

EL PASO



COUNTY

COLORADO

2018 Preliminary Balanced Budget

September 28, 2017

Nicola Sapp

Deputy County Administrator



Presentation Overview

1. Where We've Been

– Historical Budget

2. Where We Are

– 2018 Preliminary Balanced Budget

3. Where We are Going

– 2018-2022 Financial Roadmap



Where We've Been

Historical Budget

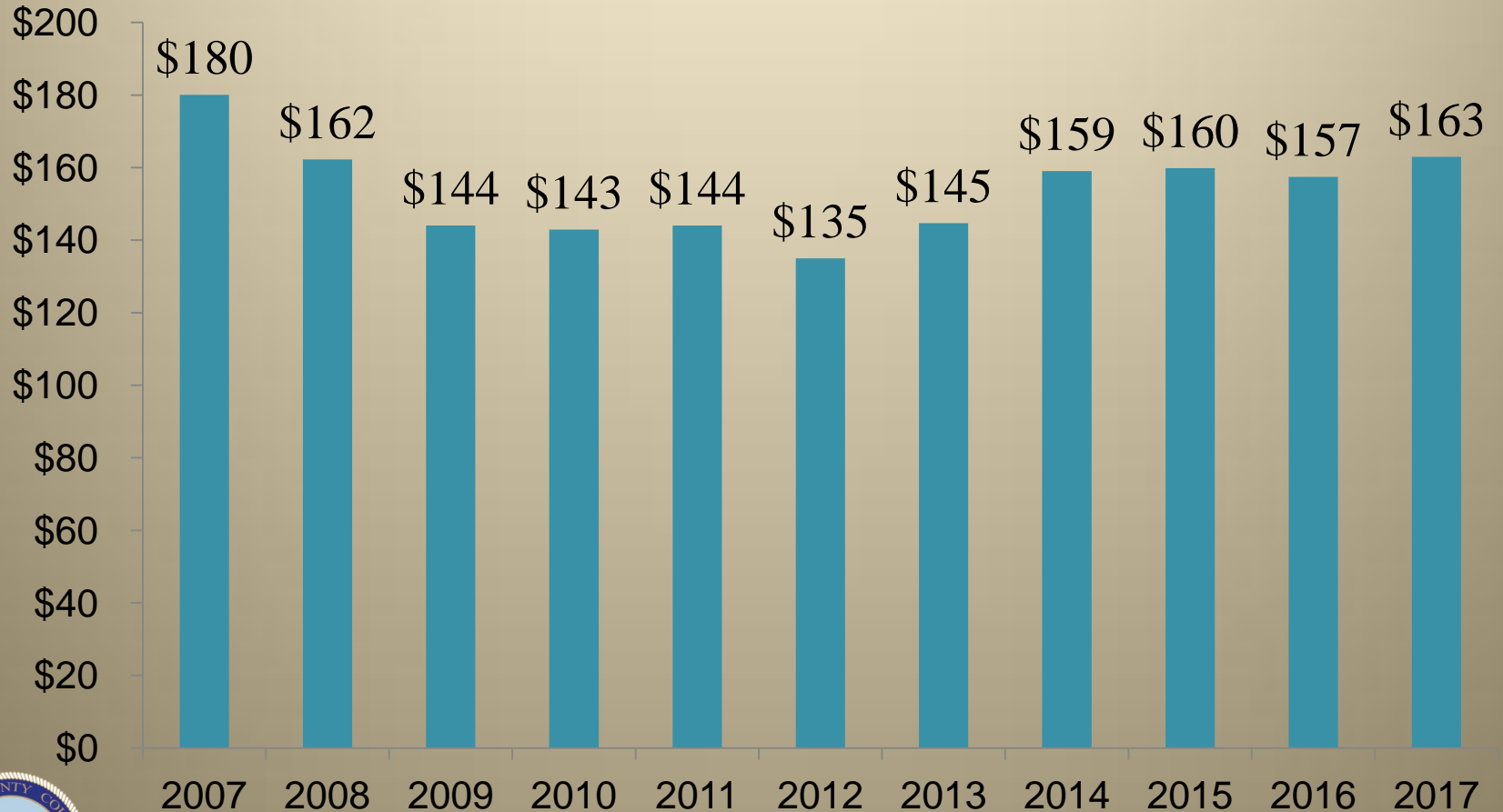


Historical Budget Information

Historical Annual Cost per Citizen

Discretionary Funds

(Decreased 25% and is still 10% below 2007 levels)



Historical Review

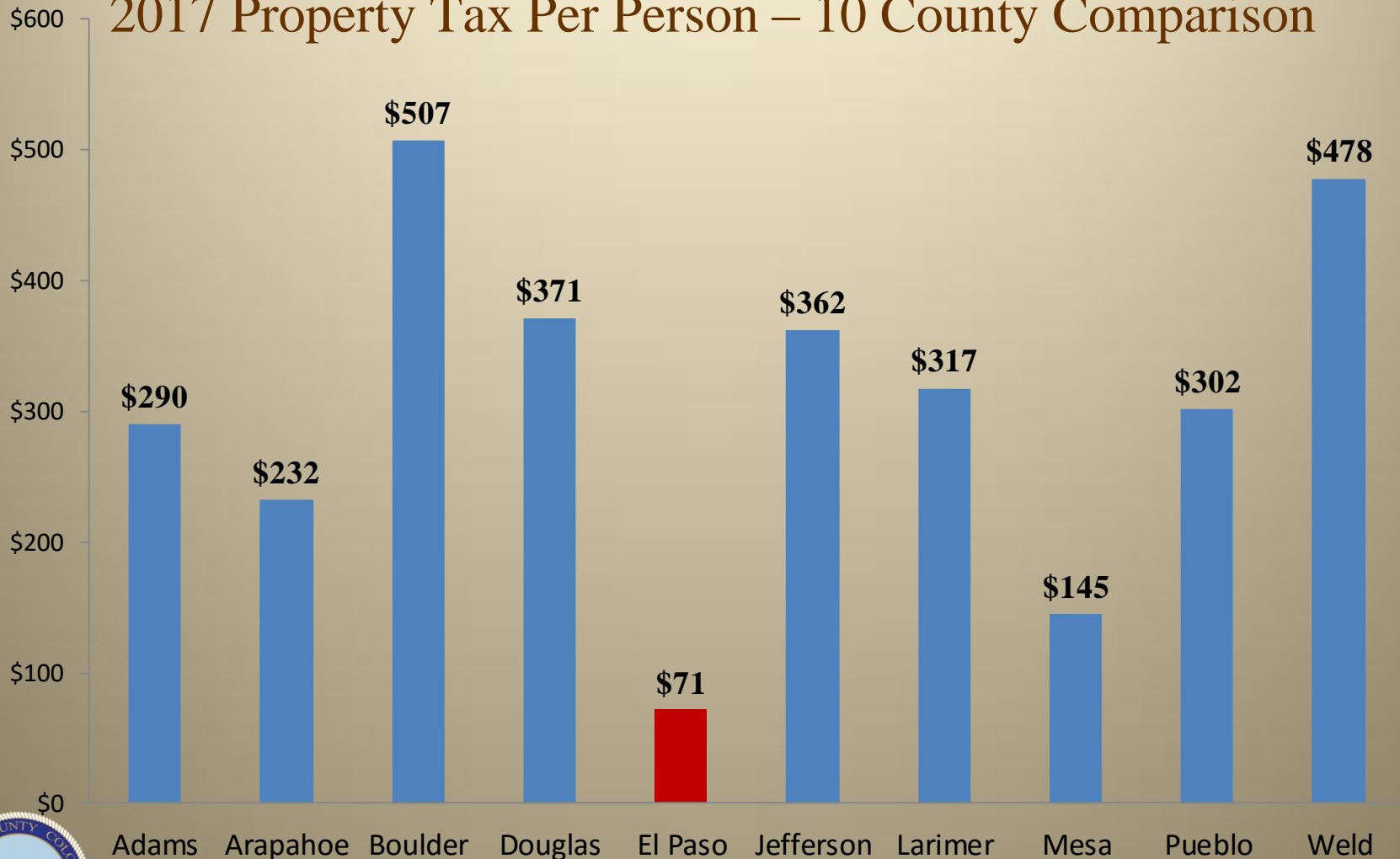
1. Significant Reductions to Property Tax Revenue \$444M
 - Mill Levy/Business Personal Property Tax \$368.2M
 - TABOR Restrictions \$75.5M
2. 2002-2005 Budget Reductions to Address Unfunded Mandates (Courthouse and Jail \$7M annually)
3. 2006-2009 Budgets Reduced 27% or \$45.2M
 - Reduced workforce by 12%
4. 2012-2016 Great Recession Property Tax Impacts \$14.0M
5. 2012-2015 Unanticipated Disasters \$10.9M
6. 2013 Public Safety Tax – Game Changer
7. 2015- Develop Financial Roadmap – Begin to turn the tide



Historical Review #1

Significant Reductions in Property Tax

2017 Property Tax Per Person – 10 County Comparison



Historical Review #2

Mandated Infrastructure

- 2002 Required to Fund the Maximum Security Tower at the Criminal Justice Center and the New Judicial Complex
- BoCC issued Certificates of Participation
- Annual Lease Obligations Payments were over \$7M annually
- Asked Voters for Funding to Make Payments – Not Approved
- County proceeded with reducing budgets to cover payments
 - Transfer of Pikes Peak Center, Sale of Penrose Equestrian Center, Reduction in Parks Programs, Transit Funding, Across the Board Budget Reductions to Departments and Offices



Historical Review #3

Historical Budget Reductions

2006-2009

<u>Year</u>	<u>Amount</u>
2006	\$ 6.8M
2007	\$ 8.9M
2008	\$20.0M
2009	<u>\$ 9.5M</u>
TOTAL	\$45.2M



Historical Review #3

2006 – 2009 Historical Budget Reductions

Personnel Budgets:

- El Paso County is a service based organization
- Largest cost is personnel - the staff to provide those mandated services
- Represented over 70% of General Fund Unrestricted Budget
- 2007-2009 reduced 195 positions and froze 100 positions
 - 295 positions or 12% Reduction in Force



Historical Review #3

2006 – 2009 Historical Budget Reductions

Operational Budgets:

- In order to fully address the day-to-day operational needs, programs and services had to be sacrificed or decreased

Road Maintenance:

- To maintain our PPRTA Maintenance of Effort and operate within the increasing commodity costs
- We are only able to asphalt overlay or rehab/re-gravel 1.5% of our roads
 - County Engineer advises it should be 7% -10%
 - Still facing a \$242M backlog in Road Maintenance



Historical Review #3

2006 – 2009 Historical Budget Reductions

Operational Budgets:

- Elimination of Facilities Major Maintenance Program
- Elimination of PC and Printer Replacement Programs
- Eliminated Parks forest management / fire mitigation
- Froze Fleet Replacement – Heavy and Light Vehicle
- Closed Buildings on Fridays, adjusted work hours
- Jail stopped accepting misdemeanors – criminals let go

During Economic Downturns, demands for County Services increases



Historical Review #3

2006 – 2009 Historical Budget Reductions

Cuts Came at a Cost:

- Overworked Caseworker – child died
- Road Closures
- Failing HVAC- Loss of valuable and costly vaccines
- Failing Phones- Closed Offices/Sent Employees Home
- Inadequate Infrastructure prompted Fire Marshall to close facility
- Antiquated equipment – locating replacement parts
- Using significant one-time dollars to address temporary fixes

\$1.0M for a six month patch



Historical Review #3

2006 – 2009 Historical Budget Reductions

- How did we manage with these increasing demands (cost increases and population increases) on El Paso County Departments and Offices?
 - Offices and Departments have been extraordinarily innovative
 - Optimized the Use of Technology where possible
 - Maximized Alternate Revenue Streams
 - Established new business models to perform basic services
 - Consolidation of core functions
 - Optimization of employee expertise



Historical Review #3

2009 - “Turning Point”

- Established the Strategic Moves Initiative (SMI)
- Addressed \$200M of Citizen Budget Oversight Committee (CBOC) identified Capital Needs
 - Managed most of the moves and projects in-house
 - Maximizing taxpayers dollars
 - Providing improved services through our new facilities
 - Utilized Build America Bonds of \$50.5M
 - 30% savings in interest rate
- Maximized the Commercial Market
- Consolidated resources and identified new restricted funding sources

A smart plan with good timing made this a huge success



Historical Review #4

2010 -2011 Budget Years

- Started preparing for the pending reduction in Property Tax from the Great Recession
- As economic conditions started to improve, we started establishing a rainy day fund
- Incorporated the Five Year Financial Forecast
- Slowly started addressing minor critical needs
- Public Safety and Public Works Needs Unmet

“Caught our Breath” for a moment



Historical Review #5

2012 -2015 Declared Disasters

- As we entered 2012, we did not anticipate we would be experiencing four disasters and their financial impacts of \$10.9M:
 - 2012 Waldo Canyon Fire
 - 2013 Black Forest Fire
 - 2013 Flooding
 - 2015 Flooding
- Despite these challenges the Departments and Offices and their employees have experienced, we were still able to:
 - Successfully respond and support four nationally declared disasters
 - Provided support to National Incident Management Teams
 - Managed over 70 recovery and mitigation projects



Historical Review #6

2013 Game Changer

- Public Safety Tax
- Prior to Voter Approval for this dedicated tax
 - Public Safety largest critical need
 - \$14M annually
- Enabled our County to finally start heading in a positive financial direction
- Prevented crisis



Historical Review #7

2015 Developed Financial Roadmap

- Five Year Financial Forecasts already in place
- 2016 Budget - Guided by Financial Roadmap:
 - Establishes a Clear Financial Direction for the County
 - Identifies Multi-Year Strategy to Address Critical Needs
 - Intentionally Reinvesting in Operational Deficiencies and Capital Backlogs (programs and services)
 - Optimizes available resources and innovative solutions
 - Collaborates with Departments and Elected Offices to ensure a unified direction
 - Preserves Citizen Services within our Financial Means



Historical Review #7

Implementing the Financial Roadmap

2016- 2017 Budgets:

BoCC has had the ability to start scratching the surface in addressing critical needs

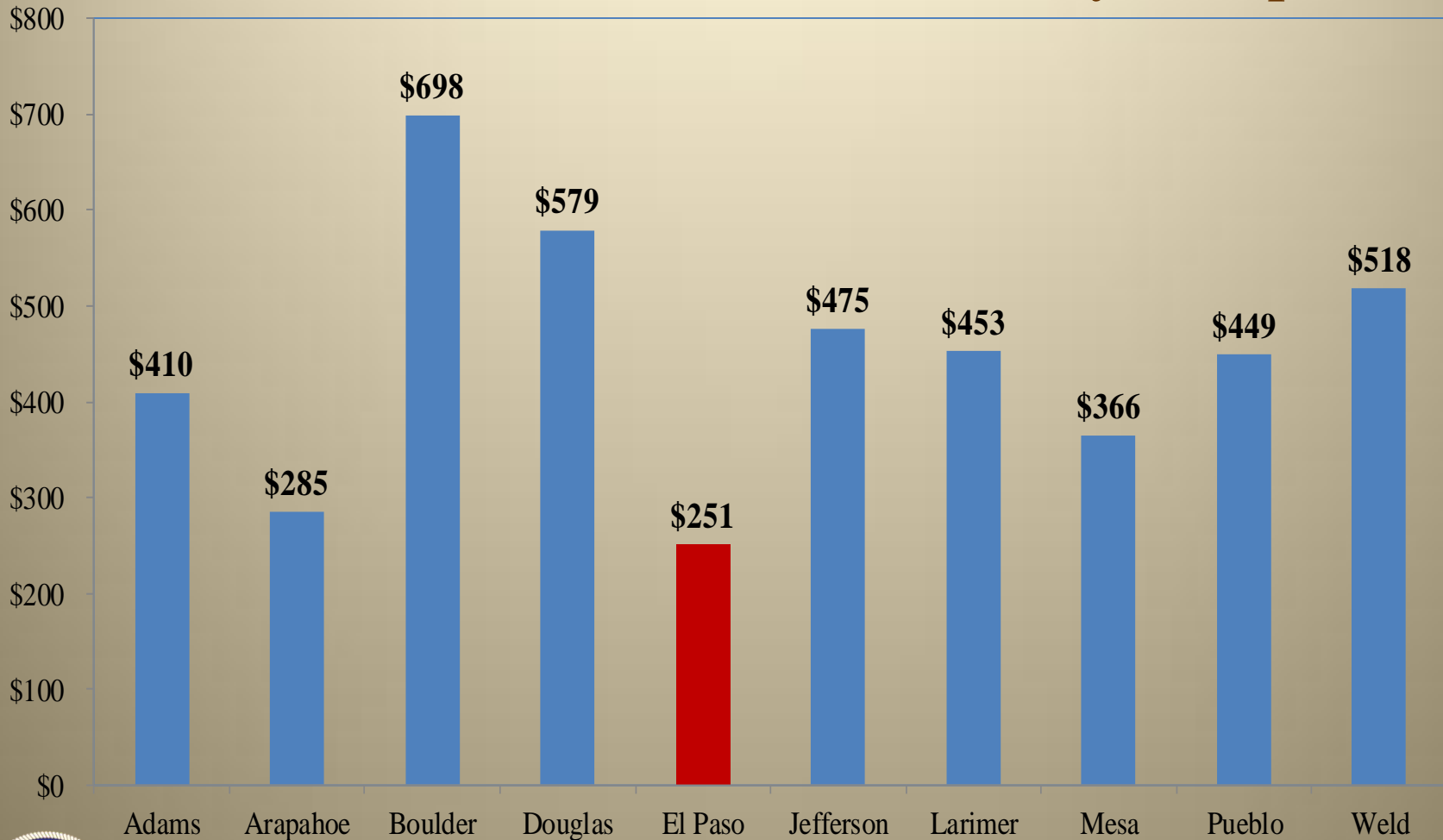
- Identified one-time funding strategy for Emergencies
- Addressed Bi-Annual Elections
- Re-invested in Human Capital – positions and significant inequities
- Re-established Fleet Replacement Program
- Re-established PC/Printer Replacement Program
- Re-invested in Major Maintenance in Facilities
- Started to Re-invest in County Infrastructure

38% of budget reductions during downturn remain permanent because they were addressed through innovation, efficiencies, operational improvements and dedicated creative staff



2018 Preliminary Balanced Budget

2017 Local Tax Per Person – 10 County Comparison



Historical Summary

- El Paso County’s previous budget challenges greatly impacted operations and employees, but we used innovation and fortitude to “weather the storm”
- Now we are trying to get back to a sustainable level of operations
- Financial Roadmap outlines a successful reinvestment of programs and services while relying on continued innovation, creativity and resourcefulness of employees and Elected Leaders
- Finally heading in the right direction after more than a decade of enduring significant financial challenges



Where We Are

2018 Preliminary Balanced Budget



2018 Preliminary Balanced Budget

Compiling the 2018 Budget

Budget Process Policy:

- Section 5.2 Starts the Annual Budget Process
 - Restricted Funds, Partially Restricted Funds and Unrestricted Funds
- Section 5.3 – 2018 Budget for Restricted Funds (completed)
 - Road and Bridge Escrow
 - Conservation Trust Fund
 - Household Hazardous Waste Fund
 - Schools Trust Fund
 - Local Improvement Districts



2018 Preliminary Balanced Budget

Compiling the 2018 Budget

Budget Process Policy:

- Section 5.3 – 2018 Budget for Partially Restricted Funds (completed)
 - Community Investment Fund (CIP)
 - Ensured Funding for Annual Lease Obligations
 - No Significant Changes in Activity
 - 2018 Includes Fleet Lease
 - Self-Insurance Fund
 - Ensured Funding for Anticipated Insurance Claims – Health & Risk
 - GASB 54 Requires an increase in the Fund Balance (Reserve) to address the “Incurred But Not Reported” (IBNR) claims (one-time \$1.9M)
 - Actuarially determined



2018 Preliminary Balanced Budget

Compiling the 2018 Budget

Budget Process Policy:

- Section 5.3 – 2018 Budget for Partially Restricted Funds (completed)
 - Department of Human Services
 - Ensured Funding for Statutory County Match
 - State Fiscal Year 2017-2018 allocations increased \$5.1M across all programs for mandated services
 - The increase in County match of additional allocations is offset by earned incentives
 - Includes cost savings achieved by bringing two major contracts in-house
 - Road and Bridge Fund
 - On a multiyear plan to start to address Critical Needs
 - If funding available, need to reinvest in \$242M backlog of Road Infrastructure



2018 Preliminary Balanced Budget

Compiling the 2018 Budget (Section 5.5.1 of Budget Process Policy)

Budget Process Policy:

- Section 5.5 – 2018 Budget for Unrestricted General Fund
(In Process)

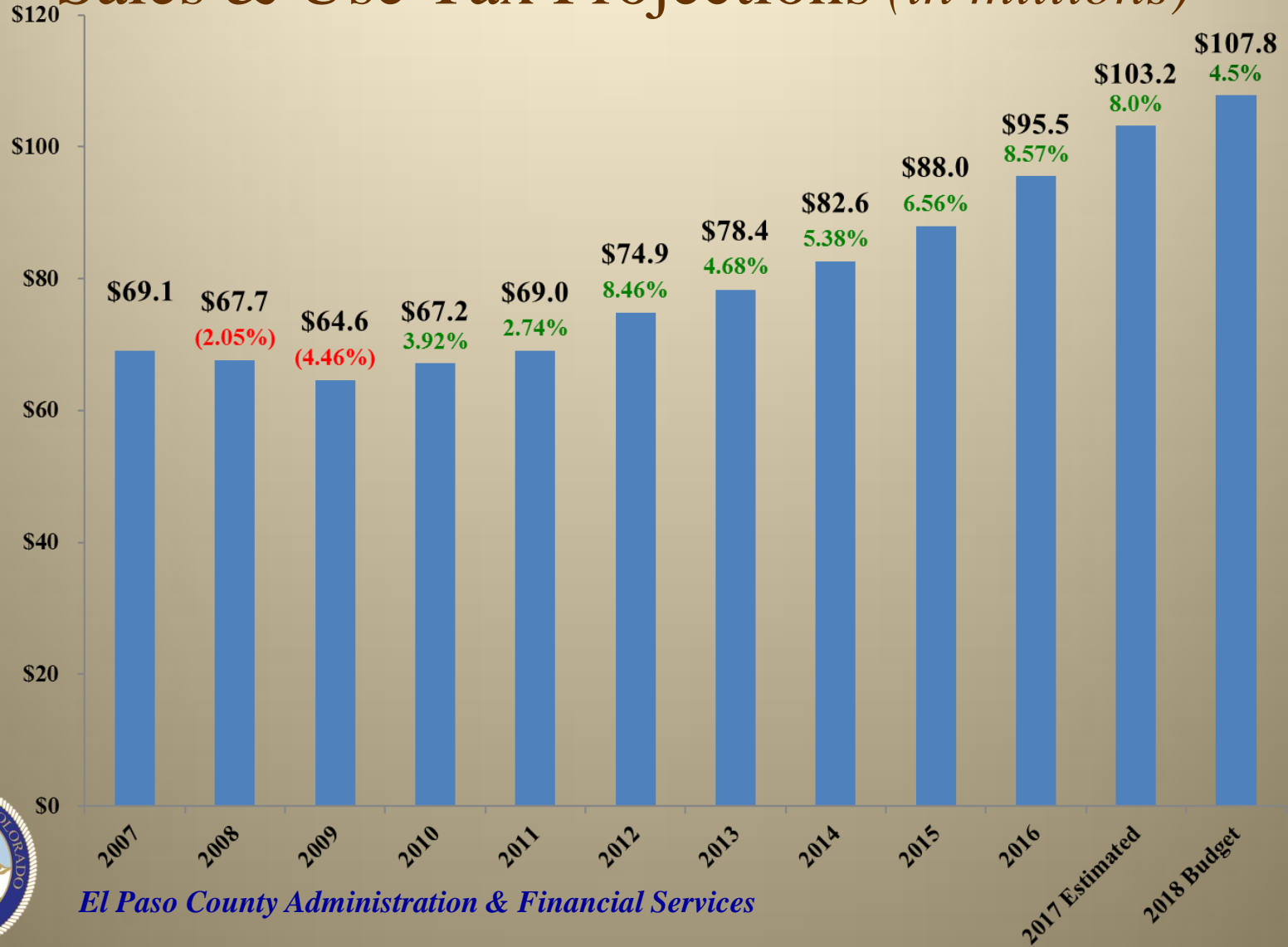
Revenue Estimates – *Sales and Use Tax:*

- As of July 31, 2017 is up 10.83% over 2016:
 - “Food Services” is up 5.12%
 - “Accommodations” is up 17.38%
 - “Retail” is up 9.01%
- The average increase over the last five years is 6.64%
- For 2018, staff recommends an increase of 4.50%
- 2018 Sales and Use Tax Budget (1%) is \$107.8M



2018 Preliminary Balanced Budget

Sales & Use Tax Projections (*in millions*)



El Paso County Administration & Financial Services

2018 Preliminary Balanced Budget

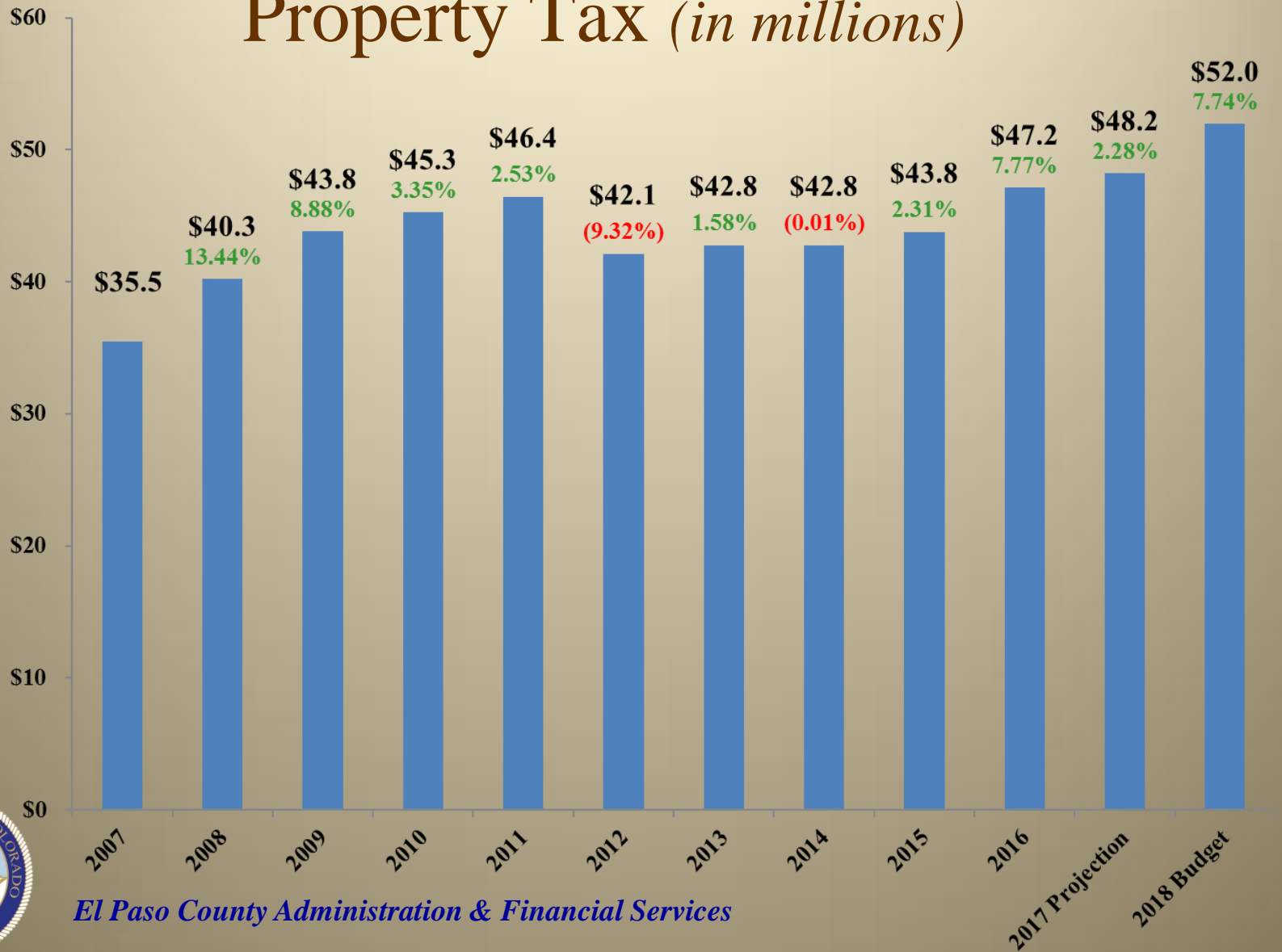
Compiling the 2018 Budget
(Section 5.5.1 of Budget Process Policy)

Revenue Estimates – *Property Tax:*

- Property Tax Revenue Increase of 7.74%
 - Based on Preliminary Certification of Assessment
 - Re-Assessment Year
 - Allowable Abatement Mill of 0.050 mills
 - 2018 Projected Mill Levy of 7.965
 - 2018 Property Tax Budget \$52M



2018 Preliminary Balanced Budget Property Tax *(in millions)*



2018 Preliminary Balanced Budget

Compiling the 2018 Budget (Section 5.5.1 of Budget Process Policy)

Revenue Estimates – *Other Revenue Lines:*

- Increase in Specific Ownership Tax by \$1.4M
- Increase in Interest Earnings by \$675k
- Increase in Developer Fees by \$153k
- Increase in Clerk & Recorder Fees & IGAs by \$945k
- Reduction in Sheriff's Office Fees & IGAs by \$192k
- Increase in Treasurer Fees by \$300k



2018 Preliminary Balanced Budget

Compiling the 2018 Budget

- 2018 Expenditure Budgets
 - Retain 2017 Expenditure Budget
 - Incorporate critical needs as outlined in the Financial Roadmap
- Critical Expenditures Items to Consider:
 1. Investment in Human Capital Management
 2. TABOR Calculation Impacts
 3. High Impact Road Safety Projects
 4. Emergency Funds
 - Review of Financial Impacts of Natural Disasters
 5. Cash Flow (Operational Reserves)
 - Establish a reasonable level of reserves
 6. Replenishment of Operational Budgets



2018 Preliminary Balanced Budget

Compiling the 2018 Budget

1. Investment in Human Capital

- 2015 Compensation Study Identified Significant Deficiency Related to County Employee Salaries
- Identified 810 employees (38%) whose salaries were below Minimum Equity Range
- 2016 Budget – Brought Salaries to Minimum Equity Range
- 2017 Budget – Implemented a Five Year Strategy to Bring Salaries to Mid Point Equity Range
 - Deficiency of 16.75% over Five Years



2018 Preliminary Balanced Budget

Compiling the 2018 Budget

2. TABOR Calculation Impacts

- TABOR Revenue Overage for 2016
- \$14.5M
- Impacts 2018 Budget

3. High Impact Road Safety Projects

- In 2018, implemented on-going Highway Maintenance budget of \$5.2M
- On-going need to address the \$242M backlog is \$16M
- Still need to fund an additional \$10.8M annually



2018 Preliminary Balanced Budget

Compiling the 2018 Budget

4. Emergency Funds

- Still need \$1M matching funds to finish the remaining disaster projects of \$4M

5. Cash Flow/Reserves

- Need to establish a minimum \$5M emergency reserve

6. Replenishment of Operating Budgets

- Need to continue to reinvest back into general operations as outlined in the Financial Roadmap
- Increased service requirements



Where We're Going *2018-2022 Roadmap*



2018-2022

Critical Items That Still Need to Be Addressed:

- Sufficient Reserve (one time)
- Remaining Disaster Projects (one time)
- Parks Capital Projects (backlog- one time)
- High Impact Road Safety Projects (backlog- one time)
- Address Road Maintenance (on-going)



Current Financial Condition

TABOR Impacts

- 2016 Overage of \$14.8M
- Unique Situation
- Uncharted territory – no precedent
- Projected on-going impacts of TABOR to County's financial condition and fiscal health
- Currently, the County's financial situation can go in polar directions
 - By tens of millions of dollars



2018-2022 Financial Road Map

Budget A

Dept/Office	Critical Needs	2018	2019	2020	2021	2022
Beginning Operational Savings		4,194,113	3,048,117	3,324,593	1,683,987	3,779,427
Net Change		15,486,437	15,929,657	18,833,666	28,610,961	37,505,099
County Wide	Re-Investment in County		(7,250,000)	(7,250,000)	(10,500,000)	(18,000,000)
County Wide	I-25 "Gap" Local Match	(6,000,000)				
Public Works - Roads	High Impact Road Safety Projects	(6,000,000)				
Community Services - Parks	Parks Capital Improvements	(1,500,000)				
County Wide	Fire/Flood Recovery Projects	(1,048,000)				
County Wide	Public Safety Tax (Sheriff Equity)	500,000	500,000	500,000	500,000	500,000
County Wide	Public Safety Tax (Sheriff Equity)		500,000	500,000	500,000	500,000
County Wide	Adjustment to Midpoint - 2 of 5 (2.00%)	(1,621,249)	(1,621,249)	(1,621,249)	(1,621,249)	(1,621,249)
County Wide	Adjustment to Midpoint - 3 of 5 (4.50%)		(3,647,810)	(3,647,810)	(3,647,810)	(3,647,810)
County Wide	Adjustment to Midpoint - 4 of 5 (5.75%)			(4,661,091)	(4,661,091)	(4,661,091)
County Wide	Adjustment to Midpoint - 5 of 5 (2.00%)				(1,621,249)	(1,621,249)
County Wide	PPRCN Final Payment 2019			1,560,000	1,560,000	1,560,000
Community Services - Parks	Dedicated Forest Management Funds	(25,000)	(100,000)	(150,000)	(150,000)	(150,000)
Community Services - Parks	Major Maintenance Funds	(25,000)	(100,000)	(150,000)	(150,000)	(150,000)
Community Services - Parks	Park Maintenance Positions (4)	(25,000)	(100,000)	(150,000)	(150,000)	(150,000)
Community Services - Parks	Parks Capital Improvements		(750,000)	(750,000)	(750,000)	(750,000)
County Commissioners	Statutory Pay Increase		(56,387)	(56,387)	(56,387)	(56,387)
County-Wide Elected Officials	Statutory Pay Increase		(114,551)	(114,551)	(114,551)	(114,551)
Information Technology	Software/Hardware		(350,000)	(350,000)	(350,000)	(350,000)
Public Works - Facilities	Facilities Major Maintenance Plan	(750,000)	(750,000)	(820,000)	(820,000)	(820,000)
Public Works - Facilities	Maintenance Techs (3)	(90,000)	(135,000)	(135,000)	(135,000)	(135,000)
Public Works - Facilities	Video System Upgrades		(130,000)	(130,000)		
Public Works - Roads	\$2.3M On-Going in 2017, continued in 2018		(1,500,000)	(3,000,000)	(4,300,000)	(6,200,000)
Public Works - Security	New Security Officers (2)	(48,184)	(48,184)	(48,184)	(48,184)	(48,184)
Ending Operational Savings		3,048,117	3,324,593	1,683,987	3,779,427	5,369,004

2018-2022 Financial Road Map

Budget B

Dept/Office	Critical Needs	2018	2019	2020	2021	2022
Beginning Operational Savings		4,194,113	3,048,117	(5,986,036)	(15,832,760)	(10,018,904)
Net Change		15,486,437	15,929,657	18,833,666	28,610,961	37,505,099
TABOR OVERAGE *PROJECTED 2019-2022		(14,548,000)	(16,560,629)	(15,456,118)	(6,781,583)	0
County Wide	Public Safety Tax (Sheriff Equity)	500,000	500,000	500,000	500,000	500,000
County Wide	Public Safety Tax (Sheriff Equity)		500,000	500,000	500,000	500,000
County Wide	Adjustment to Midpoint - 2 of 5 (2.00%)	(1,621,249)	(1,621,249)	(1,621,249)	(1,621,249)	(1,621,249)
County Wide	Adjustment to Midpoint - 3 of 5 (4.50%)		(3,647,810)	(3,647,810)	(3,647,810)	(3,647,810)
County Wide	Adjustment to Midpoint - 4 of 5 (5.75%)			(4,661,091)	(4,661,091)	(4,661,091)
County Wide	Adjustment to Midpoint - 5 of 5 (2.00%)				(1,621,249)	(1,621,249)
County Wide	PPRCN Final Payment 2019			1,560,000	1,560,000	1,560,000
Community Services - Parks	Dedicated Forest Management Funds	(25,000)	(100,000)	(150,000)	(150,000)	(150,000)
Community Services - Parks	Major Maintenance Funds	(25,000)	(100,000)	(150,000)	(150,000)	(150,000)
Community Services - Parks	Park Maintenance Positions (4)	(25,000)	(100,000)	(150,000)	(150,000)	(150,000)
Community Services - Parks	Parks Capital Improvements		(750,000)	(750,000)	(750,000)	(750,000)
County Commissioners	Statutory Pay Increase		(56,387)	(56,387)	(56,387)	(56,387)
County-Wide Elected Officials	Statutory Pay Increase		(114,551)	(114,551)	(114,551)	(114,551)
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Public Works - Facilities	Facilities Major Maintenance Plan	(750,000)	(750,000)	(820,000)	(820,000)	(820,000)
Public Works - Facilities	Maintenance Techs (3)	(90,000)	(135,000)	(135,000)	(135,000)	(135,000)
Public Works - Facilities	Video System Upgrades		(130,000)	(130,000)		
Public Works - Roads	\$2.3M On-Going in 2017, continued in 2018		(1,500,000)	(3,000,000)	(4,300,000)	(6,200,000)
Public Works - Security	New Security Officers (2)	(48,184)	(48,184)	(48,184)	(48,184)	(48,184)
Ending Operational Savings		3,048,117	(5,986,036)	(15,832,760)	(10,018,904)	9,570,674

Financial Roadmap & The Strategic Plan

The 2018-2022 Financial Roadmap addresses many items in the Strategic Plan:

- **Goal 1:** *Maintain and Promote a Financially Sustainable County Government that is Transparent and Effective*
 - Strategy A – Increase Innovation, Efficiency & Transparency
 - Strategy B – Invest in Human Capital
 - Strategy C – Allocate Funding Streams Designated for Capital Investment and Operational Needs
 - Strategy E – Ensure responsible and Appropriate Use of Local Tax Dollars
- **Goal 2:** *Enhance Understanding of Civic Services*
 - Strategy C – Develop and Implement a Strategic Technology Infrastructure to Engage Citizens



Financial Roadmap & The Strategic Plan

- *Goal 3: Maintain and Improve the County Transportation System, Facilities, Infrastructure and Technology*
 - Strategy A – Provide a Safe, Sustainable, Integrated and Efficient Multi-Modal Transportation Infrastructure System
 - Strategy C – Provide Maintenance and Facilities Improvements
 - Strategy D – Improve and Update the County Park System
- *Goal 5: Ensure a Safe and Healthy Community*
 - Strategy A – Support a High Level of Public Safety
 - Strategy B – Support a High Level of Community Safety (OEM, Buildings, Community Partnerships)



2018 Budget Process

Preliminary Balanced Budget

- Budget Hearing #1 – Sept. 28th
 - *Presentation of PBB Document and County's Financial Condition*

Original Adopted Budget

- Budget Hearings #2, #3 and #4: – November 9th, 14th, and 16th
 - *Department/Offices Critical Needs Presentations*
 - *County Budget Officer – Updated Revenue Projections & Five Year Forecast*
 - *COG Presentation to BoCC*
- Budget Hearing #5 – December 5th
 - *BoCC Direction on the 2018 Original Adopted Budget*
- Budget Hearing #6 – December 12th
 - *Resolution to Adopt the 2018 Original Adopted Budget*
 - *Resolution to Certify County Mill Levy*
 - *Resolution to Authorize the Treasurer to Transfer between Funds*



Questions?



El Paso County Administration & Financial Services