



**Fiscal Year 2010 Budget
Adopted by City Council August 25, 2009**



Joyce Wilson, City Manager

**Prepared by Office of Management and Budget
David Almonte, Director**





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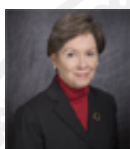
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CITY OF EL PASO, TEXAS
MAYOR AND CITY COUNCIL



JOHN COOK
MAYOR



ANN MORGAN LILLY
DISTRICT 1



RACHEL QUINTANA
DISTRICT 5



SUSIE BYRD
DISTRICT 2



EDDIE HOLGUIN JR.
DISTRICT 6



EMMA ACOSTA
DISTRICT 3



STEVE ORTEGA
DISTRICT 7



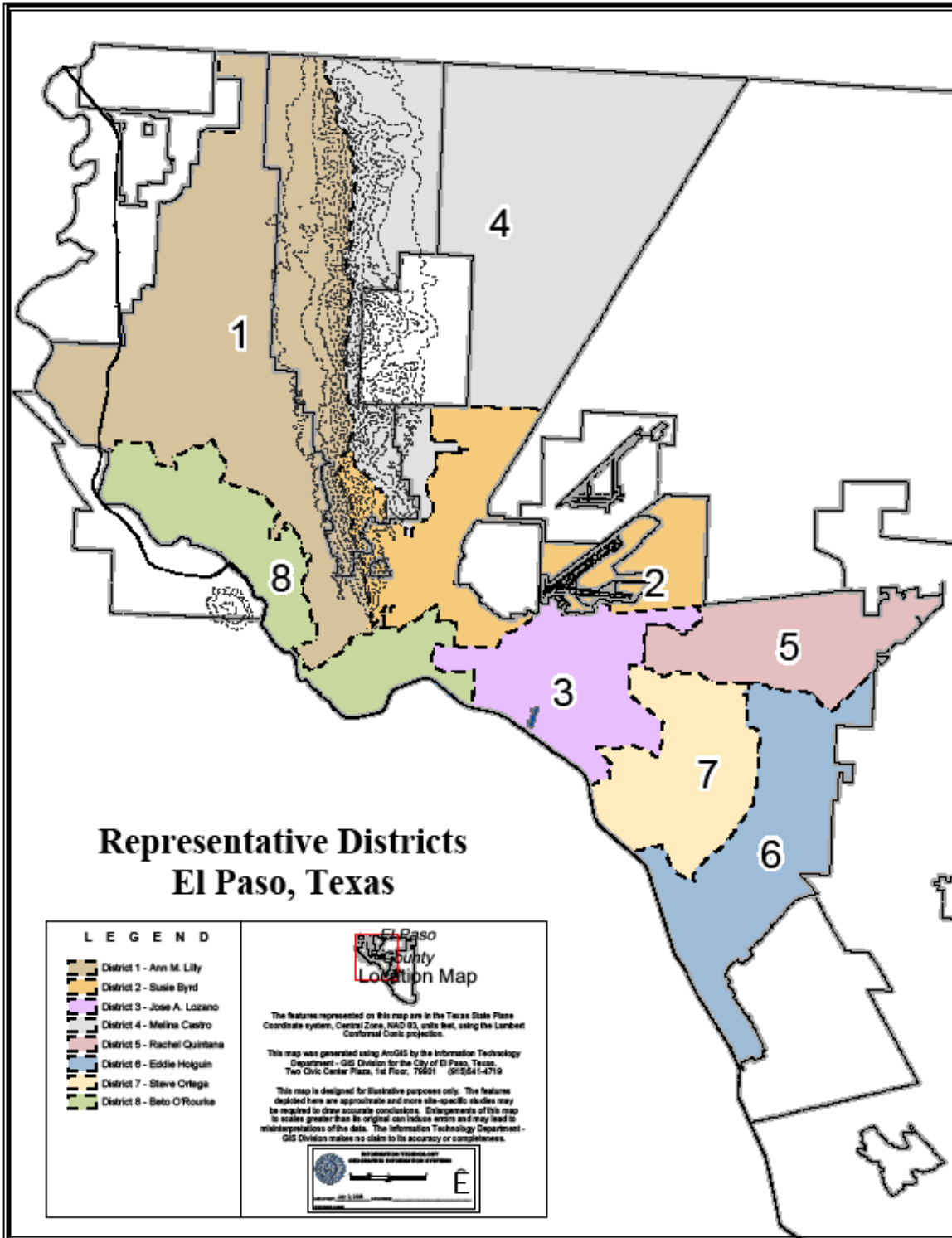
CARL L. ROBINSON
DISTRICT 4



BETO O' ROURKE
DISTRICT 8



JOYCE A. WILSON
CITY MANAGER



Dedicated to Outstanding Customer Service for a Better Community

S E R V I C E S O L U T I O N S S U C C E S S



September 1, 2009

The Honorable Mayor and City Council
El Paso, Texas

Ladies and Gentlemen:

INTRODUCTION

Since 2005, when the first of several 2000 Quality of Life bond projects began coming on-line, the City's operating and maintenance budget has grown by an average of 4% or \$10.24 million annually through 2009. This growth has been fueled solely by new facilities and related operating requirements, expansion of public safety services and related compensation increases associated with union contracts, increases in investments to streets and drainage to catch up from years of neglect and non-investment, as well as expansion to the street network from growth due to annexations and new development. We have also made nearly \$424 million in capital investments since 2005.

We have added three new fire stations, two new Branch libraries and one replacement Branch library, doubled the size of the main library, three new recreation facilities and 105 acres of new parkland over the past five years. We have also built and opened a new Museum of History and the renovated Plaza Theatre. In the adopted budget we expect two new major recreation facilities to complete construction, as well as the 10 acre expansion to the El Paso Zoo.

Mayor
John F. Cook

City Council

District 1
Ann Morgan Lilly

District 2
Susie Byrd

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Rachel Quintana

District 6
Eddie Holguin Jr.

District 7
Steve Ortega

District 8
Beto O'Rourke

City Manager
Joyce A. Wilson

With this backdrop, I am pleased to present the adopted operating, maintenance and debt service budget for fiscal year 2009-10. Last year when we began our budget process, we were focusing on rapidly escalating fuel prices and growth-related challenges. We were also sensitive to a possible economic slowdown and adjusted our revenue forecasts and expenditures to reflect both. Within 30 days of adopting the FY 2008-09 spending plan, the economy plummeted nationally, and El Paso was not immune to the impacts. Our revenues this year fell far short of projections and we reduced our overall operation by nearly \$11 million throughout the year to respond to revenue shortfalls.

To avoid adopting a budget for FY 2009-10 with certain service expectations and then having to retrench mid-year again, we have taken a very conservative revenue approach. All major city departments were given expenditure targets that were either at or below the FY2009 adopted budget. Adjustments were made based on known contractual obligations, introduction of new facilities that could not reasonably be delayed, or areas where reductions were deemed to have an adverse effect on service delivery. Priorities included health and public safety, ongoing maintenance and cleaning of streets and public rights of way, and information technology investments.

BUDGET HIGHLIGHTS – GENERAL OVERVIEW

The adopted FY 2009-10 All Funds Operating and Maintenance Budget is \$673,902,407, which represents a decrease of \$15,456,579 or 2.24% below the FY2009 fiscal year. The General Fund portion of the adopted FY 2009-10 Operating and Maintenance Budget is \$312,247,054, a decrease of \$3,571,574 or 1.13% below the FY2009 fiscal year. However, when we factor in approximately \$10,217,780 of inflation costs associated with compensation adjustments from the previous year and contract requirements, the real reduction to operations is closer to \$13,797,019.

The total number of employees (FTE) adopted at 6,134.34, signifies a decrease of 85.67 from the previous fiscal year. Of those positions slated for elimination, 20% are presently filled. In addition, 58.5 vacant positions deemed necessary to the organization's operations are only partially funded for the fiscal year and will be frozen temporarily for the unfunded portion of the fiscal year.

A summary of the budget by portfolio for ALL FUNDS and summary of the budget by department for GENERAL FUND is provided on the following pages:

City of El Paso
All Funds Appropriations by Department

Departments	Adopted Budget FY2009	Adopted Budget FY2010	\$ Variance	% Variance
City Attorney	5,184,230	4,435,299	(748,931)	-14.45%
Department of City Manager	1,933,445	1,759,869	(173,576)	-8.98%
Mayor & Council	1,316,806	1,356,490	39,684	3.01%
GENERAL GOVERNMENT	8,434,481	7,551,658	(882,823)	-10.47%
Development Services	6,274,376	6,399,423	125,047	1.99%
Economic Development	2,638,700	2,466,661	(172,039)	-6.52%
Engineering Services	3,768,613	3,652,006	(116,607)	-3.09%
Environmental Services	52,847,531	48,606,903	(4,240,628)	-8.02%
General Services	34,693,798	33,117,275	(1,576,523)	-4.54%
Information Technology	11,370,285	12,155,075	784,790	6.90%
DEVELOPMENT & INFRASTRUCTURE	111,593,303	106,397,343	(5,195,960)	-4.66%
Financial Services	3,200,446	3,102,732	(97,714)	-3.05%
Human Resources	2,326,992	1,976,329	(350,663)	-15.07%
Non-Departmental	127,910,522	130,473,399	2,562,877	2.00%
Office of Management & Budget	2,413,665	2,044,254	(369,411)	-15.30%
Tax	4,506,024	4,458,754	(47,270)	-1.05%
FINANCE	140,357,649	142,055,468	1,697,819	1.21%
Fire	78,223,416	77,889,630	(333,786)	-0.43%
Municipal Clerk	5,938,852	5,582,977	(355,875)	-5.99%
Police	114,823,289	118,393,656	3,570,367	3.11%
PUBLIC SAFETY	198,985,557	201,866,263	2,880,706	1.45%
Airport	48,565,064	36,023,397	(12,541,667)	-25.82%
International Bridges	17,247,841	17,259,947	12,106	0.07%
Metropolitan Planning Office	1,673,393	1,843,725	170,332	10.18%
Street Department	14,991,460	14,366,326	(625,134)	-4.17%
Sun Metro	61,616,076	59,664,251	(1,951,825)	-3.17%
MOBILITY SERVICES	144,093,834	129,157,646	(14,936,188)	-10.37%
Community Development	15,586,233	16,140,741	554,508	3.56%
Dept. of Museums & Cultural Affairs	4,258,144	3,847,647	(410,497)	-9.64%
El Paso Performing Arts Center	10,954,143	11,483,879	529,736	4.84%
Library	9,069,438	8,447,256	(622,182)	-6.86%
Parks & Recreation	21,620,178	20,755,198	(864,980)	-4.00%
Public Health	19,607,746	20,215,492	607,746	3.10%
Zoo	4,798,280	5,983,816	1,185,536	24.71%
QUALITY OF LIFE	85,894,162	86,874,029	979,867	1.14%
GRAND TOTAL	689,358,986	673,902,407	(15,456,579)	-2.24%

City of El Paso
General Fund Appropriation by Department

Departments	Adopted Budget 2009	Adopted Budget 2010	\$ Variance
City Attorney	4,873,975	4,215,307	(658,668)
Community Development	595,186	520,698	(74,488)
Department of City Manager	1,933,445	1,759,869	(173,576)
Dept. of Museums & Cultural Affairs	2,347,729	2,214,804	(132,925)
Development Services	6,274,376	6,399,423	125,047
Economic Development	1,909,793	1,828,083	(81,710)
Engineering Services	3,768,613	3,652,006	(116,607)
Financial Services	2,964,197	2,859,698	(104,499)
Fire	74,819,409	74,446,474	(372,935)
General Services	15,629,942	15,340,143	(289,799)
Human Resources	2,326,992	1,976,329	(350,663)
Information Technology	10,825,615	11,496,268	670,653
Library	8,470,606	7,798,645	(671,961)
Mayor & Council	1,316,806	1,356,490	39,684
Municipal Clerk	4,993,852	4,637,977	(355,875)
Non-Departmental	8,861,332	7,273,334	(1,587,998)
Office of Management & Budget	1,309,433	1,233,437	(75,996)
Parks & Recreation	21,486,742	20,507,456	(979,286)
Police	108,944,356	112,041,390	3,097,034
Public Health	9,223,638	8,501,875	(721,763)
Street Department	14,991,460	14,366,326	(625,134)
Tax	4,506,024	4,458,754	(47,270)
Zoo	3,452,772	3,369,933	(82,839)
	<u>315,826,293</u>	<u>312,254,719</u>	<u>(3,571,574)</u>

BUDGET HIGHLIGHTS – COMPENSATION

Personnel is the largest category of budget expenditures. To achieve a reasonable bottom line and minimize loss of service and reductions in staffing, we made an early decision to restrict compensation increases for FY 2009-2010. As a result, we are freezing all salary increases for the general work force until the fourth quarter. We have set aside a 2% competency increase to be released in the last quarter if we meet or exceed our revenue forecasts for the year.

Salary adjustments for sworn police and fire staff are obligated through our union contracts. Any adjustments must be mutually negotiated with the leadership of those associations. I'm pleased to report that both police and fire associations have indicated a willingness to negotiate concessions in expected compensation adjustments due to the financial hardship of the upcoming fiscal year. Our request to delay the timing of expected cost of living increases and other concessions will result in an

overall savings of \$1,825,897 collectively. However, even with these deferrals, the financial impact of the public safety contractual compensation increases is \$5,103,924.

I want to thank the representatives of these agencies for their commitment to the organization, community and fellow employees, as without these financial considerations the cuts to services would have been more dramatic and painful.

BUDGET HIGHLIGHTS – HEALTH AND SAFETY

With the change in leadership in both the Police and Fire Departments, we used this challenging fiscal period as an opportunity to rethink how we were providing services and what changes could enhance performance, reduce costs, while minimizing any adverse impact on service delivery.

A significant change in the adopted FY 2009-10 budget is the merger of police and fire emergency communications and dispatch into one centralized emergency call center under a unified civilian management structure that includes:

- combining and cross training all call intake functions into one public communications intake group,
- separating dispatch functions for Fire/EMS, Police and animal control services,
- adding staffing for the animal control dispatch function,
- adding staffing to support training and other ancillary services, such as police report taking responsibilities
- reassigning sworn fire officials back to their primary Fire/EMS functions within the Fire Department

The net result is an organization with more resources and greater capacity with a reduced budget impact of \$7,038,984; the redeployment of important sworn fire resources back to their agency in areas where additional staffing is needed, thus avoiding new costs; and providing the backbone for a future regional 911 Emergency Communications System.

We also are using this opportunity to lay the groundwork for a 311 citywide general communications call center that would replace various other call-take operations so that there can be one main point of contact for citywide information, constituent support and complaint reporting. This will enhance customer service, eliminate the need for multiple phone numbers for different issues, and provide much needed relief to the non-emergency 911 number, as this 311 Call Center would operate longer hours and for a limited time on weekends. We propose to implement this change by June 1, 2010, possibly sooner, if we can resolve some current telephone routing issues and ensure that the equipment, training and reorganized staffing can be adequately addressed. It is important that a centralized customer service call center get off to a positive start, as this is a major change and great investment opportunity for the organization and community.

The Police Department's General Fund budget, including the Communications Division, increased by \$3,097,034 (2.84%) to \$112,041,390 and will retain core services at FY2009 levels, provide for

contractually obligated compensation adjustments, and would allow for one academy of 25 new officers in Spring 2010, with an earlier federal grant funded academy pending approval of recent grant application. All core law enforcement functions and services are adequately funded in this adopted budget.

The Fire Department's General Fund budget, excluding the Communications Division, has decreased by \$372,935 to \$74,446,474. The budget does provide for sufficient resources to retain present service levels, field a pre-certified paramedic academy of 15, and implement certain recommendations of the Matrix Operations Review based on management's analysis and concurrence with those recommendations.

The General Fund budget for the Public Health Department is at \$8,501,875, which reflects an overall reduction of 7.83% below present year, but does not adversely impact services due to increased grant opportunities afforded to the agency based on aggressive outreach on the part of staff. Federal and State funding increases totaling \$1.3 million were received to enhance emergency preparedness, epidemiology, 211 call center and WIC (Programs for Women, Infants and Children). The Department continues to pursue other opportunities for funding aimed at border health needs. The combined All Funds budget for Public Health is \$20,215,492, an increase of 3.1% over the previous year.

BUDGET HIGHLIGHTS – MOBILITY SERVICES

This portfolio will continue to remain the priority for FY 2010 due to the significant present and planned investment in major transportation projects and initiatives, the majority of which are funded from federal and enterprise fund sources, outside of the General Fund.

The operating budget for the Department of Aviation, excluding transfers, was reduced by \$997,343 (3.6%) to \$26,327,911 due to declines in passenger activity and related revenues, as well as capital investments planned for the next fiscal year. The FY2009 adopted budget included transfers totaling \$21M as compared to the Adopted FY 2010 budget's total of \$9.8M mainly due to transfer for capital projects. Overall, though, there is no reduction in services to the community. Excellent customer service and forward-thinking development will continue to be priorities for this agency.

The budget for the Department of International Bridges, excluding transfer to the General Fund, has been increased by \$133,277 despite the decline in crossing activity associated with the peso devaluation, levels of violence, more stringent crossing requirements and the overall reduction in the national/international economies that has caused manufacturing production to be dramatically reduced over the past year. The transfer to the General Fund was decreased from \$11,371,764 to \$11,250,593 representing a reduction of \$121,171. Staff continues to look for ways to manage the bridges as efficiently as possible, as well as looking for revenue generating opportunities. Bridges has generated additional revenue from its fiber optic leases. The bridges will continue to be secure and well maintained. City Council adopted an increase to the pedestrian crossing fee from \$0.35 to \$0.50 cents and vehicle crossing fee from \$2.25 to \$2.50, making us more consistent with our counterparts across the state and southwest border region and raising \$776,031 in additional revenues. Pedestrian fees have not increased since January 4, 2004. Funding will cover all operations and capital improvements, as well as strategic planning efforts and support to the General

Fund for related services and activities. City Council also adopted an increase to parking meter rates from \$0.50 to \$0.75 per hour bringing the rates in line with the fee other cities charge and raising enough to cover the “Plaza Theatre Bond Repayment” and the parking meters division budget. Parking meter rates were last increased September 1, 2003.

The Streets Department budget is recommended at \$14,366,326 for FY 2009-10, representing a decrease of \$625,134 (4.17%) below the current year. Core services will be retained, along with the ongoing commitment, though at a reduced level, for unpaved right of way cleaning, herbicide and median upkeep. Landscaped medians will be maintained on a bi-weekly basis with no contractual capacity for new landscaped infrastructure. Herbicide spraying will be at the rate of 2.5 times per year during the growing season (March-November). Graffiti removal will be completed within three working days from reporting for 80% of the cases.

The budget for the Mass Transit Department (Sun Metro) was adopted at \$59,608,773 representing a 3.2% decrease over previous year. This includes an FTA grant of \$673,119. Priorities for FY 2009-10 will focus on making public transit more accessible, attractive and viable as a travel option for El Pasoans. In the next year, Sun Metro will improve our infrastructure starting with refinement of the SMART 101 route, completion of the downtown Santa Fe Transfer Center, Westside Transfer Center, Mission Valley Transfer Center, and near completion of the Glory Road Transfer Center, as well as the purchase of 8 new 35’ CNG buses, installation of approximately 200 new bus shelters and upgrading all bus stops, the upgrade of passenger information systems, and implementation of new transit services to match the infrastructure improvements. Further, we will introduce a day pass and a weekly pass for our riders who may not be able or wish not to purchase a monthly pass.

While a rate increase for transit service customers for FY 2010 was not proposed, we are asking Council and the Mass Transit Board to support a rate increase up to \$1.50 effective January 1, 2011 so that we can use the next calendar year to do the federally-required, community outreach associated with any rate increase. The preauthorization will allow for adequate service expansion planning associated with new terminals becoming operational and resulting service modifications and improvements. We anticipate the elimination of the current transfer fee as more terminals are constructed and opened, which will provide more direct service and a reduction in necessary transfers. Debt service will increase as debt will be issued to complete the construction of the transfer centers, including the Northeast and Far Eastside facilities. Additional buses will be required for new bus service.

BUDGET HIGHLIGHTS – DEVELOPMENT AND INFRASTRUCTURE

The adopted budgets for the departments in this portfolio are either flat or reduced from FY2009. Reductions made are intended to minimize service level impacts.

General Fund Adopted Budget for the Information Technology Department is approximately \$670,653 above the previous year to support staffing, license and contract requirements, and new technology infrastructure coming into the system. We are also supporting implementation of several key recommendations of the recently completed Information Technology Strategic Plan that will improve performance, replace outdated equipment, and restructure some of our present service delivery model. In that vein, we will be recommending an approximately \$5 million master

equipment note for certain IT investments that will be brought forward later in the calendar year and vetted in full with the entire City Council.

City Council adopted several revenue enhancement options to support the City's Environmental Services Department, and specifically the solid waste management function. Annualized expenditures for short-term capital needs must be programmed into the departmental budget, including the opening and closing of landfill cells.

These revenue enhancement options include:

- implementation of flow control for commercial solid waste providers;
- an option of a franchise fee in lieu of flow control for commercial solid waste providers; and
- solicitation of interest in purchasing the city's landfills or a lease/operational arrangement.

Any of these options would have an immediate and/or long-term revenue benefit to the solid waste fund. It would provide an opportunity to expand programs of interest to the community without the need for any rate increase for the near and mid-term, or potentially reduce rates. In lieu of these options, City Council adopted a dollar increase to the residential collection fee and instructed the department to further review the revenues enhancements mentioned above.

Through a partnership with Johnson Controls, the General Services Department is implementing infrastructure improvements and energy retrofits to existing City facilities. Ultimately, these changes are projected to reduce the City's energy consumption and result in significant cost savings. For FY 2010, General Services submitted level funding totaling \$9.17 million for electricity costs, although some cost savings will be realized during the fourth quarter of the fiscal year.

Particular to the City's fuel budget, General Services adopted a decrease of \$1,418,868 from FY 2009. Radical spikes and reductions in fuel prices from 2008 to present year have been seen and are projected to stabilize through FY 2010 according to the Department of Energy. The fuel account is projected to successfully absorb this budget reduction even with the seasonal spike the community is already experiencing.

BUDGET HIGHLIGHTS – QUALITY OF LIFE SERVICES

Despite the budget retrenchment for FY2010, care was taken to minimize adverse service impact to this portfolio.

Library Services will remain at FY2009 operating hours, following a reduction in Sunday hours during FY09. The overall General Fund budget was reduced by \$671,961 or 7.9% below FY2009. The reductions will be absorbed primarily by retaining approximately eight positions vacant and deleting 17.45 vacant FTE positions, reducing several operating accounts, outsourcing of cataloging/processing of books and resources, temporarily reducing the budget for books and resources; and reductions in travel and continuing education.

The Parks and Recreation General Fund budget was reduced by \$979,286 to \$20,507,456, which is a 4.6% reduction below previous year. The department has used this as an opportunity to classify

recreation facilities by category and standardize operating hours and core programs at various facilities, reduce operating hours at aquatic facilities during the non-peak (Sept-May) season, utilize new techniques for park maintenance and upkeep, and redesign the fee schedule to conform to industry standards. Fees, however, represent only a small portion of the department's budget (approximately 18%) with the balance being funded with tax dollars. Revenue from fees is also highly discretionary in nature and easily impacted by economic downturns. This department is anticipating the completion of the Westside Soccer Complex, the Pat O'Rourke Recreation Center, and an addition of approximately 44 acres of new parkland via the subdivision parkland dedication process during the next fiscal year and has attempted to absorb partial-year costs associated with these increases in demand within the budget constraints.

The Department of Museums and Cultural Affairs adopted some restructuring that will allow all core services to remain intact even though the overall budget is being reduced by 9.64%.

The budget for the Zoo was increased by \$1,185,536 (24.7%) to \$5,983,816 to support the opening of the 10 acre Africa expansion, which has been under construction since December 2006. While it is not timely to expand activities while reducing elsewhere, the practical reality is that we will have to accept the addition along with its maintenance, including animal care. It would be pointless not to open and generate new income associated with the expansion and investment, since we would absorb basic costs regardless of visitation opportunities. We, however, adopted fee increases to cover the costs associated with the expansion and new exhibits. Zoo fees have not been adjusted since 2003 and are among the lowest of 43 comparable accredited zoos. Otherwise, these costs would have needed to be absorbed within the General Fund, which we did not recommend given other more urgent priorities.

BUDGET HIGHLIGHTS – FINANCE AND MANAGEMENT SUPPORT GROUP

This area, though generally small in dollars when compared to other operating departments, absorbed the greatest percentage expenditure reductions. Agencies in this category include City Attorney, City Manager's Office, Mayor and Council Office, Financial Services Department, Office of Management and Budget, and Human Resources. The slight increase to the Mayor and Council Office budget is due to salary increases per the City Charter that took effect June 23, 2009. The Mayor, however, did voluntary defund one staff position in his office as part of the downsizing effort associated with the development of the proposed budget for FY 2009-10.

BUDGET HIGHLIGHTS – DEBT SERVICE

The debt service for FY 2009-10 is increased due to the sale of the second portion of the Pension Obligation Bonds in the amount of \$110 million and the sale of \$57,615,000 in certificates of obligation to provide cash flow for 2006 and 2009 authorizations. The City also refinanced \$17,445,000 to reduce future interest and principal payments and utilized a portion of the debt service reserve to reduce the immediate impact of these debt requirements, given the other economic pressures facing the FY 2009-2010 budget.

BUDGET HIGHLIGHTS – REVENUES

El Paso’s economy has been impacted by the economic crisis affecting the State of Texas as well as the nation. Early in the fiscal year the City of El Paso forecasted a \$13 million shortfall mainly due to decreases in sales tax, bridge crossings, municipal court fines, and investment interest. We immediately took a proactive stance to minimize the impact to city services through a targeted hiring freeze and a directive to hold the line on any expenditure not considered as core functions. Due to the continued economic downturn we were conservative in our revenue forecasts for FY 2010. A summary of the revenue by source for ALL FUNDS and GENERAL FUND is as follows:

All Funds Revenue by Source

Revenue Source	Adopted FY09	Adopted FY10	Difference FY09/10
Taxes	302,718,694	307,866,961	1.70%
Franchises	60,821,665	60,562,865	-0.43%
Service Revenues	104,838,615	103,668,388	-1.12%
Operating Revenues	108,172,522	105,272,042	-2.68%
Non-Operating Revenues	29,031,044	17,429,619	-39.96%
Intergovernmental Revenues	34,123,975	37,847,979	10.91%
Transfers In	49,652,471	41,254,553	-16.91%
Grand Total	689,358,986	673,902,407	-2.24%

The FY 2010 Adopted All Funds Budget is projected at 2.24% under the FY 2009 Adopted Budget.

Revenue decreases primarily due to:

- Service Revenues - Landfill fees, FTA Reimbursement (Sun Metro), lift bus revenue, and Golf course greens fees
- Non-Operating - Environmental Services adjustment for depreciation, passenger facility charges, investment interest, and facility rentals
- Transfers-In – Airport Interfund Transfer, and fund balance transfers

Revenue increases primarily due to:

- Taxes – Property taxes
- Franchises – Environmental other franchise fees
- Intergovernmental Revenues – State and Federal Grant Proceeds and Interlocal Agreements

General Fund Revenue by Source

Revenue Source	Adopted FY09	Adopted FY10	Difference FY09/10
Taxes	196,864,999	198,289,408	0.72%
Franchises	43,139,604	43,088,342	-0.12%
Service Revenues	9,746,660	10,257,953	5.25%
Operating Revenues	32,354,189	28,173,143	-12.92%
Non-Operating Revenues	7,454,175	5,750,840	-22.85%
Intergovernmental Revenues	2,917,064	3,344,125	14.64%
Transfers In	23,349,602	23,350,908	0.01%
Grand Total	315,826,293	312,254,719	-1.13%

The FY 2010 General Fund Budget is based on an overall revenue decrease of 1.13%. Slight increases are due to property taxes, ambulance revenue, county participation and inter-local agreements. Decreases are mainly due to municipal court fines, permit/licenses, and park/health fees.

In July, the El Paso Central Appraisal District updated the 2009 Certified Property Valuation for properties within El Paso, Texas. The net taxable value for properties within the City of El Paso less TIRZ properties was \$29,650,666,918. New construction in the amount of \$744,920,488 for 2008 is included in the amount, a decrease of 14.76% from 2007 new construction figures

Based on the certified property valuation the adopted budget tax rate was calculated as follows:

Maintenance and Operations	0.422
Debt Service	<u>0.211</u>
Adopted Tax Rate	0.633
Effective Tax Rate	0.619

The adopted overall ordinal tax of .633 was driven primarily by the increase to the Debt Service Tax Rate resulting from the new debt as outlined earlier above. The adopted M&O rate of .422 would be close to the effective M&O rate. Both the M&O rate and the overall tax rate are well below the rollback rates of .454 and .662 respectively.

Significant General Fund revenue adjustments are as follows:

- Property tax revenue is projected to increase in the FY 2010 adopted budget by \$2,726,395, an increase of 2.22 % over FY 2009.
- Sales tax revenue is projected to decrease in FY 2010 by \$1,264,583 a decrease of 1.8%.
- Municipal Court fines were reduced by \$1,800,552 in FY 2010 to reflect the previous year's trend in collections.

Development Services

- The Development Services Department adopted a commercial combo fee (proportionately decreased corresponding electrical, mechanical and plumbing fees).

Commercial building permit fees. The adopted fee schedule for commercial projects includes a single/combination building permit fee that incorporates the structural, mechanical, electrical and plumbing components. Implementation of this single building permit fee increase is projected over a three-year period to minimize the impact to the industry given today's economic downturn. The net revenue increase for FY 2010 for this permit fee is estimated at 18%, or just under \$100,000.

Environmental Fees Collections

- In order to maintain our level operational needs for solid waste management, approximately \$4 million will be needed each year going forward. The costs of landfill preparation and closure, which have been historically capitalized, need to be funded and expended annually. City council adopted a dollar increase to the residential collection fee and instructed the department to further review revenue enhancements aforementioned.

BUDGET HIGHLIGHTS – CAPITAL PROJECTS

We have approximately \$180 million of “active” authorized capital projects in various stages of development or construction. A breakdown of this \$180 million is as follows:

- \$102 million in conceptual or final design
- \$47 million in construction
- \$31 million in project development

Over the next fiscal year there will be an additional \$51 million added to the program. Our goal is to finalize all of these projects within the approved construction schedules (1-2 years) as we actively plan the next major capital investment program for the citizens of El Paso. Staff presently is working on a 5-7 year capital improvement plan and will be prepared to brief the Mayor and Council this fall and lay out a community process culminating in a ballot initiative before the voters in fall


2010. In the meantime, as we identify needs requiring immediate attention, we will continue to look at reprogramming opportunities from unused authorization as we conclude existing projects.

SUMMARY

I want to close by thanking all staff who were deeply involved in crafting this financial plan for the fiscal year 2009-10, particularly as it related to difficult choices and decisions that had to be made throughout the process. I am especially grateful to the staff of the Office of Management and Budget and Deputy City Managers for their hands-on involvement and many hours of hard work to put together a reasonable and responsible spending plan for the next fiscal year.

As I stated at the outset, this was a very difficult budget given the economic climate, the community's growth and demand for services and programs. Even though the General Fund budget is \$3,571,574 below the FY 2008-09 adopted budget, the true impact to operations is nearer to \$13,797,019, given that we absorbed nearly \$10,217,780 in compensation increases from the previous year. The environment, however, did provide us a good opportunity to reassess our priorities and to target resources where they were most critical to support the basic health and safety of the community. I'm proud that we were able to achieve often competing goals and still retain a solid service delivery system for the community for fiscal year 2009-10.

Respectfully Submitted,


Joyce Wilson,
City Manager

Strategic Budget Plan Summary for the City of El Paso, Texas

The City's Strategic Plan sets the blueprint for the annual operating budget as a means of setting the priorities and goals of the City on a long-term basis and the planning of required budget resources in the short-term. Through the budget process, components of the City's strategic plan are put into place. This is a practice commonly referred to as "budgeting for results".

Budgeting for specific results as outlined in the City's strategic plan provides two benefits to City stakeholders; the primary benefit is that it allows the City to focus resources towards mandated programs for specific results. This in turn provides a platform for City administration and political leadership to review the outcomes of the City budget to determine if such desired results are being accomplished.

In addition, this practice allows for administrative empowerment of department heads to manage budget resources accomplish goals and reduce bureaucracy. Departmental accountability for results is more easily identifiable because programs and services are financed for the purpose of accomplishing an expected and measurable outcome. The process provides management with the data necessary to determine how well and efficiently functions are being performed.

A second significant benefit of budgeting for outcomes is an opportunity to seek efficiencies in various services and programs within the organization that may not have been directly identified in the City strategic plan. This is of growing importance for the City of El Paso given its broad strategic initiatives and its limited capacity to enhance the City's revenue base. Programs and services of a lower priority in the City's long term plan are those most likely to be

reviewed for efficiencies during the resource allocation step of the budget process.

During FY2006, and every succeeding year since, Mayor and Council working with the City Manager develop the City's strategic plan to provide direction for staff and to provide transparency for the public, thereby increasing public awareness of the City's course and resulting actions. Mayor and Council determined those issues critical to the City's development and with staff's assistance develop corresponding objectives and steps to accomplish the plan.

Therefore, the development of the City's budget for fiscal year 2010 budget was predicated upon the following six Council strategic policies:

- **To facilitate citizens' involvement in local government.**
- **To become the most livable U.S. city and be recognized as an international city.**
- **To become a high-performance customer-focused organization.**
- **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.**
- **To ensure long-term financial stability and sustainability of the City Government.**
- **To establish a comprehensive transportation system.**
- **To facilitate citizens' involvement in local government.**

As many local governments now recognize the importance of involving citizens in major decisions such as bond initiatives, prioritizing services and similar initiatives, the City Council established the facilitating

of citizen involvement as one of the strategic goals for the city. The City's conversion to a City-Manager form of government further enhanced the entity's communication with citizens and exchanges regarding accomplishments, future projects, etc. The City has also improved the public awareness of what services the city provides and associated costs. For example, the adopted user-fee changes in Parks and Development Services for FY2010 were more acceptable to the community because of a number of community meetings during the budget process.

Short term impact of citizen involvement includes various appointments to "blue-ribbon" committees that discuss community projects such as the local Housing Authority or City government matters such as annexation studies and even department head hiring.

Some of the specific accomplishments and areas of continual improvement include:

- Continued support and evolution of the Neighborhood Services Program with focus on traditionally underserved areas of City.
- Continuation of annual neighborhood leadership academy and youth council activities.
- Implementation of 3rd round (NIP) of Neighborhood Improvement Program.
- To become the most livable U.S. city and be recognized as an international city

In the early part of this decade, El Paso faced many of the same issues that municipalities nationwide were encountering such as static downtown development, an extremely moderate valuation growth, increasing population and service needs, outward geographic expansion, and outdated zoning regulations. Therefore, in 2006 as part of the City's strategic plan City Council adopted as a strategic policy, "To become the most

livable city in the United States and be recognized as an international city". In order to accomplish this policy the budgets for the past few years, including the FY2010 budget will fund required outside studies determining the best methods to grow the city including studies addressing infill issues, subdivision and development codes, and studies that identify strengths and areas of improvement in the area of business attraction including enhancing the cultural and historical appeal of El Paso. The importance of public safety cannot be overlooked in the City's policy of livability. In the FY2010 budget, costs, required by the new collective bargaining contracts, were included.

Throughout the year, the City Quality of Life departments schedule events to promote community involvement and exposure to arts, library materials and recreational facilities. The intent is not only to provide these important programs to the community but to assist the area's economic development efforts.

Some of the specific accomplishments and established goals include:

- Develop strategy to plan and build 1st smart growth master plan project.
- Re-write of subdivision and zoning ordinances incorporating smart-growth principles and open-space master plan.
- Give priority to green development initiatives – public and private sectors, including ongoing \$15M energy-efficiency project. City anticipates generated savings will pay back investment long-term.
- Continue to advance goals in designated redevelopment zones. Determine best methodology to encourage individual artists in the community by re-evaluating the cultural funding program for FY 2011.

- Increase the visibility of the El Paso Public Library System on the local, state and national levels.
- Aggressively implement Parks Master Plan mid-term objectives.

Become high-performance customer-focused organization

This policy focuses on the need for the city to reach and maintain an optimum level of customer service while simultaneously creating efficiencies. In fiscally difficult times, producing more and higher quality services with the same or fewer resources is imperative. In order to achieve such goals all employees must be clear of the mission, goals and objectives of the entity and corresponding divisions. Additionally to become a high-performing organization (HPO) an organization must also be more flexible, empower staff and improve channels of communication with all stakeholders. To that objective, the City conducted numerous customer-service trainings for staff and contracted with the local university to provide HPO specific training for executive and supervisory staff. More importantly in order to convey the importance of this policy to all employees, the City developed a Customer Service Mission Statement, “Dedicated to outstanding customer service for a better community”.

For FY2010 the City will continue to provide specific staff training on the budget process, mid-level supervisory training and fiscal operations training. These efforts are geared toward providing service staff that has city-wide knowledge, not limited to their function or division. The results should be well-rounded employees that can deal with the citizenry in a professional, efficient and competent manner.

The FY2010 budget provides the initial funding for a new one-stop 311 call center referenced below. The goal is to have citizens call one number for all non-safety matters eliminating the need for looking up individual department numbers or

determining the appropriate department to call.

Some of the specific accomplishments and areas of continual improvement include:

- Department Head training in use of leading management models.
- Continue to monitor and evaluate customer service levels using tested tools and measures.
- Better utilize interactive technology tools to improve responsiveness and overall customer service.
- Implement 311 citywide call center by end of FY 2010.

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

During the annual strategic planning sessions it was recognized that City should facilitate economic development; thereby improving the economic welfare of its citizens. With a focus on quality jobs, targeted revitalization and public/private collaborations the community would be working to meet this strategic policy. In the FY2010 Budget, the city has appropriated funding for the El Paso Regional Economic Development Corporation or REDCo to assist with targeted attraction and relocation efforts.

As a catalyst for revitalization and to further the strategic policy, City Council, in 2006 supported the creation of a Tax Increment Reinvestment Zone (TIRZ) at the heart of the city - Downtown El Paso. Since then unparalleled investments have been made in Downtown. Starting with the renovation of the Plaza Theatre, once a modern film house that closed its doors in the 1970s to the renovation of the Mills Plaza and the Plaza Hotel both prominent buildings in El Paso’s cityscape.

In FY2010 studies are planned for New market tax credits program and the new

Medical Center of Americas complex which includes the Paul L. Foster School of Medicine in conjunction with the Texas Tech University. The former is a federal program designed to spur investment and promote economic development. The medical center campus study is varied to include establishing best practices for similar campuses, zoning/best use policies and business development issues.

The City will continue to strive to reach this policy. Specific accomplishments and areas of continual improvement include:

- Help existing businesses keep and or expand their operations.
- Promote and support entrepreneurship in El Paso.
- Develop a pilot project that will help us meet multifamily needs and be a model for smart growth and sustainability.
- Establish a local point of contact for maquiladora operations and increase sales made by local suppliers to maquilas and manufacturers.
- Continual support for the development of a master plan for the Medical Center of the Americas an integrated campus of medical facilities adjacent to the new and expanding medical university.
- Assist airport with development projects.

Ensure long-term financial stability and sustainability

Ensuring the long-term sustainability of City finances is a key strategic policy for City management. City Council adopted revised financial policies, which in part, require the balancing of adopted appropriations with anticipated revenues and no longer permitted the use of the general operating fund reserves in order to balance the budget. General Fund reserves may only be utilized for one-time and/or emergency type capital procurements that would otherwise need debt financing.

In fiscal year 2010, the Maintenance and Operating budget is funded with current revenues with special attention given to concerns about residential property tax burden and market trends, the impact of both the national economy and events in Mexico on sales tax and the latter's impact on bridge crossing revenue. The national economy has also impacted building permit and license revenue and even some believe timely payment of other revenue sources, such as municipal court fines. Sustainability of the City's general fund is always the most critical issue that constrains long-term financial goals and directly impacts the City's ability to carry out its strategic initiatives. While the overall FY2010 budget is based on the same overall property tax rate the operating side was decreased by .7 cents, the amount needed to offset the debt service increase. Since most operating costs of the City are anticipated to increase in future budgets, balancing without the use of reserves or tax or fee increases will be a difficult task. However, continued effective budget planning in the short and long term will benefit the City's financial sustainability.

Some of the specific accomplishments and areas of continual improvement include:

- Monitor local economy and revenue performance. Act quickly to adjust budget expenses where warranted.
- Continue to look for ways to reduce costs and enhance efficiencies thru consolidation, outsourcing, inter-agency partnerships and technology investments.
- Prepare the 2010 and all future general fund budgets without the use of fund balance.
- Maintain strong bond ratings, S&P's AA; Fitch's AA-.
- Proposed financial system upgrade for FY2011.

Establish comprehensive transportation system

The transportation system might presently be the most critical strategic policy being addressed by the City Council and the City Manager. Because of its importance and the issues it addresses, this policy required the longest period of time to prepare. The policy addresses some of the major issues faced by the city such as one principal freeway that serves both residents and the large number of through traffic due to El Paso's location between east and west coasts, an under-performing transit system that over the last few years has improved dramatically, street damage that still exists from storm damage of 2006 and the related need to better track and inventory street infra-structure.

Over the last 2 years, the City transferred the responsibility for drainage projects to the local water utility and designated the International Bridges as a unique department, relieving the Street Department of that oversight. One of the perceived benefits will be that the Street Department can focus on infrastructure and that the International Bridges and corresponding traffic shall garner the required attention as a stand-alone department.

Sun Metro's budget was prepared with a goal of building a reserve to pay for capital projects that will be required to bring this transportation plan to fruition. The plan is to build rapid transit direct lines and to build more transit terminals that should make routing and scheduling more efficient. The importance of the transit system is highlighted by 2000 census data, that shows that approximately eleven per-cent of owned or rental dwellings do not own an automobile.

The new Airport golf course, along with the planned development of a resort hotel in the same area, should enhance the City's standing as a business location. Increased runway size and plans for an increased industrial park area shall also improve the City's standing as an air cargo hub.

Recent discussions with other municipalities have also included discussion of possible new rail systems for the immediate area connecting Las Cruces, NM to Juarez, Mexico which would cross the border at El Paso plus another possible rail system from Denver, CO to Chihuahua, Mexico again passing through El Paso.

Some of the specific accomplishments and areas of continual improvement include:

- Open the Downtown transit terminal in September 2009 and continue construction and planning of three additional transit terminals throughout the City.
- Update the City's Thoroughfare Plan and create neighborhood traffic management guidelines.
- Enhance the Street network through prioritizing of repairs, new projects and extending pavement life
- Review possible new points of entry or expansion of existing ones and create a bridge infra-structure plan.
- Define major improvements at the Airport including upgrade and expansion of terminal services and air cargo facilities.

The City Manager and staff will continue to explore ways to further streamline operations and costs while improving overall performance and service levels. Through effective strategic planning and budgeting for results the City will make great strides toward its strategic initiatives.

The strategic policies should provide the path that enables the City of El Paso to enhance the quality and productivity of its staff, services and support, therefore providing more efficient service to its citizens. These efficiencies will allow the flexibility to review and update the plan regularly to ensure focus on the direction the city wishes to follow, while effectively spending its fiscal resources and attaining Mayor and Council's ultimate goal of achieving world-class city status.

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Texas

For the Fiscal Year Beginning

September 1, 2008

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Executive Director

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