

# EXECUTIVE SUMMARY

## City of El Paso Municipal Revenue Forecast to 2018

Thomas M. Fullerton, Jr.  
Adam G. Walke  
Department of Economics & Finance  
University of Texas at El Paso  
El Paso, TX 79968-0543  
915-747-7747  
tomf@utep.edu

30 April 2014

### Report Prepared for City of El Paso Office of Management & Budget

Under the auspices of Research Contract 13-1008-051 237563 MKB, econometric forecasts of 15 major revenue categories have been completed by the University of Texas at El Paso (UTEP) Border Region Modeling Project for the City of El Paso Office of Management & Budget. The lead investigators on this project are Tom Fullerton and Adam Walke of the UTEP Department of Economics & Finance. The lead contacts on behalf of the City of El Paso Office of Management & Budget are Lynly Leeper, Robert Cortinas, and Robert Studer.

In total, FY2014 revenues for all 15 categories are projected to reach \$400,307,212. By FY2018, the total revenues associated with these sources are projected to reach \$476,612,284. A summary of the principal results for each of the individual revenue forecasts is summarized below.

#### Executive Summary Table

##### Total Revenue Growth for 15 Revenue Categories

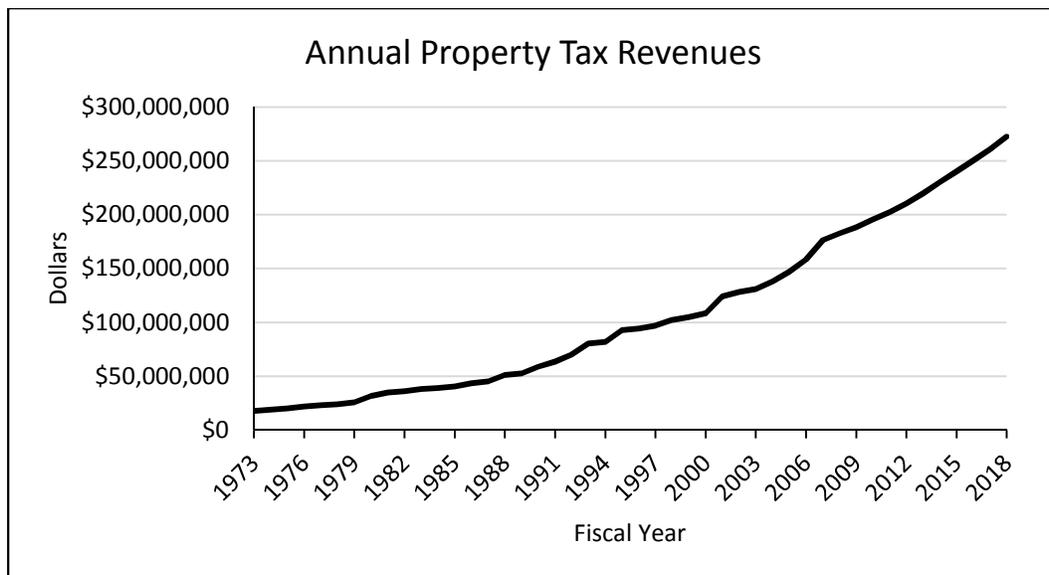
Fiscal Year	Dollar Amount	Percent Change
2013	\$384,017,568	2.6
2014	\$400,307,212	4.2
2015	\$418,323,594	4.5
2016	\$437,484,838	4.6
2017	\$456,552,822	4.4
2018	\$476,612,284	4.4

# Property Tax Revenues

By dollar volume, property tax collections represent the single biggest source of municipal funding in El Paso. Growth in this category reflects the expansion of the building stock in El Paso and the change in real estate values over time. As shown in Table 1, property tax revenues are forecast to grow by 4.7 percent and reach a total of \$230,108,915 in FY2014. By FY2018, property tax collections are projected to reach \$272,628,215. As can be seen in the accompanying graph, property taxes tend to exhibit stable growth patterns over time.

**Table 1**  
**Property Tax Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$210,559,869	3.9
2013	\$219,847,480	4.4
2014	\$230,108,815	4.7
2015	\$240,254,740	4.4
2016	\$250,328,952	4.2
2017	\$260,810,618	4.2
2018	\$272,628,215	4.5

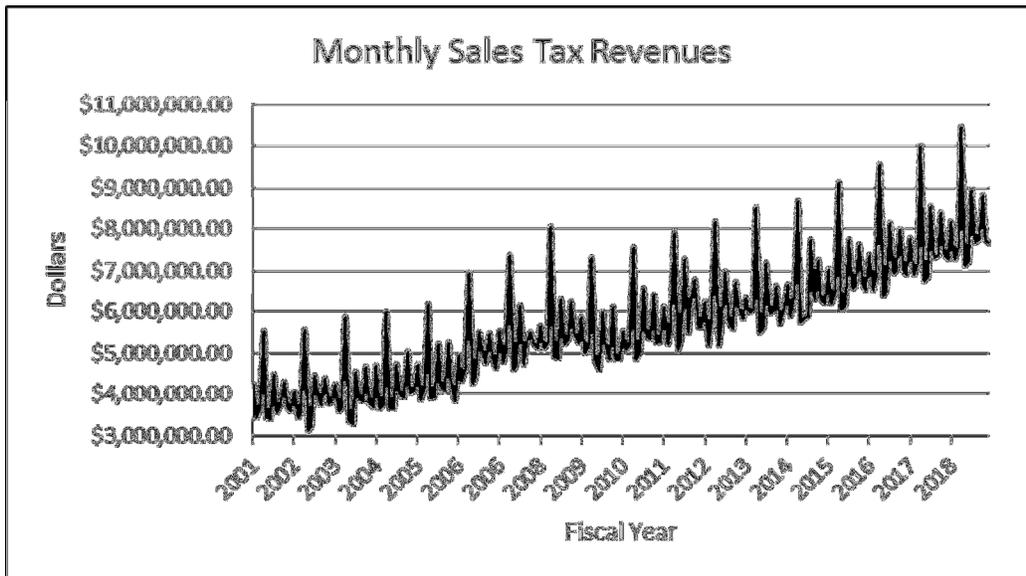


# Sales Tax Revenues

The next biggest revenue category is the sales tax. Growth in this category reflects retail sales activity in El Paso and is a function of numerous factors such as personal income growth, border crossings, and the international currency value of the peso. The seasonal patterns for this revenue category follow the calendar in a fairly reliable manner. As shown in Table 2, sales tax revenues are projected to expand by 4.5 percent in FY2014 and reach \$78,952,575. Growth for this category is fairly dynamic and it is forecast to reach \$96,450,354 by FY2018.

**Table 2**  
**Sales Tax Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$73,262,228	1.4
2013	\$75,587,364	3.2
2014	\$78,952,575	4.5
2015	\$82,829,548	4.9
2016	\$87,195,146	5.3
2017	\$91,774,629	5.3
2018	\$96,450,354	5.1

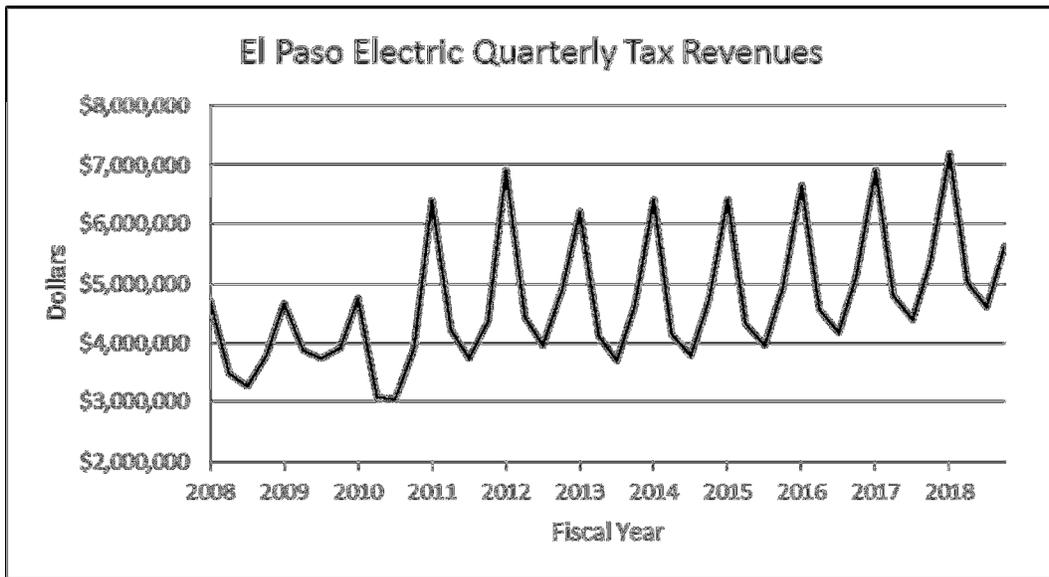


# Kilowatt Hour Tax Revenues

Next in order of dollar magnitude is the kilowatt hour (KWH) tax charged on electricity sales. Electricity consumption is affected by numerous variables including regional economic activity, income growth, KWH rates, usage efficiency, and weather conditions. As shown in Table 3, revenues for this category are expected to reach \$19,060,087 in FY2014 and grow to \$22,476,508.

**Table 3**  
**Electricity Tax Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$20,196,684	7.9
2013	\$18,630,658	-7.8
2014	\$19,060,087	2.3
2015	\$19,652,834	3.1
2016	\$20,556,524	4.6
2017	\$21,499,516	4.6
2018	\$22,476,508	4.5

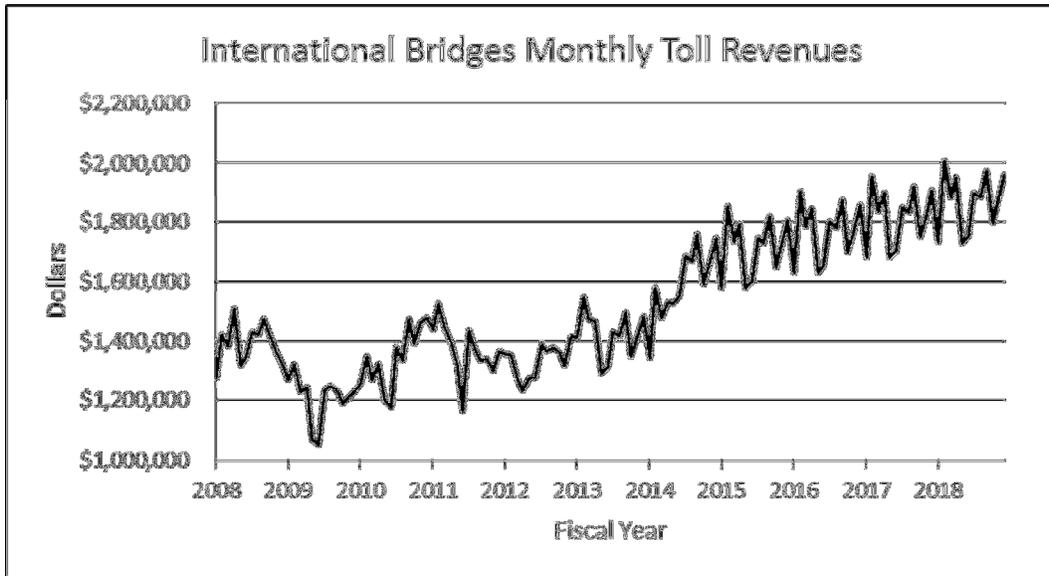


# International Bridge Toll Revenues

International bridge tolls collected at the Stanton Street and Ysleta bridges represent an important source of funding to the City. This revenue source is affected by metropolitan economic activity on both sides of the river, tolls charged, population growth, crime levels, and the effective purchasing power of the peso. Those variables frequently overcome the historical seasonal patterns that generally characterize tolled, southbound international bridge crossings. As can be seen in Table 4, bridge toll collections are forecast to reach \$19,134,794 in FY2014 and \$22,454,512 by FY2018.

**Table 4**  
**International Bridge Toll Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$16,007,018	-2.6
2013	\$17,093,702	6.8
2014	\$19,134,794	11.9
2015	\$20,615,328	7.7
2016	\$21,252,136	3.1
2017	\$21,857,264	2.8
2018	\$22,454,512	2.7

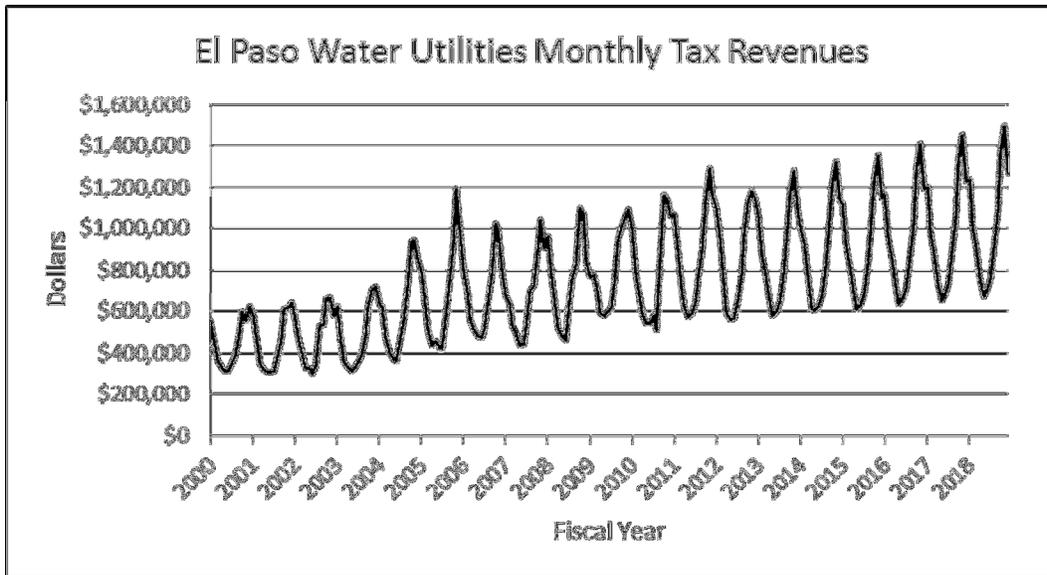


# Water Tax Revenues

Municipal water taxes also represent a sizable municipal revenue source. Tax collections for this revenue category are affected by demographic growth, economic expansion, water rate policies, conservation efforts, and seasonal weather patterns. Revenues for this category are projected at \$10,691,067 for FY2014. By FY 2018, they are expected to reach \$12,183,541.

**Table 5**  
**Municipal Water Tax Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$10,359,553	-0.2
2013	\$10,415,453	0.5
2014	\$10,691,067	2.6
2015	\$10,999,630	2.9
2016	\$11,484,166	4.4
2017	\$11,817,207	2.9
2018	\$12,183,541	3.1

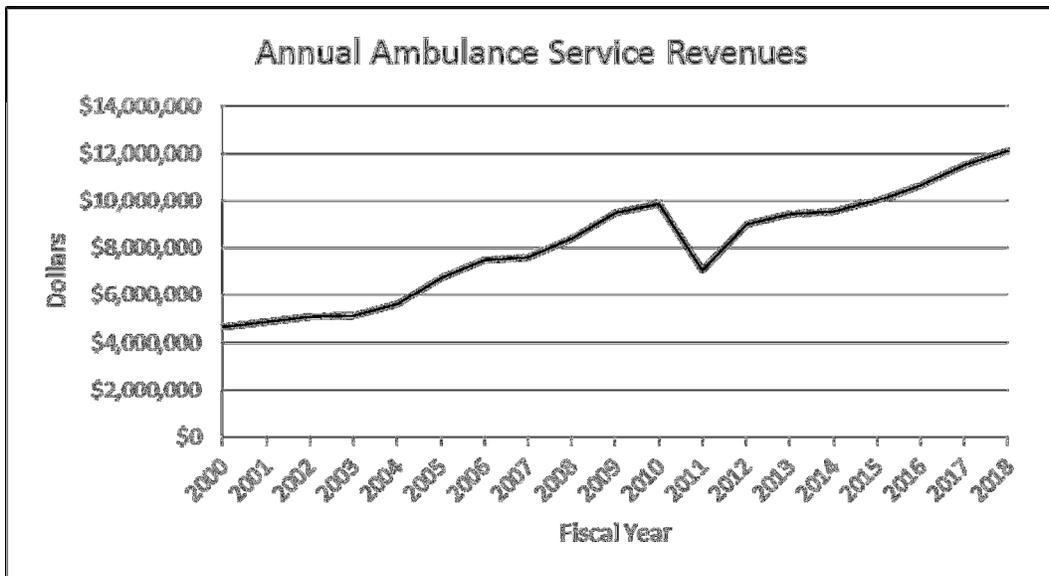


# Ambulance Service Fee Revenues

Ambulance service fee collections are affected by demographic expansion, healthcare emergencies, and vehicular accidents. As shown in Table 6, these revenues are forecast to total \$9,559,842 in FY2014. By the end of the forecast period, they are projected to reach \$12,153,475.

**Table 6**  
**Ambulance Service Fee Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$8,989,389	26.7
2013	\$9,440,913	5.0
2014	\$9,559,842	1.3
2015	\$10,017,207	4.8
2016	\$10,658,830	6.4
2017	\$11,521,106	8.1
2018	\$12,153,475	5.5

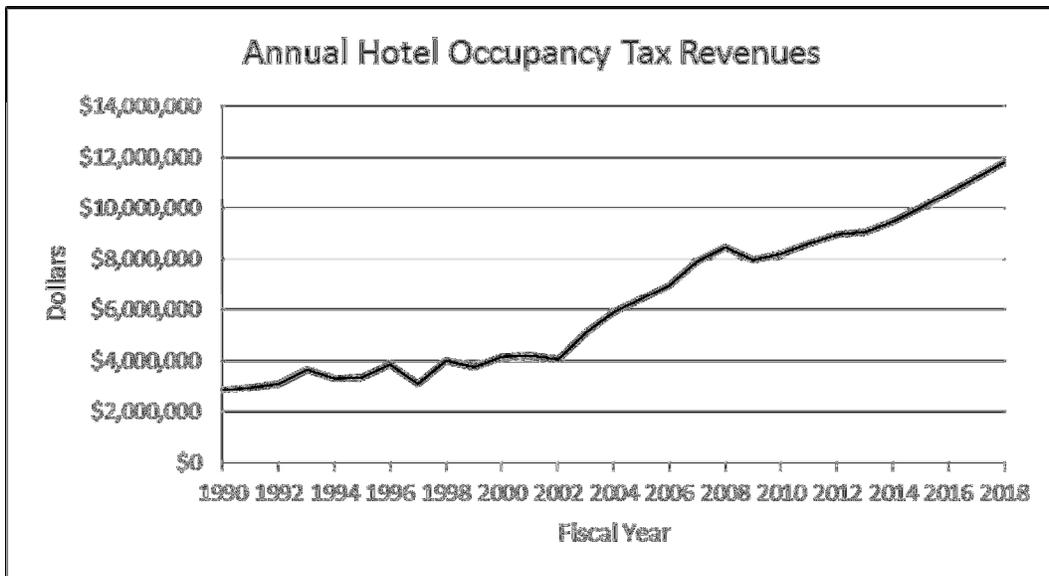


# Hotel Occupancy Tax Revenues

Hotel occupancy taxes are affected by general economic conditions, room rates, and a variety of other factors related to business and vacation travel. In FY2014, revenues for this category are expected to reach \$9,464,485. By FY2018, hotel occupancy taxes are expected to grow to \$11,823,259.

**Table 7**  
**Hotel Occupancy Tax Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$8,962,266	4.0
2013	\$9,054,572	1.0
2014	\$9,464,485	4.5
2015	\$10,002,374	5.7
2016	\$10,592,514	5.9
2017	\$11,206,880	5.8
2018	\$11,823,259	5.5

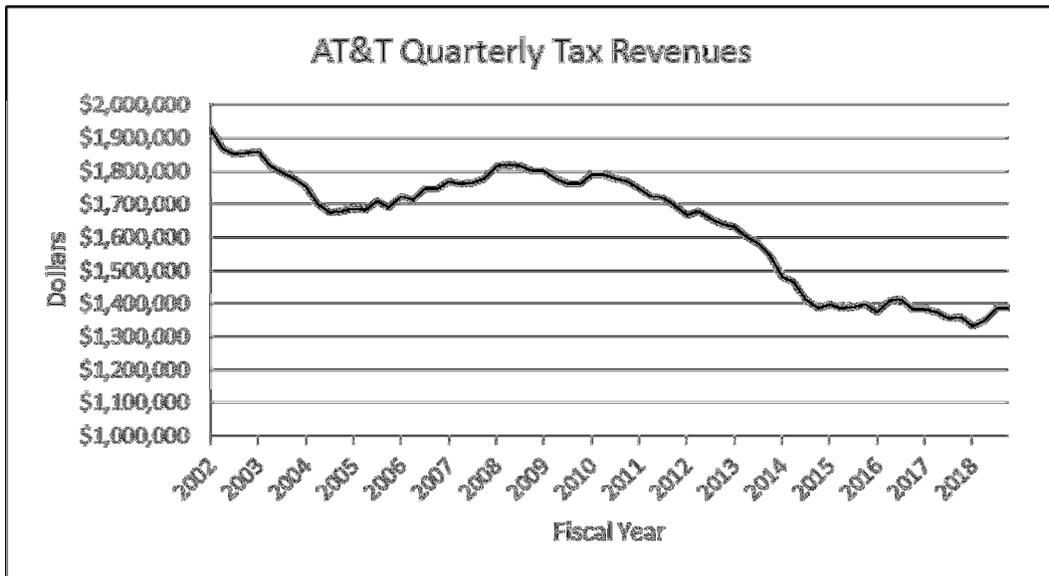


# AT&T Telephone Tax Revenues

AT&T land line telephone taxes have declined in recent years. That is a consequence of the expansion of cellular telephone usage and other forms of electronic communications. Although there will be ongoing demand for land line telephone services, this category of tax collections is not forecast to keep pace with economic growth in El Paso. For FY2014, revenues from this source are projected at \$5,747,280. By FY2018, revenues for this tax are forecast to reach only \$5,452,056 (Table 8).

**Table 8**  
**AT&T Land Line Telephone Tax Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$6,638,166	-3.6
2013	\$6,362,020	-6.2
2014	\$5,747,280	-9.7
2015	\$5,571,021	-3.1
2016	\$5,580,479	0.2
2017	\$5,470,317	-2.0
2018	\$5,452,056	-0.3

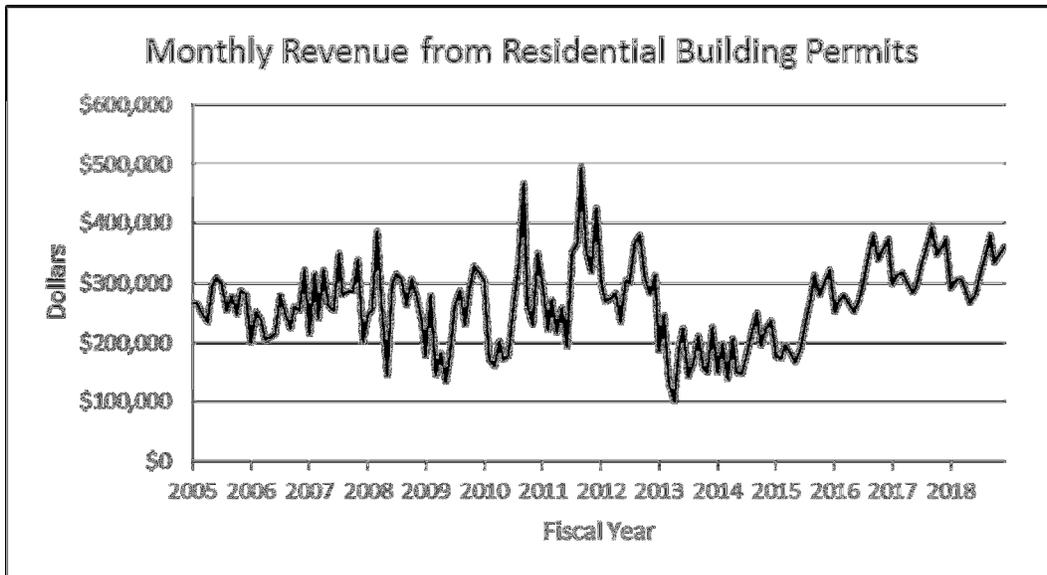


# Residential Building Permit Revenues

One of the most cyclical revenue categories is residential building permits. This revenue source is impacted by construction activity. As shown in Table 9, double digit rates of change are often observed for these fees. During FY2014, building permit fees should total \$2,298,939. By FY2018, they are projected at \$3,824,493.

**Table 9**  
**Residential Building Permit Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$3,614,936	-4.0
2013	\$2,142,479	-41.7
2014	\$2,298,939	7.3
2015	\$2,810,506	22.3
2016	\$3,688,254	31.2
2017	\$3,981,088	7.9
2018	\$3,824,493	-3.9

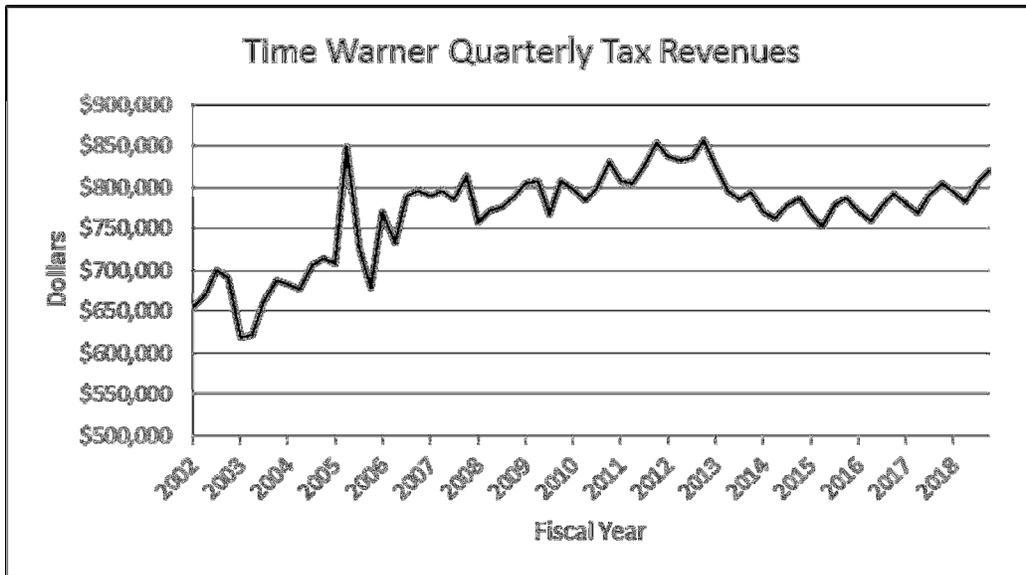


# Time Warner Cable Tax Revenues

Another revenue source that has faltered in recent years is the Time Warner cable tax. That is at least partially a consequence of competition from satellite television and internet entertainment services. FY2014 cable tax revenues are projected at \$3,082,078. Subsequent slow growth for this category is forecast, allowing its tax collections to reach \$3,233,625 in FY2018.

**Table 10**  
**Time Warner Cable Tax Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$3,361,235	2.0
2013	\$3,171,106	-5.7
2014	\$3,082,078	-2.8
2015	\$3,094,326	0.4
2016	\$3,116,330	0.7
2017	\$3,172,973	1.8
2018	\$3,233,625	1.9

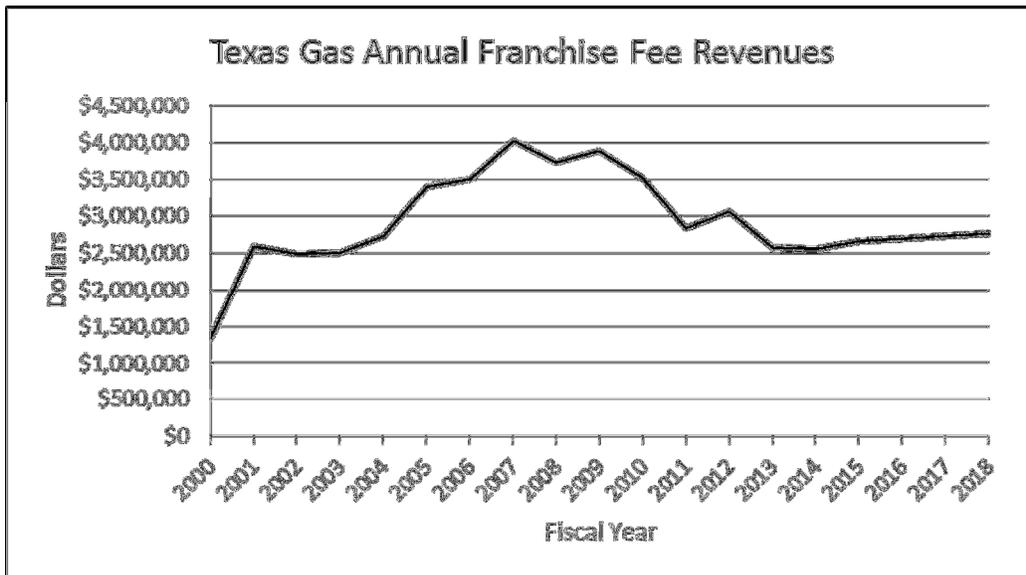


# Texas Gas Franchise Fee Revenues

Texas Gas franchise fee revenues are affected by demographic, economic and weather variables. Revenues in this category are predicted to decline marginally in FY 2014 and then bounce back in the following fiscal year. In general, over the course of the forecast period, this revenue stream is projected to grow at a slow pace. The FY 2014 revenue forecast is \$2,552,247. By FY 2018, revenues are expected to increase to \$2,759,693.

**Table 11**  
**Texas Gas Franchise Fee Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$3,053,016	7.6
2013	\$2,571,314	-15.8
2014	\$2,552,247	-0.7
2015	\$2,664,282	4.4
2016	\$2,696,496	1.2
2017	\$2,729,983	1.2
2018	\$2,759,693	1.1

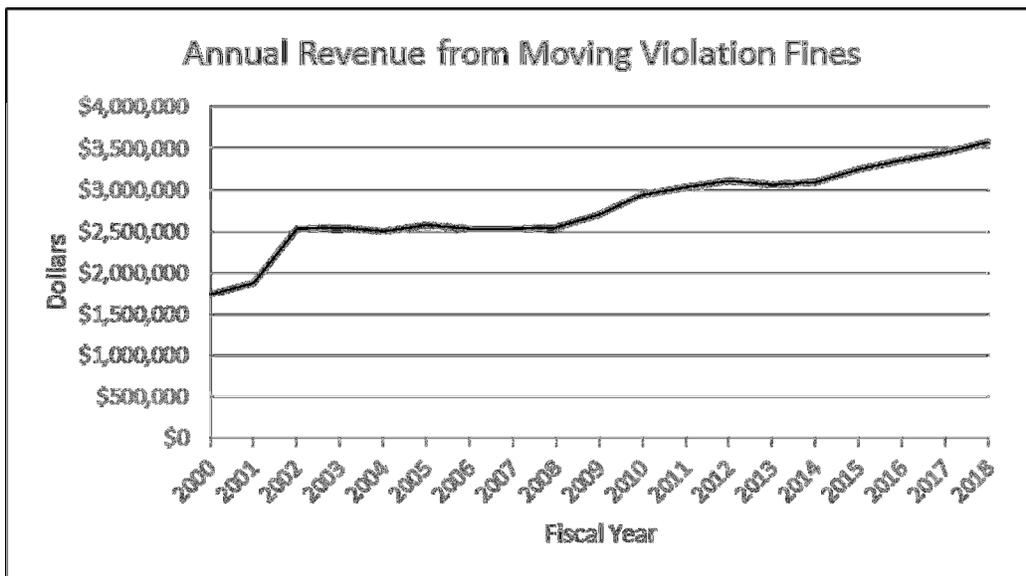


# Moving Violation Fine Revenues

Moving violation fine revenues are influenced by the number of vehicles on public thoroughfares and by various other social and demographic factors. Revenues in this category are predicted to total \$3,098,810 in FY 2014, which represents a small increase over the figure recorded in the previous fiscal year. Thereafter, moving violation fines are expected to grow at a steady pace, reaching \$3,569,805 by FY 2018.

**Table 12**  
**Moving Violation Fine Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$3,113,315	2.48
2013	\$3,071,787	-1.33
2014	\$3,098,810	0.88
2015	\$3,257,092	5.11
2016	\$3,357,062	3.07
2017	\$3,461,055	3.10
2018	\$3,569,805	3.14

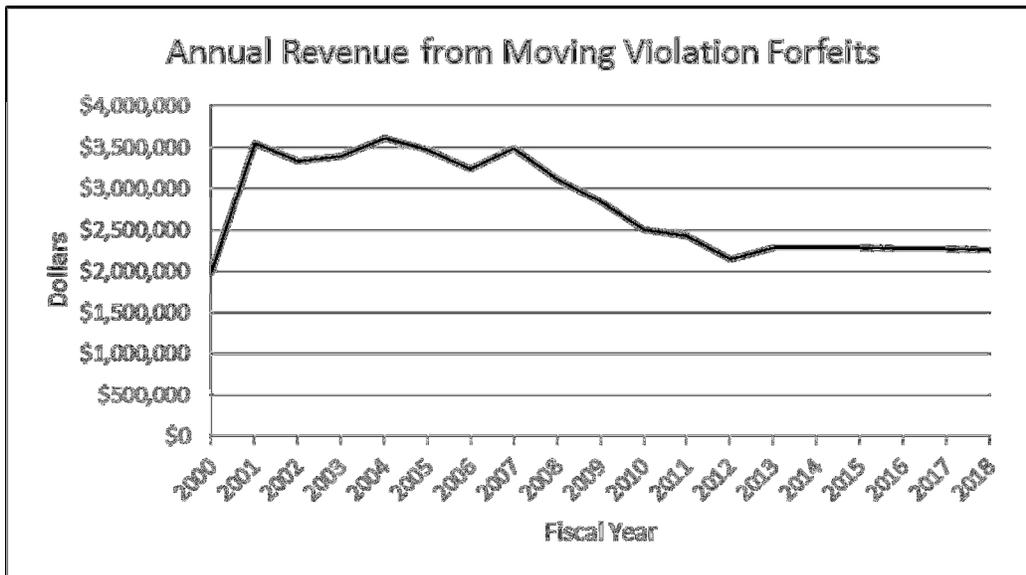


# Moving Violation Forfeit Revenues

Revenues from moving violation forfeits have been on a downward trajectory since at least 2007 which was only partially compensated by the growth registered in FY 2013. Revenues in this category are expected to stagnate or decline moderately in coming years. Forecasted revenues from moving violation forfeits for FY 2014 amount to \$2,284,104. By FY 2018, revenues from this source are predicted to fall slightly to \$2,258,941.

**Table 13**  
**Moving Violation Forfeits Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$2,145,600	-11.45
2013	\$2,288,093	6.64
2014	\$2,284,104	-0.17
2015	\$2,279,398	-0.21
2016	\$2,273,507	-0.26
2017	\$2,266,726	-0.30
2018	\$2,258,941	-0.34

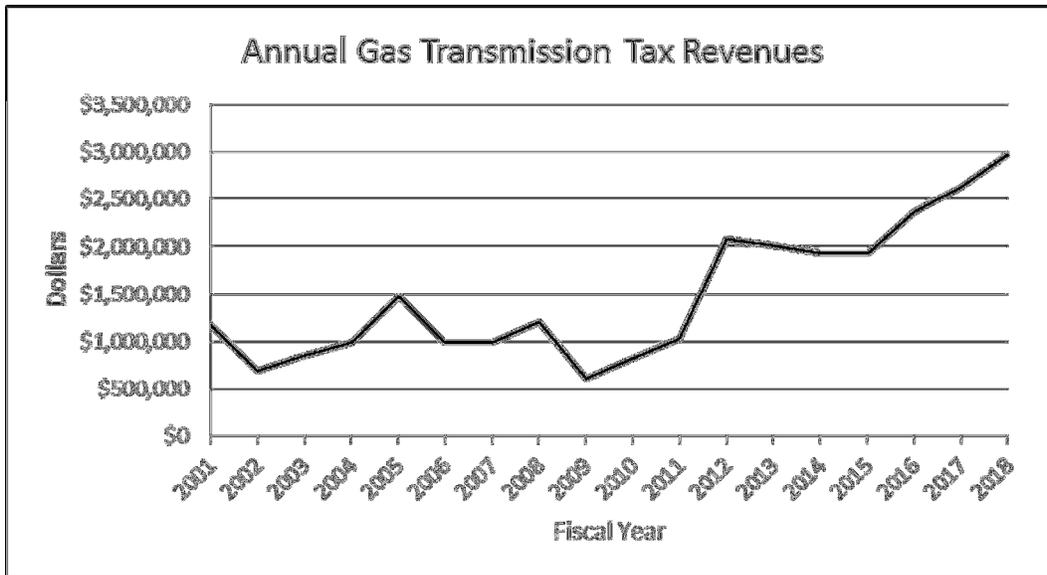


# Pipeline Gas Transmission Tax Revenues

Gas transmission revenues nearly doubled from FY 2011 to FY 2012 and subsequently declined. This decline is expected to continue in FY 2014 when total revenues are projected at \$1,938,710. However, this downward trend is expected to be reversed in the latter part of the forecast period. By FY 2018, revenues in this category are predicted to reach \$2,980,431.

**Table 14**  
**Gas Transmission Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$2,077,867	102.2
2013	\$2,012,248	-3.2
2014	\$1,938,710	-3.7
2015	\$1,935,820	-0.1
2016	\$2,357,924	21.8
2017	\$2,629,047	11.5
2018	\$2,980,431	13.4

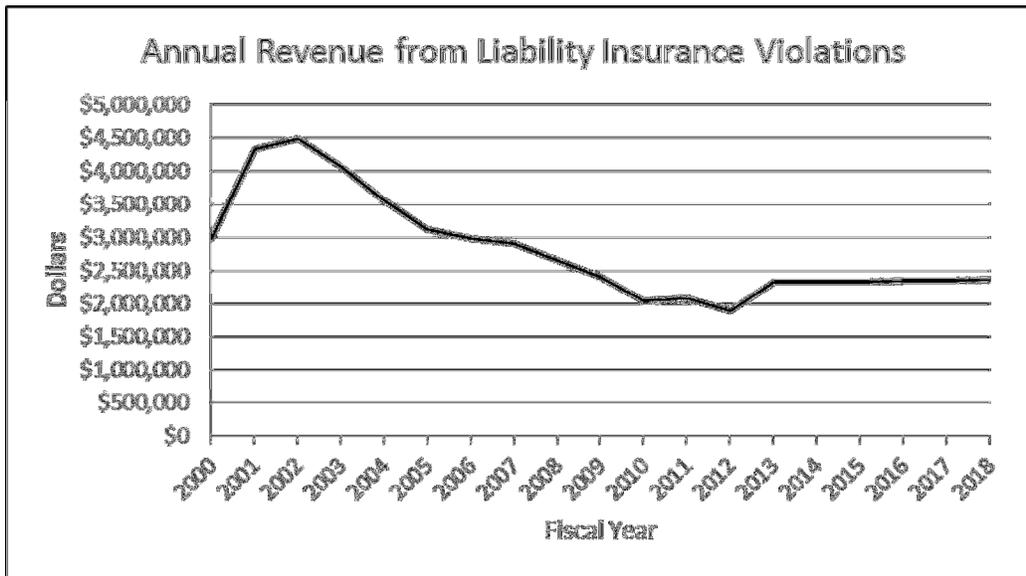


# Liability Insurance Violation Revenues

Like moving violation revenues, fines for liability insurance violations are correlated with a variety of socio-economic and demographic variables including vehicle ownership. Revenues from this source have generally tended to decline over the last decade, but increased substantially in FY 2013. The forecast for FY 2014 calls for \$2,333,380 in revenues deriving from liability insurance violations. Slow growth is expected to occur over the forecast period, with revenues projected at \$2,363,376 for FY 2018.

**Table 15**  
**Liability Insurance Violations Revenue Growth**

Fiscal Year	Dollar Amount	Percent Change
2012	\$1,879,018	-9.47
2013	\$2,328,379	23.91
2014	\$2,333,380	0.21
2015	\$2,339,488	0.26
2016	\$2,346,520	0.30
2017	\$2,354,413	0.34
2018	\$2,363,376	0.38





# **FY 2015 Budget Process and 5 Year Forecast**

**May 05, 2014**

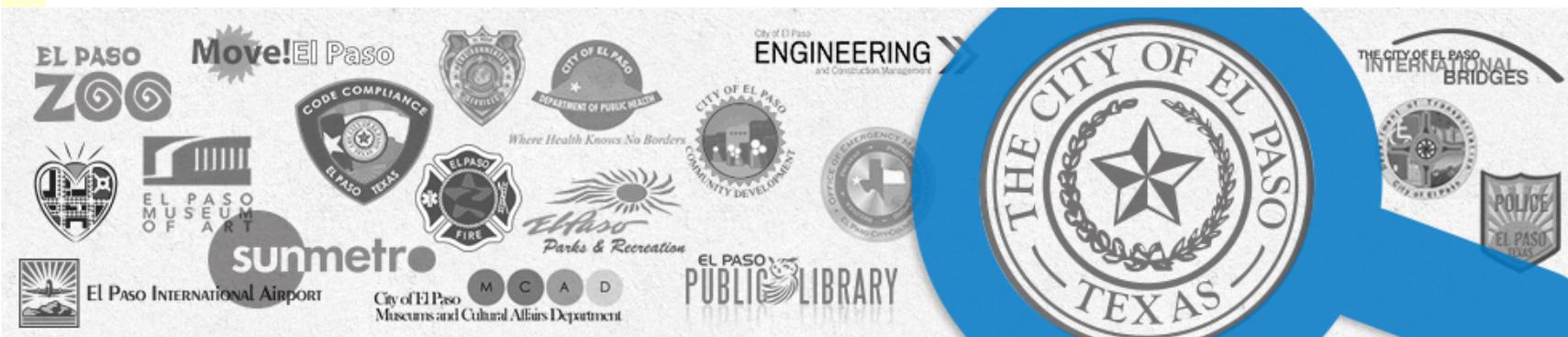
**Leeper, Lynly, CPA  
Chief Budget Officer**





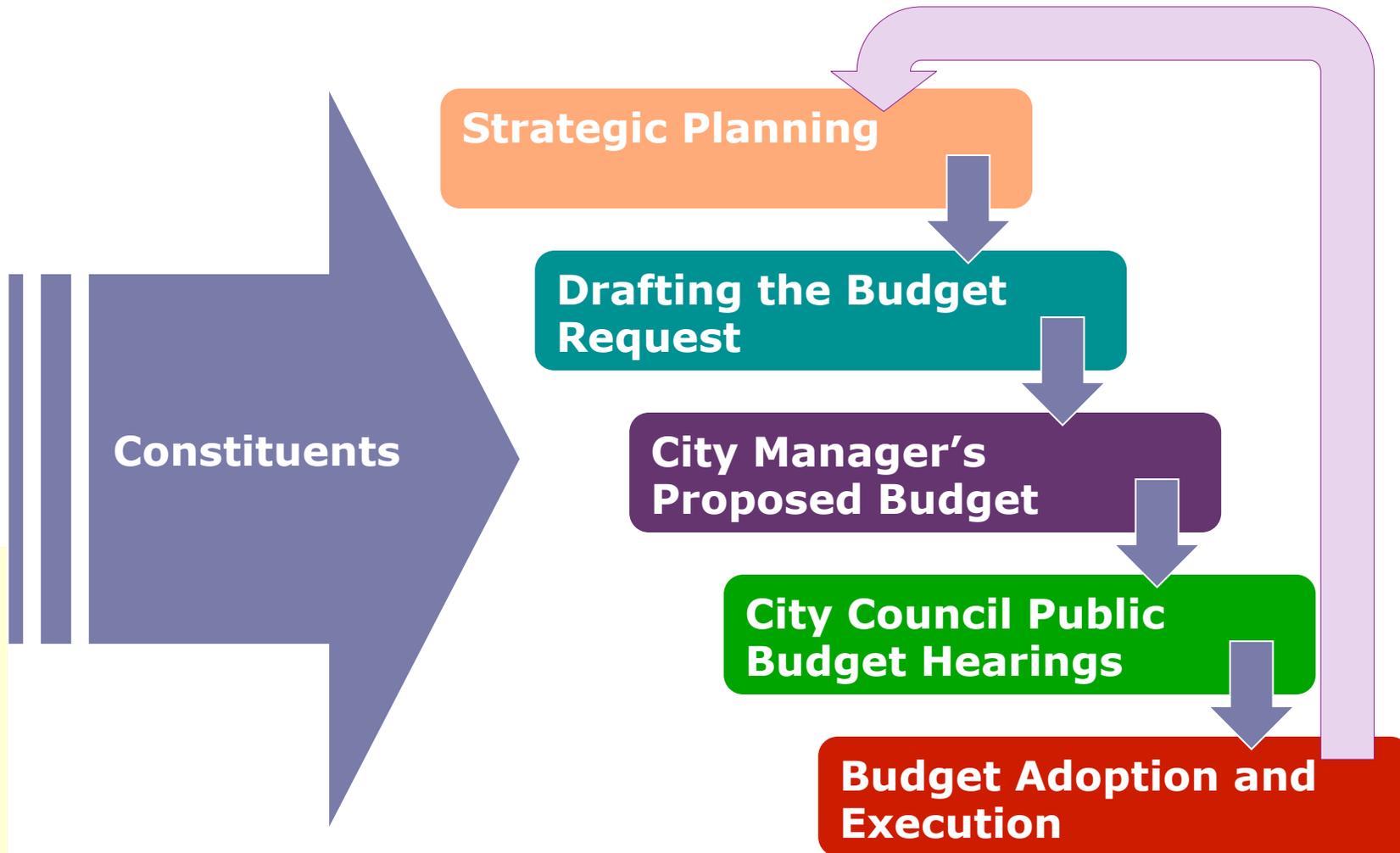
# Purpose

- ❑ Budget Process and Budget Preparation Activities
- ❑ FY 2015 Calendar of Mayor & Council Budget Meetings
- ❑ City Council Strategic Goals and Strategic Budget Plan
- ❑ General Fund - Five Year Forecast
- ❑ Summary of Non-Negotiables
- ❑ Steps to Submittal
- ❑ Performance Measures and Department Strategic Business Plans
- ❑ Dr. Fullerton's Revenue Forecast





# Budget Process Cycle





# Seeking Citizen Input

- 2014 Citizen Survey
  - Underway
  - Preliminary results expected in June
  - Will be used by management to prioritize reductions if necessary
  - Incorporated into budget overview and presented to Council at time of Budget introduction
  
- Additional Citizen input opportunities
  - Social media with representatives
  - Link from City's home page submission form for comments and to receive feedback
  - Public input mirrored after San Antonio - Austin



# Critical Activities

- ❑ Five-year financial forecast - to assess long-term financial implications of current and proposed policies, programs, and assumptions that develop appropriate strategies to achieve Council's goals.
- ❑ Strategic Planning Sessions - provide policy direction and priorities for the following fiscal year and review/update during the current year.
- ❑ Budget Preparation Manual - explains the entire budget process, policies, and timetable.
- ❑ Budget parameters and programmatic direction - City Manager establishes parameters for the upcoming fiscal year and provides programmatic direction in accordance with the City's Strategic Plan and Council's guidance.
- ❑ Identification of major program changes and policy issues.
- ❑ Budget review - The City Manager meets with each department to determine whether changes are required based on available resources and priorities.



## Critical Activities

- ❑ The City Manager's proposed budget is filed with the City and County Clerks in June, distributed to City Council, Department Directors, the media, and posted on the City's website.
- ❑ Changes made after proposed budget is filed - must be included as part of the budget resolution, which is voted upon by City Council.
- ❑ Public hearings - held during July and August. The proposed budget is available for review by the citizens.
- ❑ The City Manager's proposed budget, as amended, is approved by the Council.
- ❑ Budget policies dictate that in the event the budget is not adopted by August 31, appropriations for personnel and essential operating costs made in the prior year can be extended until the new budget is approved.



# Budget Preparation Process

November /  
December

- OMB develops five-year forecast
- City Council strategic planning session

January /  
February

- OMB prepares budget manual
- OMB begins revenue estimation
- OMB prepares personnel cost reports

March

- Departments submit revenue estimates
- OMB sends personnel estimates, budget forms, and budget manual to departments

April

- Departments return personnel forms and submit budget requests to OMB
- Deputy City Managers, CFO, and OMB review departmental budget requests, refinements are made
- City Manager and OMB review edited budget requests



# Budget Preparation Process

May

- City Manager holds budget review meetings with departments and OMB, refines budget requests to develop City Manager's proposed budget

June

- OMB files City Manager's proposed budget with City Clerk and County Clerk (City Charter 7.3)
- Proposed budget is made available to City Council and citizens

July

- City Manager presents the proposed budget to City Council
- City Council holds budget hearings
- Tax levy/tax rate ordinance is introduced; Tax Collector publishes public notice of Effective Tax Rate (Tax Code 26.04)

August

- Public hearing notice - published in newspapers (City Charter 7.3B)
- Public Hearing is held on budget adoption
- City Council adopts the City budget by resolution (City Charter, 7.3B)
- City Council adopts the tax levy/tax rate ordinance after final reading



# FY 2015 Calendar of Mayor & Council Budget Meetings

- Tuesday July 8, 2014, 8:00 a.m.
  - *City Manager's Proposed Budget Overview*
- Wednesday, July 9, 2014, 9:00 a.m.
  - *Development & Tourism Portfolio*
- Thursday, July 10, 2014, 9:00 a.m.
  - *Development & Tourism Portfolio*
- Wednesday, July 16, 2014, 9:00 a.m.
  - *Public Safety & Community Services Portfolio*
- Thursday, July 17, 2014, 9:00 a.m.
  - *Transportation & Public Works Portfolio*
- Wednesday, July 23, 2014, 9:00 a.m.
  - *Financial and Administrative Services Portfolio*
- Thursday, July 24, 2014, 9:00 a.m.
  - *Financial and Administrative Services Portfolio*



# FY 2015 Calendar of Mayor & Council Budget Meetings

- Introduce Tax Rate
  - Monday, July 28, 2014, 9:00 a.m. (Special CC Meeting to coincide with agenda review)
  
- Budget Wrap up
  - July 30, 31, & August 4, 5, 2014, 9:00 a.m.
  
- Public Hearings on Tax Rate
  - Tuesday, August 5, 2014
  - Tuesday, August 12, 2014
  
- Adoption of FY 2015 Budget
  - Tuesday, August 19, 2014



# City Council Strategic Plan

- New Strategic Plan: “From Vision to Value” – Setting Our Strategic Roadmap For Success – October 2013
- Creates the blueprint for the annual operating budget by setting the priorities and goals of the City on a long-term basis as well as the planning of required budget resources in the short-term.
- Council Strategic Policies:
  1. To facilitate opportunities for citizens to be involved in local government.
  2. To become the most livable city in the United States and be recognized as an international city.
  3. To be a high-performance, customer-focused organization.
  4. To help businesses create quality jobs in El Paso and revitalize targeted areas of town, thereby adding to the tax base and fostering a healthy economy.
  5. To ensure long-term financial stability and sustainability of the City Government.
  6. To establish a comprehensive transportation system.



# City Council Strategic Goals

## Strategic Area I - Resource Management

- ❑ We will prepare for success by sustaining a strong pool of management leadership through a formal succession planning process.

## Strategic Area II – Organization / Management

- ❑ We must set a climate of respect, collaboration and team spirit among Council, staff, and the community; leading by example.

## Strategic Area III – Client Needs

- ❑ We will build our economic base with a strategic plan that stabilizes taxes and grows the tax base.
- ❑ We will improve our competitiveness through investments in our public facilities and infrastructure impacting our quality of life.

## Strategic Area IV – Quality Management / Accountability

- ❑ We will deliver services timely and efficiently with focus on continual improvement.
- ❑ We must deliver on our promises regarding the quality of life bond projects.

## Strategic Area V – Funding / Resources

- ❑ We will ensure continued financial stability and accountability through sound financial management, budgeting, and reporting.

## Strategic Area VI – Technology

- ❑ We will leverage and expand the use of current and new technology to reduce inefficiencies and improve communications.

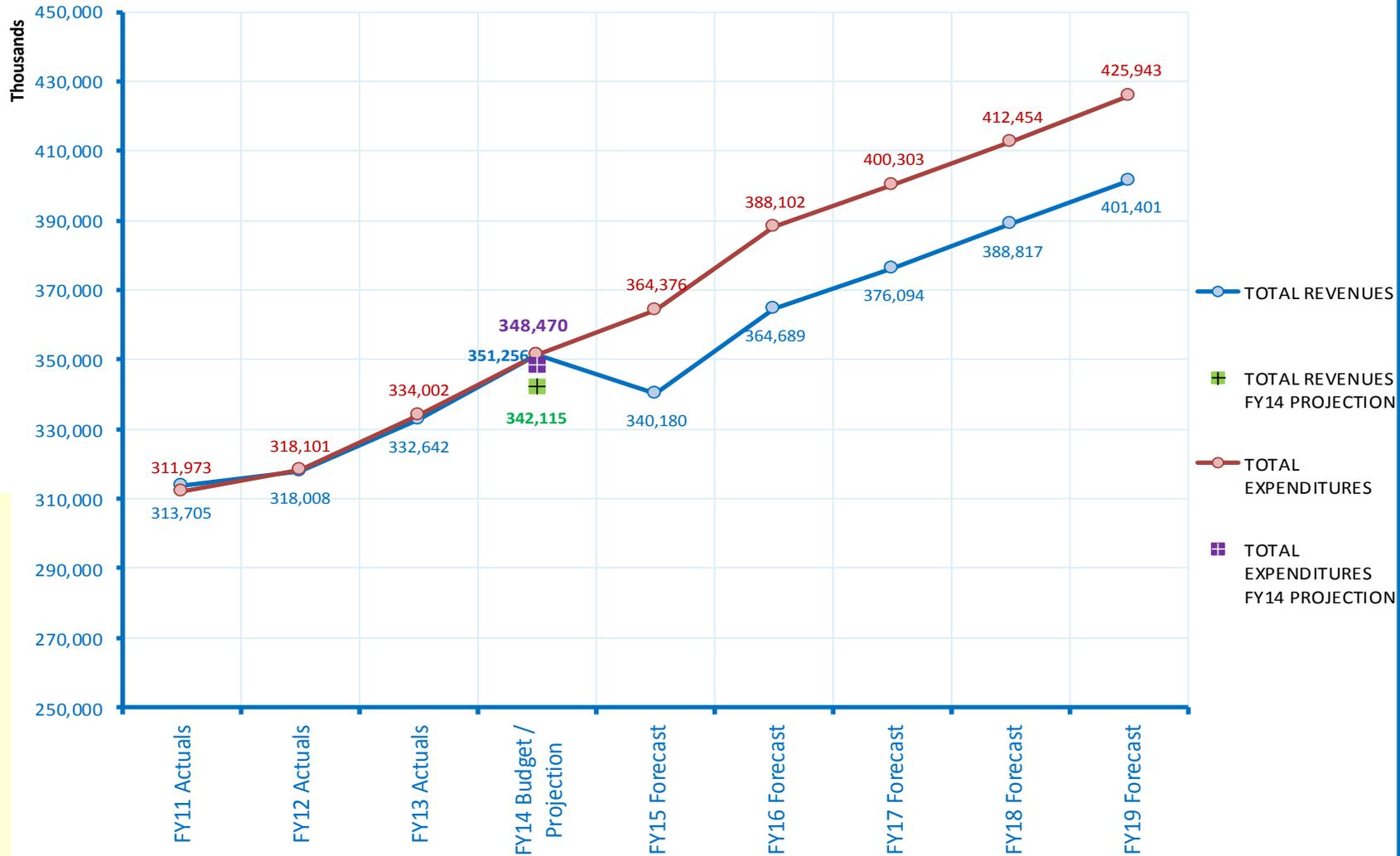
## Strategic Area VII – Transportation

- ❑ We will establish a comprehensive transportation system.



# 5 Year Forecast – General Fund

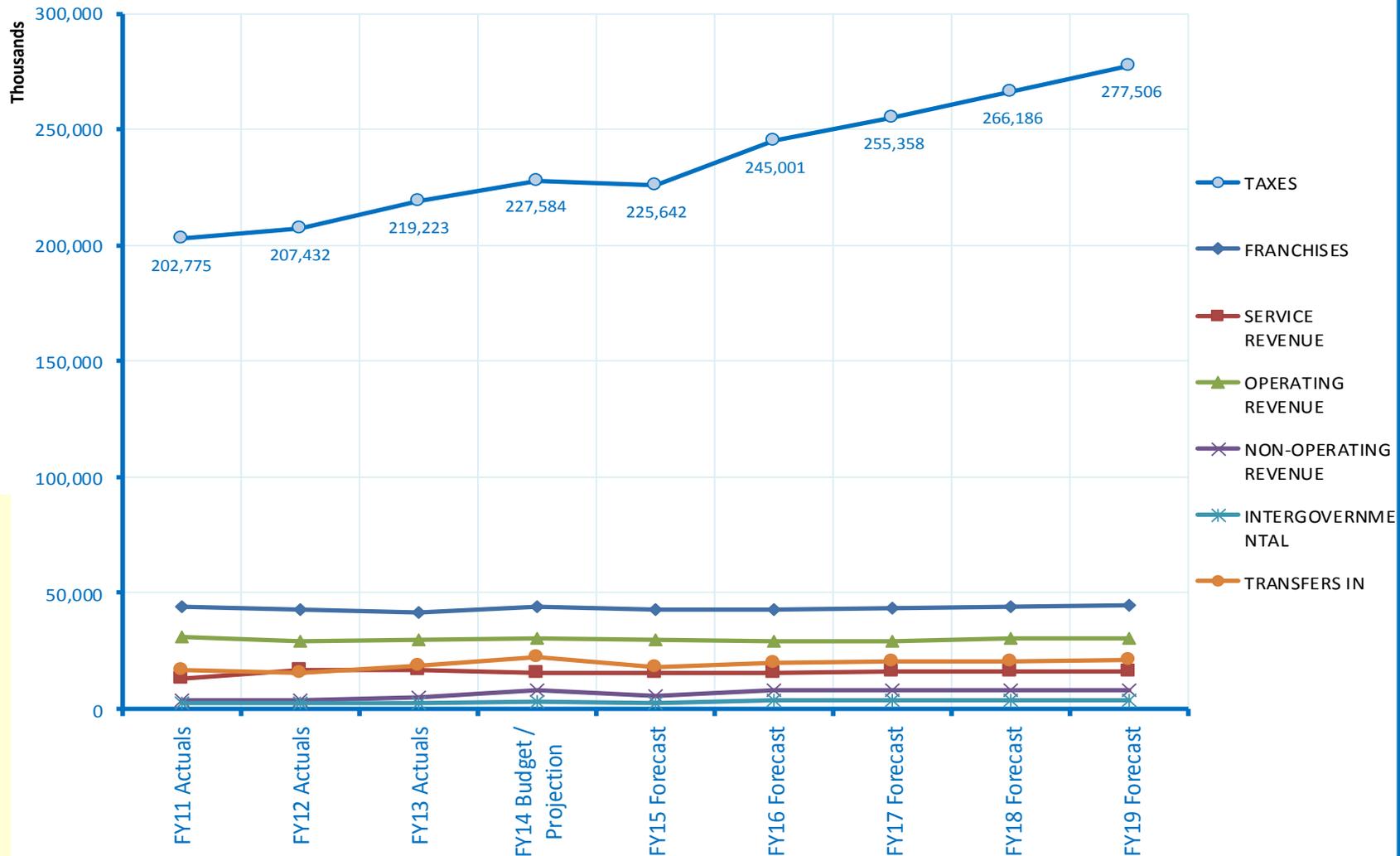
## Total Revenues vs. Total Expenditures





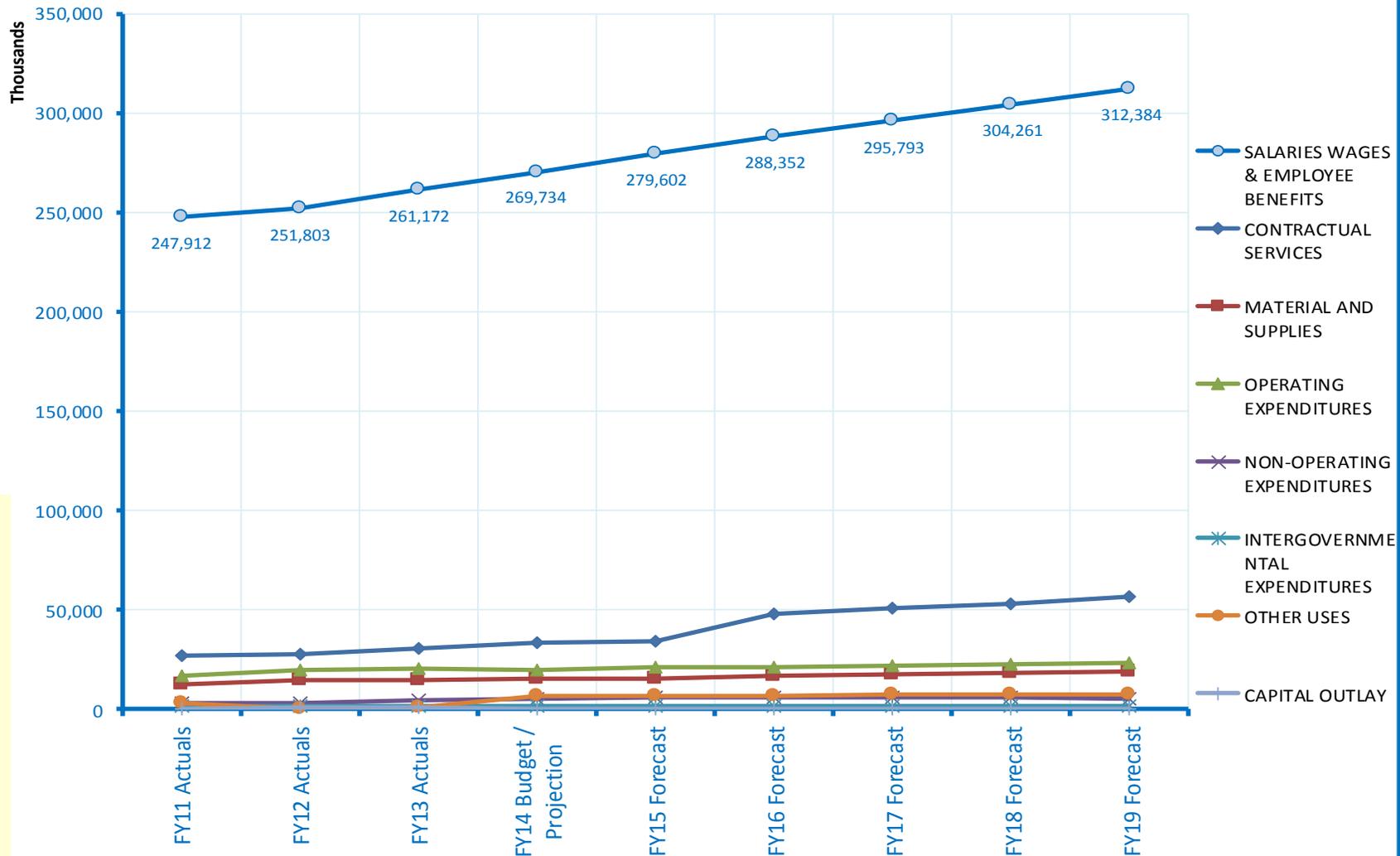
# 5 Year Forecast – General Fund

## Revenues





# 5 Year Forecast – General Fund Expenditures





## Non-Negotiable Increases Included FY 2015 Budget

	Increases
Insurance and Benefits	\$570,060
Salary adjustments	1,502,578
Pension from 13.45% to 14.05%	130,000
Police	2,334,845
Fire	1,480,314
Debt Service	3,585,980
Municipal Elections	200,000
Incentive Agreements	3,875,637
QOL Impacts	373,723
	<b>\$14,053,137</b>



## FY 2014 Continuing Obligations

TRZ Property Tax Incentive + Debt Subsidy	\$ 3,828,617
TIRZ	\$ 537,031
380	\$ 1,414,772
	\$ 5,780,420



# Steps to Submittal

1. FY 2014 Revised Budget – Baseline
2. Add Non-Negotiables
3. Departments submit requests
  - ❑ Requests contain:
    - FY 2015 Requested Budget
    - PIR – Program Improvement Requests
    - Transmittal memo
  - ❑ OMB reviews requests for accuracy
  - ❑ Departments explore new revenue options
4. Reconcile Council priorities with Citizen input and available revenues
5. File proposed budget
  - ❑ June 30



# Performance Measures

- ❑ In January 2012, City began a strategic planning initiative to identify core business processes within the City and align them to the desired results.
- ❑ In order to effect this change, the City has implemented a system that fully integrates the following into one management system:
  - ❑ Strategic Business Planning
  - ❑ Performance Based Program Budgeting
  - ❑ Accounting Structure
  - ❑ Organizational Structure, and
  - ❑ Performance Reporting.
- ❑ The system will provide City Council, the City Manager, executive leaders, managers, and employees at all levels with the right information about the right results at the right times.
- ❑ As of today all but three departments have developed strategic business plans and their budgets are tied to measurable results.
- ❑ The Departments provide quarterly performance reports to Council.



# Why Performance-Based Budgeting?

- ❑ Best practice—allows us to measure success in providing services to our customers
- ❑ Gives us the right information to make good decisions—program budgets are tied to services inventory and measures for results, output, demand and efficiency
- ❑ Enables us to demonstrate transparency and accountability to our community through a dashboard database that will show performance
- ❑ Gives us the basis to demonstrate our value to the community
- ❑ Aligns every employee to organizational success since they have responsibility for meeting operational measures which they created
- ❑ Helps communicate successes and challenges to our customers
- ❑ Provides ability to compare services, expenditures and results with our peers and competitors

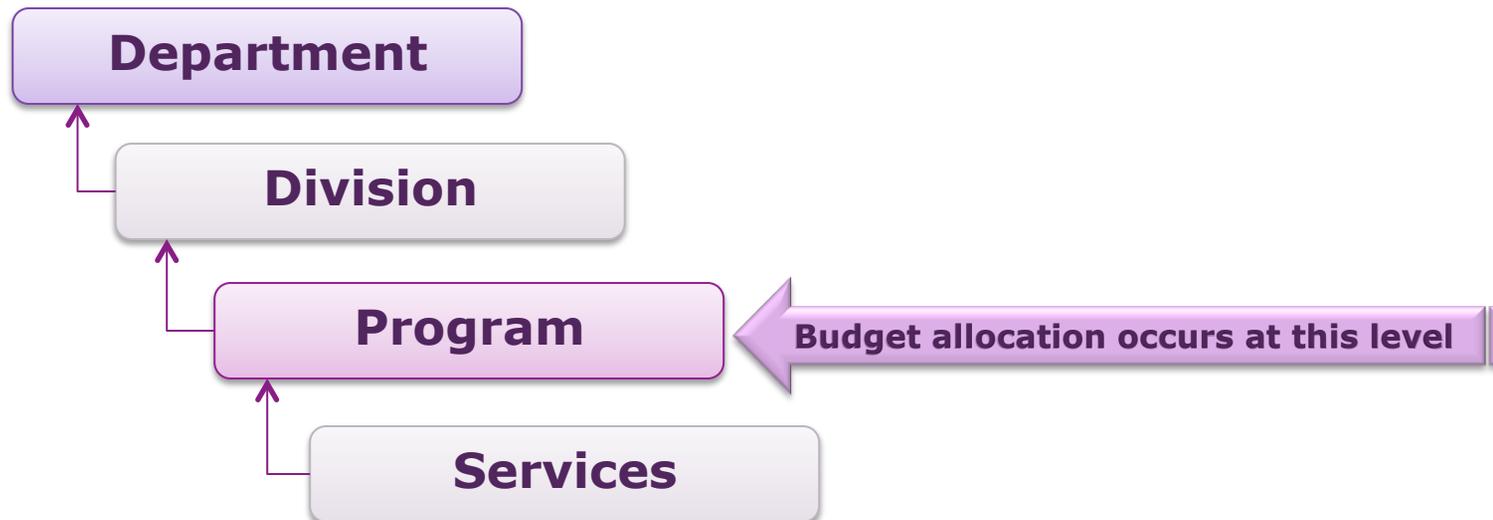


# Department Strategic Business Plans

## Consist of:

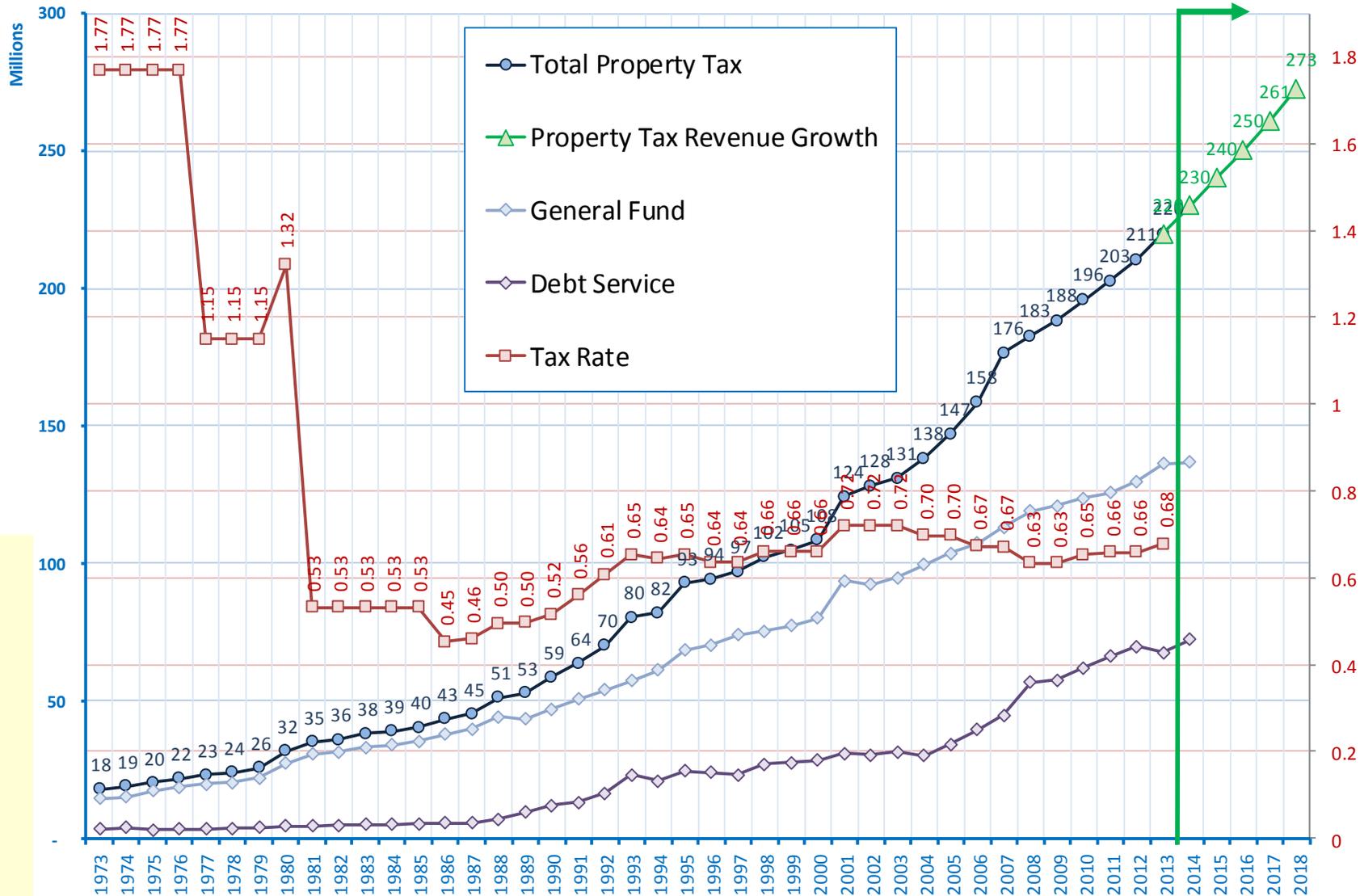
- 2 to 5 year strategic plan with a mission statement, issue statements, and strategic results
- A one year business plan showing the relationship between allocated resources and anticipated results.
- Programs must have at a minimum 5 performance measures for reporting purposes (2 - % results, # output, # demand, and \$ efficiency measures)
- [Sun Metro Excerpt](#)

## Hierarchy of organization



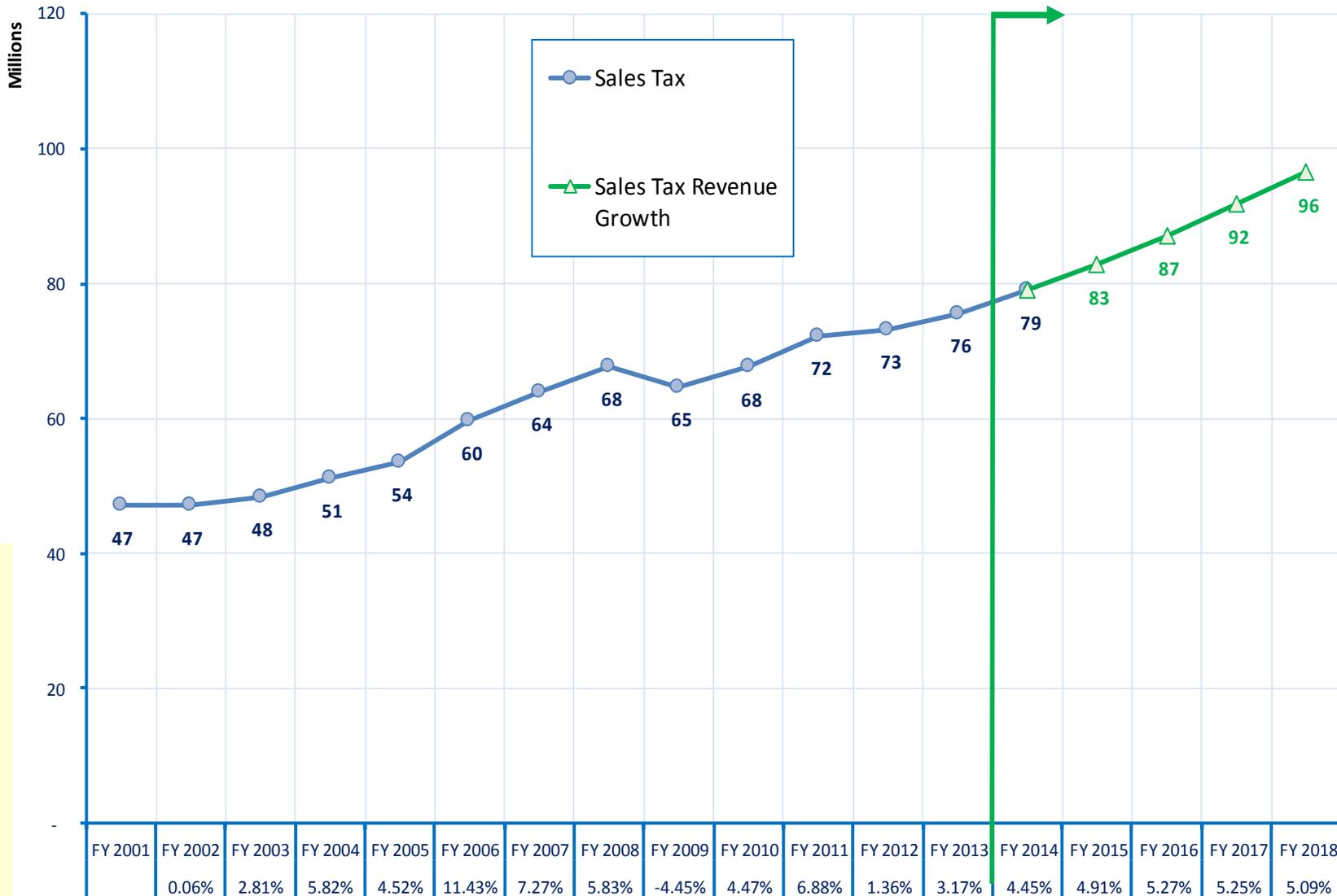


# Property Tax Outlook



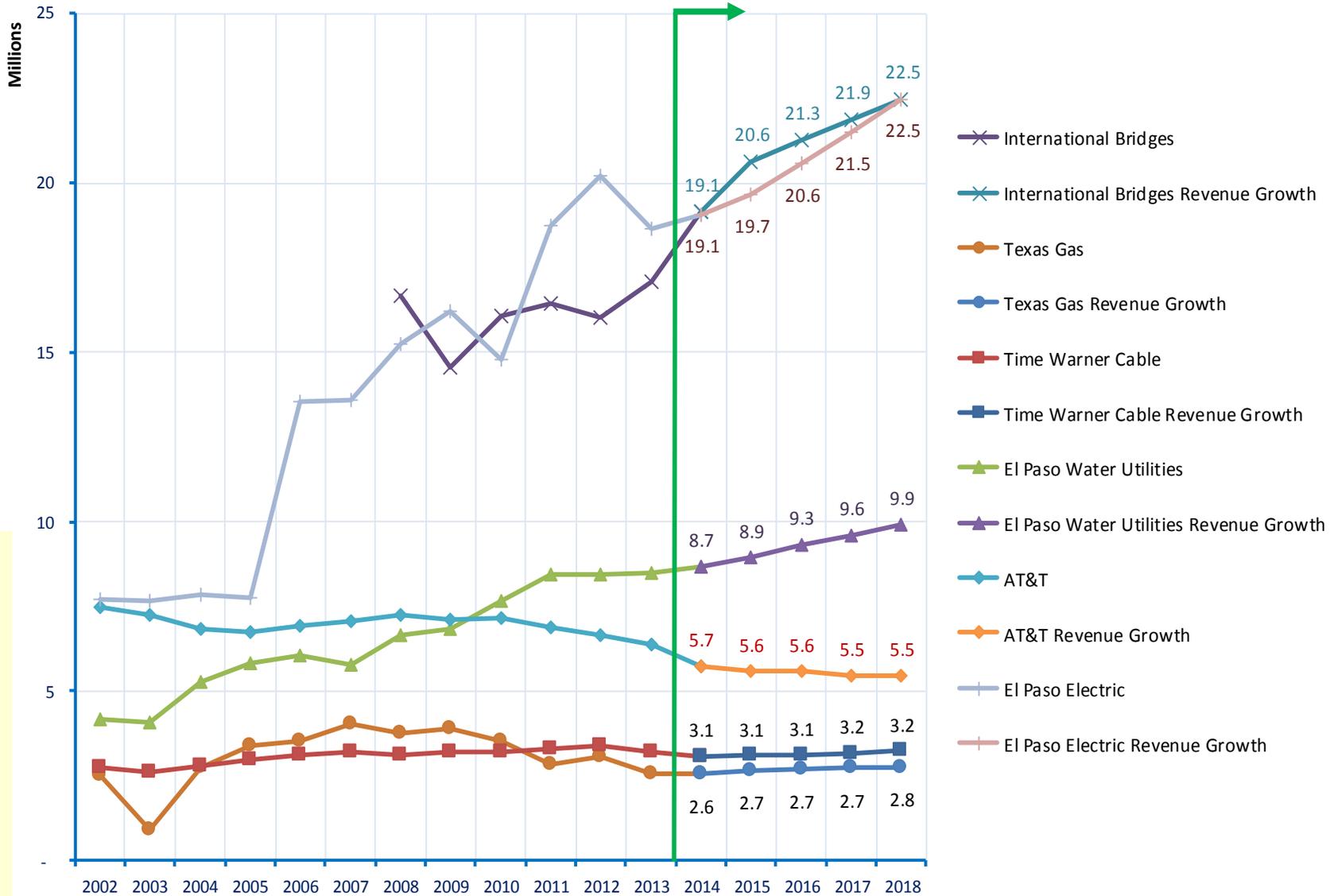


# Sales Tax Outlook



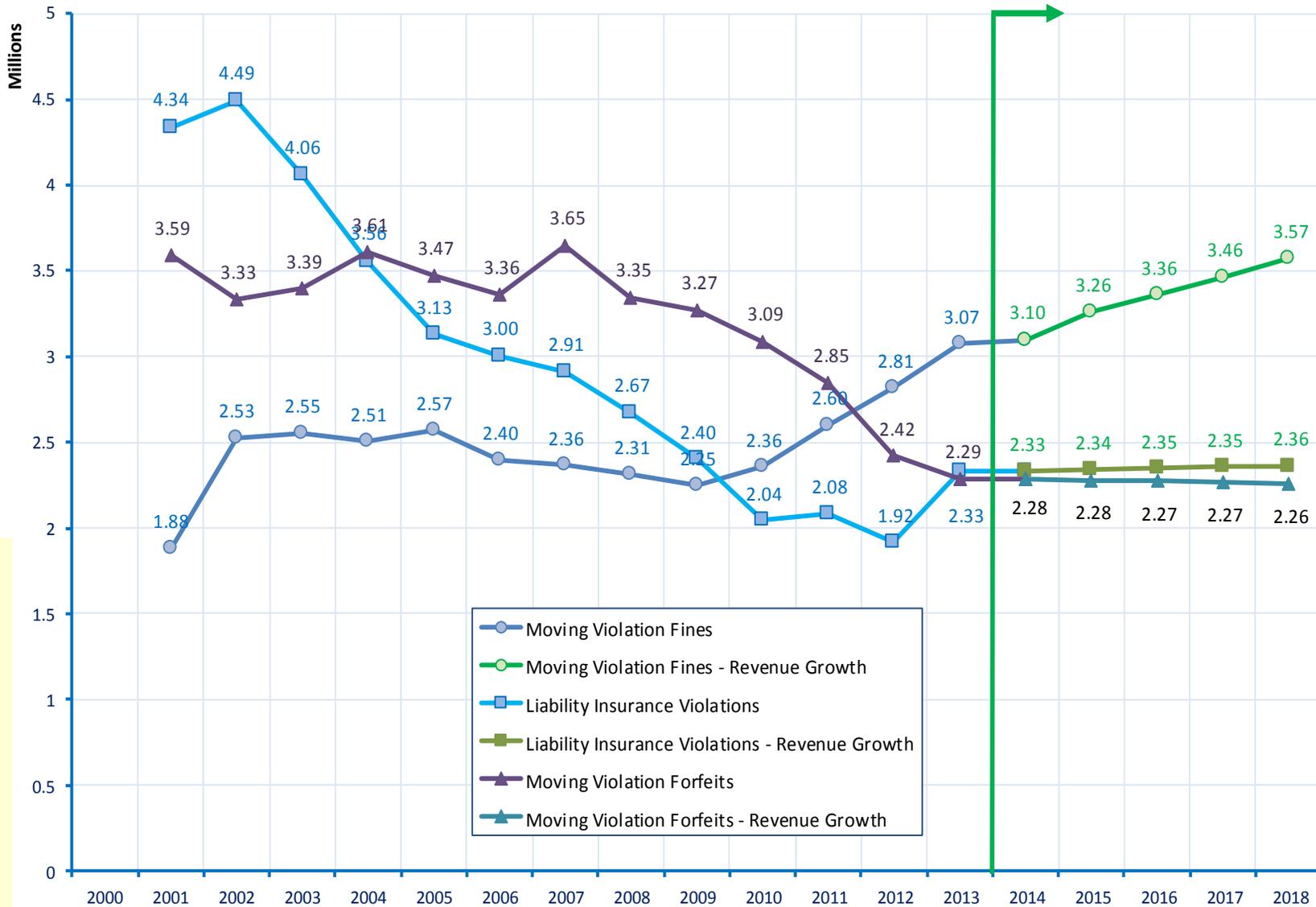


# Franchise Fees Revenues





# Main Municipal Clerk Revenues





# Questions?