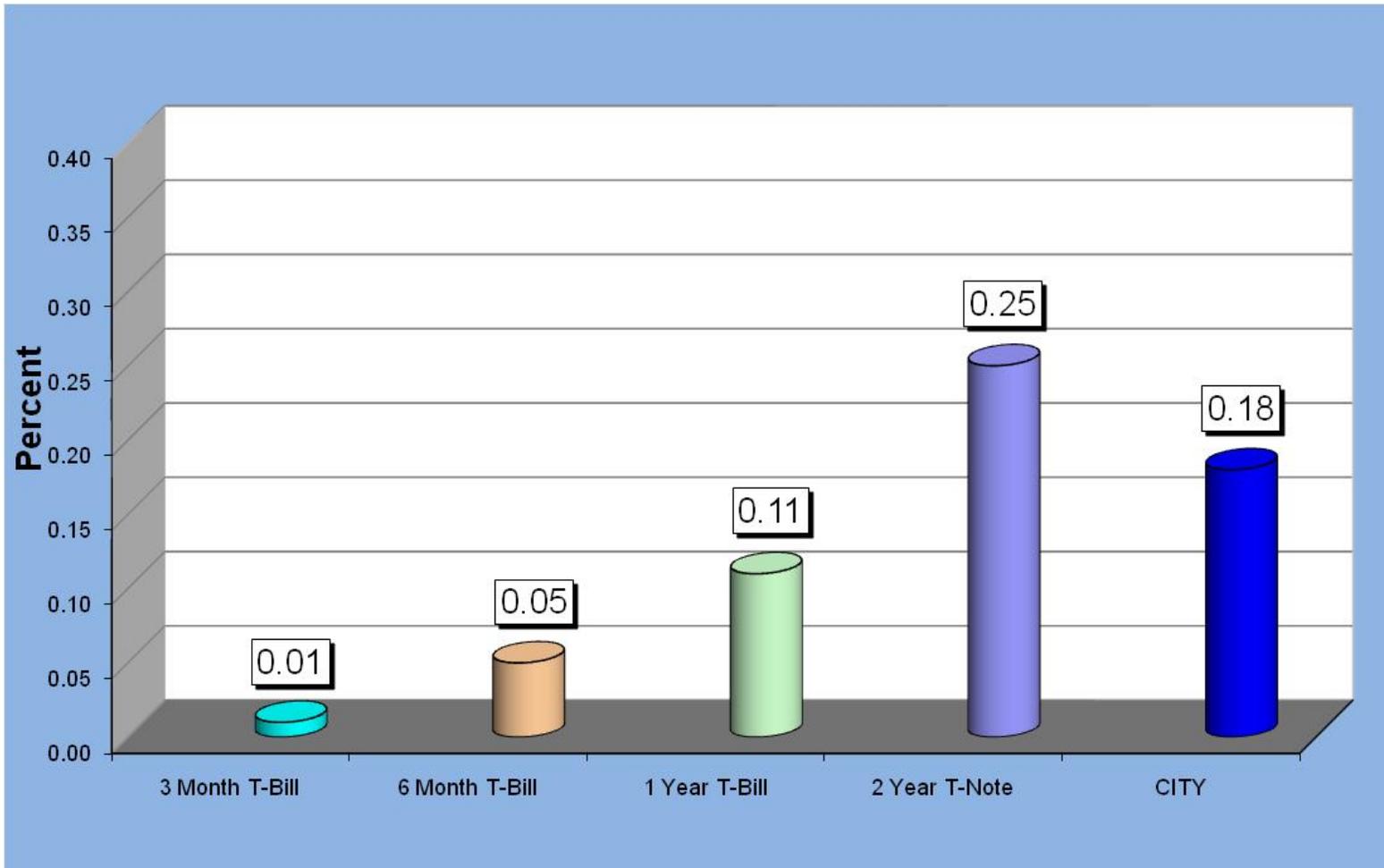
Portfolio Performance Comparison for November 2010 to November 2011





Treasury Benchmark Yield Analysis

Quarter Ending November 2011





Comments or Questions