



June 30, 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 proposed 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 city management's preliminary operating, maintenance and debt service budget recommendations 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 current year 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 too 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 proposed FY 2009-10 All Funds Operating and Maintenance Budget is \$673,274,725, which represents a decrease of \$16,084,261 or 2.33% below the current fiscal year. The General Fund portion of the proposed FY 2009-10 Operating and Maintenance Budget is \$312,247,054, a decrease of \$3,579,239 or 1.13% below the current fiscal year. However, when we factor in approximately \$10,217,780 of inflation costs associated with compensation adjustments from previous year and contract requirements for the proposed year, the real reduction to operations is closer to \$13,797,019.

The total number of employees (FTE) is recommended at 6,142.91, a decrease of 86.10 from the current 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**  
**AF Appropriation By Department**

Departments	Adopted Budget FY2009	City Mgr's Proposed FY2010	\$ Variance	% Variance
City Attorney	5,184,230	4,563,823	(620,407)	-11.97%
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%
<b>GENERAL GOVERNMENT</b>	<b>8,434,481</b>	<b>7,680,182</b>	<b>(754,299)</b>	<b>-8.94%</b>
Development Services	6,274,376	6,444,400	170,024	2.71%
Economic Development	2,638,700	2,466,661	(172,039)	-6.52%
Engineering Services	3,768,613	3,602,080	(166,533)	-4.42%
Environmental Services	52,847,531	48,764,190	(4,083,341)	-7.73%
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%
<b>DEVELOPMENT &amp; INFRASTRUCTURE</b>	<b>111,593,303</b>	<b>106,549,681</b>	<b>(5,043,622)</b>	<b>-4.52%</b>
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	130,448,810	2,538,288	1.98%
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%
<b>FINANCE</b>	<b>140,357,649</b>	<b>142,030,879</b>	<b>1,673,230</b>	<b>1.19%</b>
Fire	75,857,098	77,892,330	2,035,232	2.68%
Communications	7,447,455	7,038,984	(408,471)	-5.48%
Municipal Clerk	5,938,852	5,582,977	(355,875)	-5.99%
Police	109,742,152	111,346,972	1,604,820	1.46%
<b>PUBLIC SAFETY</b>	<b>198,985,557</b>	<b>201,861,263</b>	<b>2,875,706</b>	<b>1.45%</b>
Airport	48,565,064	36,120,322	(12,444,742)	-25.62%
International Bridges	17,247,841	16,350,970	(896,871)	-5.20%
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	59,608,773	(2,007,303)	-3.26%
<b>MOBILITY SERVICES</b>	<b>144,093,834</b>	<b>128,290,116</b>	<b>(15,803,718)</b>	<b>-10.97%</b>
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	20,743,773	(876,405)	-4.05%
Public Health	19,607,746	20,215,492	607,746	3.10%
Zoo	4,798,280	5,983,816	1,185,536	24.71%
<b>QUALITY OF LIFE</b>	<b>85,894,162</b>	<b>86,862,604</b>	<b>968,442</b>	<b>1.13%</b>
<b>GRAND TOTAL</b>	<b>689,358,986</b>	<b>673,274,725</b>	<b>(16,084,261)</b>	<b>-2.33%</b>

**City of El Paso 2010  
General Fund Appropriation by Department**

Departments	Adopted Budget 2009	Adjusted Budget 2009 May	City Mgr's Proposed 2010
City Attorney	4,873,975	5,176,186	4,263,831
Communications	7,447,455	7,447,455	7,038,984
Community Development	595,186	543,999	520,698
Department of City Manager	1,933,445	1,825,802	1,759,869
Dept. of Museums & Cultural Affairs	2,347,729	2,254,599	2,214,804
Development Services	6,274,376	6,352,916	6,444,400
Economic Development	1,909,793	1,946,385	1,828,083
Engineering Services	3,768,613	3,701,754	3,602,080
Financial Services	2,964,197	2,870,813	2,859,698
Fire	72,453,091	70,984,154	74,449,174
General Services	15,629,942	16,404,932	15,340,143
Human Resources	2,326,992	2,241,786	1,976,329
Information Technology	10,825,615	10,769,031	11,496,268
Library	8,470,606	8,051,501	7,798,645
Mayor & Council	1,316,806	1,277,299	1,356,490
Municipal Clerk	4,993,852	4,878,461	4,637,977
Non-Departmental	8,861,332	6,774,402 *	7,238,519
Office of Management & Budget	1,309,433	1,254,390	1,233,437
Parks & Recreation	21,486,742	21,056,874	20,496,031
Police	103,863,219	101,769,720	104,994,706
Public Health	9,223,638	8,686,068	8,501,875
Street Department	14,991,460	14,541,460	14,366,326
Tax	4,506,024	4,461,062	4,458,754
Zoo	3,452,772	3,460,107	3,369,933
	<u><u>315,826,293</u></u>	<u><u>308,731,156</u></u>	<u><u>312,247,054</u></u>

\* Excludes Phase 1 and Phase 2 Budget reductions totaling \$11,193,064

### **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 will be 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 proposed 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, excluding the Communications Division, is proposed to increase by \$1,131,487 (1.09%) to \$104,994,706 and will retain core services at current 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 proposed budget.

The Fire Department's General Fund budget, excluding the Communications Division, is proposed to increase by \$1,996,083 (2.76%) to \$74,449,174. 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 recommended 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, will be 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. Current year's budget included transfers totaling \$21M as compared to the Proposed 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 \$70,898 (1.21%) 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 is decreased from \$11,371,764 to \$10,403,995 representing a reduction of \$967,769. 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. Staff is proposing an increase to the pedestrian crossing fee from \$0.35 to \$0.50 cents, 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 current operations and capital improvements, as well as strategic planning efforts and support to the General Fund for

related services and activities. Staff also recommends increasing the 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) is recommended at \$59,608,773 representing a 3.2% decrease over current 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 we do not propose a rate increase for transit service customers for FY 2010, 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 budgets for the departments in this portfolio are either flat or reduced from current year. Reductions made are intended to minimize service level impacts.

General Fund Proposed Budget for the Information Technology Department is approximately \$670,653 above the current 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.

We are proposing 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. If Council does not support any of these options, it will be necessary to increase the solid waste rate over the next two years to adequately fund the operation, including the annual costs for closure and opening of cells at our landfills.

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 has 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 proposes 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 current operating hours, following a reduction in Sunday hours during FY09. The overall General Fund budget will be reduced by \$671,961 or 7.9% below current year level. 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 will be reduced by \$990,711 to \$20,496,031, which is a 4.6% reduction below current 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 has proposed 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 will increase 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 are, however, proposing 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 need to be absorbed within the General Fund, which we do 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**

<b>Revenue Source</b>	<b>Adopted FY09</b>	<b>City Mgr's Proposed FY10</b>	<b>Difference FY09/10</b>
Taxes	302,718,694	308,832,894	2.02%
Franchises	60,821,665	63,216,010	3.94%
Service Revenues	104,838,615	101,185,687	-3.48%
Operating Revenues	108,172,522	105,233,267	-2.72%
Non-Operating Revenues	29,031,044	17,142,619	-40.95%
Intergovernmental Revenues	34,123,975	37,934,132	11.17%
Transfers In	49,652,471	39,730,116	-19.98%
<b>Grand Total</b>	<b>689,358,986</b>	<b>673,274,725</b>	<b>-2.33%</b>

The FY 2010 Adopted All Funds Budget is projected at 2.33% 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**

<b>Revenue Source</b>	<b>Adopted FY09</b>	<b>City Mgr's Proposed FY10</b>	<b>Difference FY09/10</b>
Taxes	196,864,999	199,178,341	1.18%
Franchises	43,139,604	43,088,342	-0.12%
Service Revenues	9,746,660	10,257,953	5.25%
Operating Revenues	32,354,189	28,123,143	-13.08%
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	22,504,310	-3.62%
<b>Grand Total</b>	<b>315,826,293</b>	<b>312,247,054</b>	<b>-1.13%</b>

The FY10 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.

On June 22, the El Paso Central Appraisal District updated the 2009 Certified Preliminary Value estimates for properties within El Paso, Texas. The preliminary value increased approximately 4.72% from last year's certified value of \$28,627,403,726, based on a 3% discount of the preliminary number received from the Central Appraisal District. The discount of three percent is based on City estimates of the anticipated certified values to be received in late July 2009. The preliminary net taxable value for properties within the City of El Paso less TIRZ properties was \$30,904,710,829. 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 discounted preliminary valuation estimate the proposed budget tax rate was calculated as follows:

Maintenance and Operations	0.421
Debt Service	<u>0.208</u>
<b>Proposed Tax Rate</b>	<b>0.629</b>

<b>Effective Tax Rate</b>	<b>0.619</b>
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This discounted proposed overall tax rate of .629 would signify a decrease of four-tenths of a cent below the current tax rate of .633 and be 1 cent above the effective tax rate based on preliminary assessments and our initial discount. This is driven primarily by the increase to the Debt Service Tax Rate resulting from the new debt as outlined earlier above. The proposed M&O rate of .421 would be at or 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 \$3,615,328, an increase of 2.95 % over FY 09.
- 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 10 to reflect the current year's trend in collections.

### **Development Services**

- The Development Services Department proposes to institute a commercial combo fee (proportionately decreased corresponding electrical, mechanical and plumbing fees) and a third party fee.

Commercial building permit fees. The proposed fee schedule for commercial projects includes a single/combo 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.

Third Party building permit fees. This proposal provides premium service to customers utilizing Third Party Plan Review and Inspection services. In exchange for the premium service, the building permit application is fast-tracked through the review process. A flat \$1,410 fee will be proposed for all residential building permit applications submitted. This fee would include the permit processing fee, fast track fee, plumbing inspection fee and indirect costs. We would also establish a dedicated window to receive and process Third Party Plans and Permit/Inspections to guarantee turnaround. The average fee in FY 2008 for a Third Party residential building permit was \$1,200.00.

### **Environmental Fees Collections**

- In order to maintain our current 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. A rate increase will be necessary unless alternative revenue enhancements are achieved or programs/services are reduced and/or eliminated. Various revenue enhancements are under consideration, particularly the imposition of franchise

fees to all hauling companies or flow control which requires the exclusive use of the City's landfills within its jurisdiction.

It is estimated that a 7-1/2 % franchise fee on the gross revenue of solid waste haulers will generate approximately \$5.25 million annually. In order to avoid a negative impact on the smaller haulers, we would recommend a lower tipping fee at the landfills (e.g., from \$26 to \$20 per ton).

A study by R. W. Beck estimates that flow control would also generate additional annual revenues totaling \$3.5 to \$4 million if current tipping fees remain at the same level. However, flow control would take approximately 18-24 months to implement, and some rate adjustment would likely be required in the immediate term to carry us through implementation of flow control.

A rate increase on the solid waste bill of up to \$2.00 would also generate approximately \$4 million of additional annual revenue. A fee increase is the least preferred option, but will need to be considered in the future if City Council does not support some of the other revenue alternatives or service reductions.

## **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 upcoming 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 \$3,579,239 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 A. Wilson  
City Manager