

2022 Preliminary Balanced Budget

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County Controller

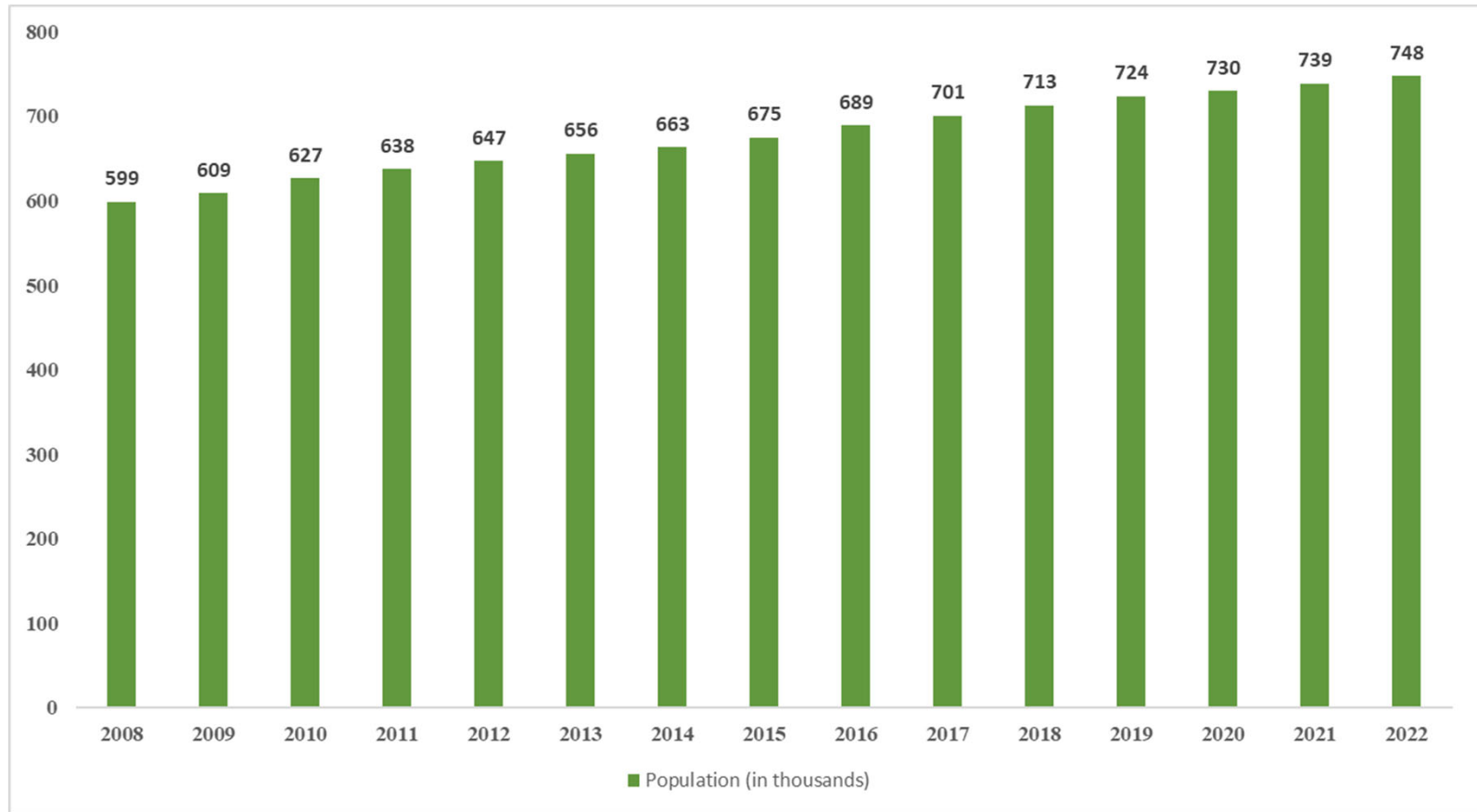
October 5, 2021

Presentation Overview

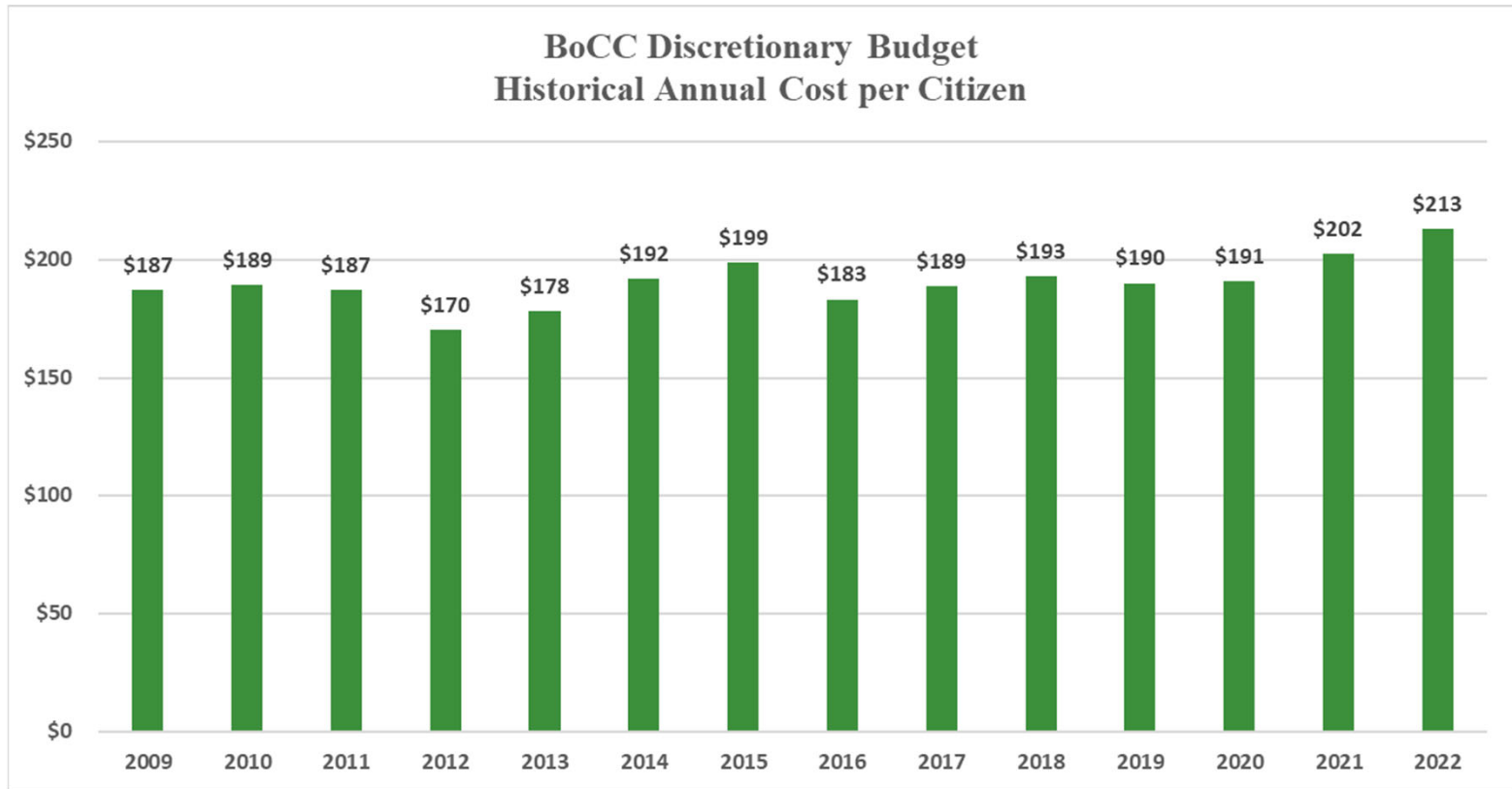
- Budget Process
- 2022 Preliminary Balanced Budget
 - Revenues
 - Property Tax
 - Sales Tax
 - Expenditures
 - Critical Needs
- Preliminary Balanced Budget Document



BoCC Discretionary Budget 2008-2022 Population Growth



BoCC Discretionary Budget Historical Annual Cost per Citizen



Adjusted for inflation

El Paso County Financial Services Department



Budget Process

Compiling the 2022 Budget

Budget Process Policy:

- Section 5.2 starts the annual budget process
 - Restricted Funds, Partially Restricted Funds and Unrestricted Funds
- Section 5.3 – 2022 Budget for Restricted Funds (**Completed**)
 - Road and Bridge Escrow
 - Conservation Trust Fund
 - Household Hazardous Waste Fund
 - Schools Trust Fund
 - Local Improvement Districts



Budget Process

Compiling the 2022 Budget

Budget Process Policy:

- Section 5.4 – 2022 Budget for Partially Restricted Funds (Completed)
 - Community Investment Fund (CIP)
 - Ensured funding for Annual Lease Obligations (COPs and Capital Leases)
 - Self-Insurance Fund
 - Ensured funding for anticipated insurance claims – Health & Risk
 - Minor increase in health insurance premiums – covered by employer contribution, not passed to employees
 - Includes Reserve for required GASB Fund Balance to address the “Incurred But Not Reported” (IBNR) claims - Actuarially Determined
 - Includes Health Plan Trust Board approved changes



Budget Process

Compiling the 2022 Budget

Budget Process Policy:

- Section 5.4 – 2022 Budget for Partially Restricted Funds (Completed)
 - Department of Human Services
 - Ensured funding for statutory county match
 - State Fiscal Year 2021/2022 & estimated 2022/2023 Allocations
 - Increase in County Match of \$150,000
 - Road and Bridge Fund
 - On a multiyear plan to address backlog of road infrastructure
 - Additional proposed funds of \$11,000,000 (\$10M one-time and \$1M ongoing)



Budget Process

Compiling the 2022 Budget

Budget Process Policy:

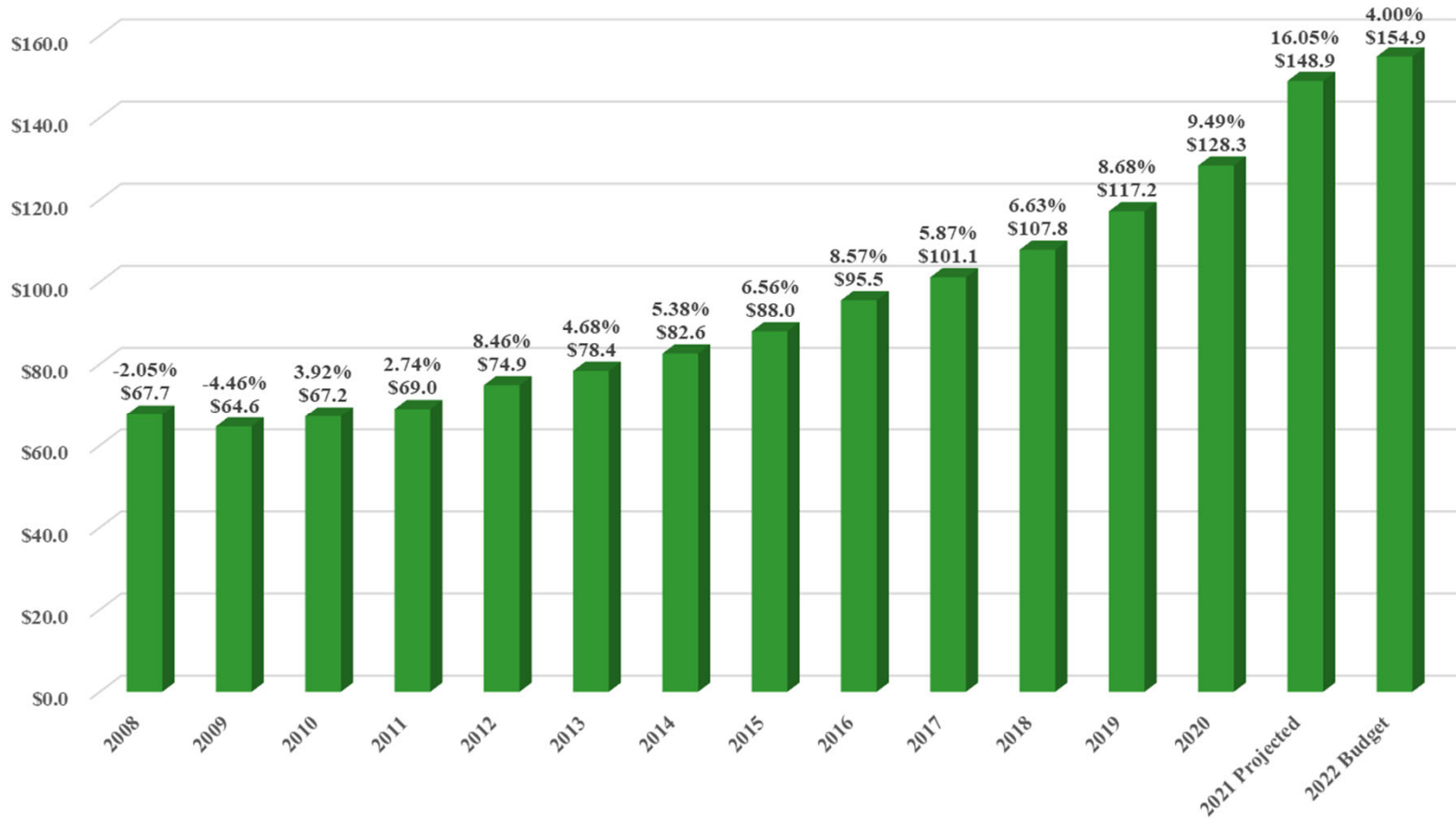
Section 5.5 – 2022 Budget for Unrestricted General Fund (In Process)

Revenue Estimates – Sales and Use Tax:

- Up 25.04% through July 2021 over 2020 (4% budgeted increase)
 - Up significantly more than projected
 - “Retail” is up 21.67% (54.2% of budgeted revenue)
 - “Food services” is up 27.28% (11.17% of budgeted revenue)
 - “Wholesale trade” is up 21.14% (5.34% of budgeted revenue)
 - “Accommodations” is up 98.57% (3% of budgeted revenue)
- The average increase over the last five years is 9.35%
- 2021 estimated ending increase of 16.05% over 2020
- 2022 PBB includes staff recommended increase of 4.0% over 2021 estimate
- 2022 Sales and Use Tax preliminary budget is \$154.9M



2022 Preliminary Balanced Budget Sales & Use Tax (1%) Projections *(in Millions)*



Budget Process

Compiling the 2022 Budget

Budget Process Policy: Section 5.5 (Continued)

Revenue Estimates – *Property Tax*:

- Property Tax revenue increase of 7.98% to \$67.7M
 - Based on Preliminary Certification of Valuation
 - Re-assessment year
 - Allowable abatement mill of 0.065 mills
 - Estimated temporary mill levy reduction of 0.975 mills due to TABOR Property Tax Cap
 - Estimated \$24.40 for a \$350,000 house
 - Without temporary reduction, mill levy would be approximately 8.291 mills, with temporary reduction it is estimated at 7.316 mills



Budget Process

Compiling the 2022 Budget

Budget Process Policy: Section 5.5 (Continued)

Revenue Estimates – *Property Tax*:

- Property Tax – TABOR
 - In addition to Property Tax Temporary Mill Levy Reduction, 2022 Property Tax bills will have estimated 0.752 mill property tax credit for 2020 TABOR overage of \$7,121,757
 - Estimated \$18.82 for a \$350,000 house
- Net 2022 Property Tax Revenue after 2020 Refund is \$60.6 Million



2022 Property Taxes

Market Value of the home as valued by the El Paso County Assessor's Office.

Assessment Rate as determined by the State of Colorado in accordance with Colorado Revised Statute 39-1-104.2 C.R.S. (currently 7.15% of market).

Mill Levy is a tax rate of 1/10 of a cent. A tax rate of 1 mill per thousand means \$1.00 of tax per \$1,000 of assessed value.

$$\begin{aligned} \text{Market Value} \times \text{Assessment Rate} &= \text{Assessment Value} \\ \text{Assessment Value} \times \text{Mill Levy} &= \text{Property Taxes} \\ \$350,000 \times .0715 &= \$25,025 \times 67.496 \text{ Mills } (.067496) = \$1,689.09 \end{aligned}$$



Based on the calculation above, this particular household would pay \$1,689.09 in total property taxes, of which El Paso County would receive \$178.95 or 10.6% of the total property tax collected. For illustrative purposes, the 2022 preliminary mill levy for EPC is used, and 2021 mill levies for all other jurisdictions as those are not available at the time of publishing.



Budget Process

Compiling the 2022 Budget

Budget Process Policy: Section 5.5 (Continued)

Revenue Estimates – *Property Tax*:

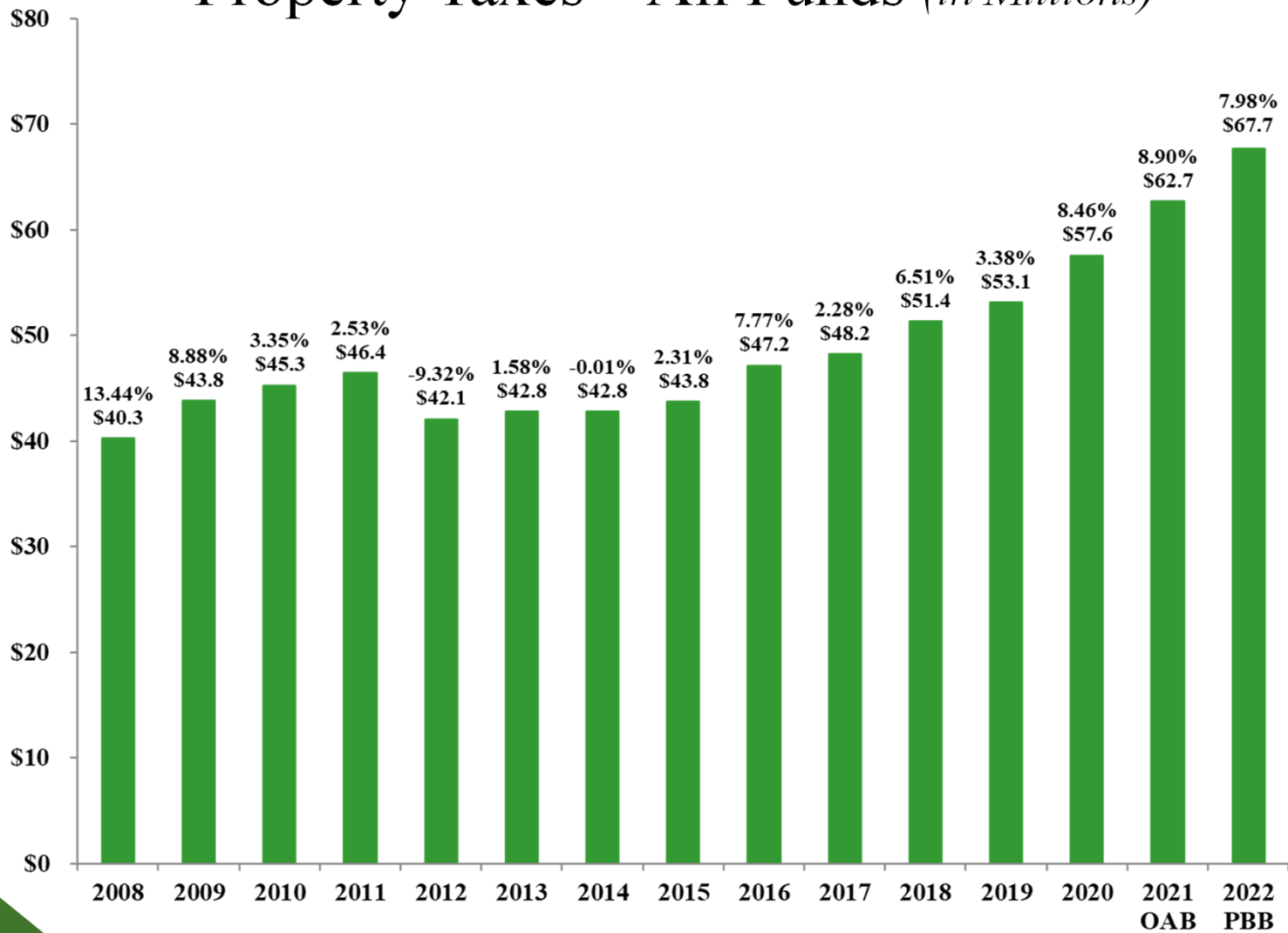
- Growth in Property Tax is constrained by TABOR. Allows for property valuation growth to be higher than growth in property tax.

	2020	2021	Change
Home Valuation	300,000	350,000	16.7%
EPC Property Tax Revenue	\$ 173.42	\$ 183.08	5.6%
EPC Mill Levy (Temporarily Reduced)	8.085	7.316	-9.5%



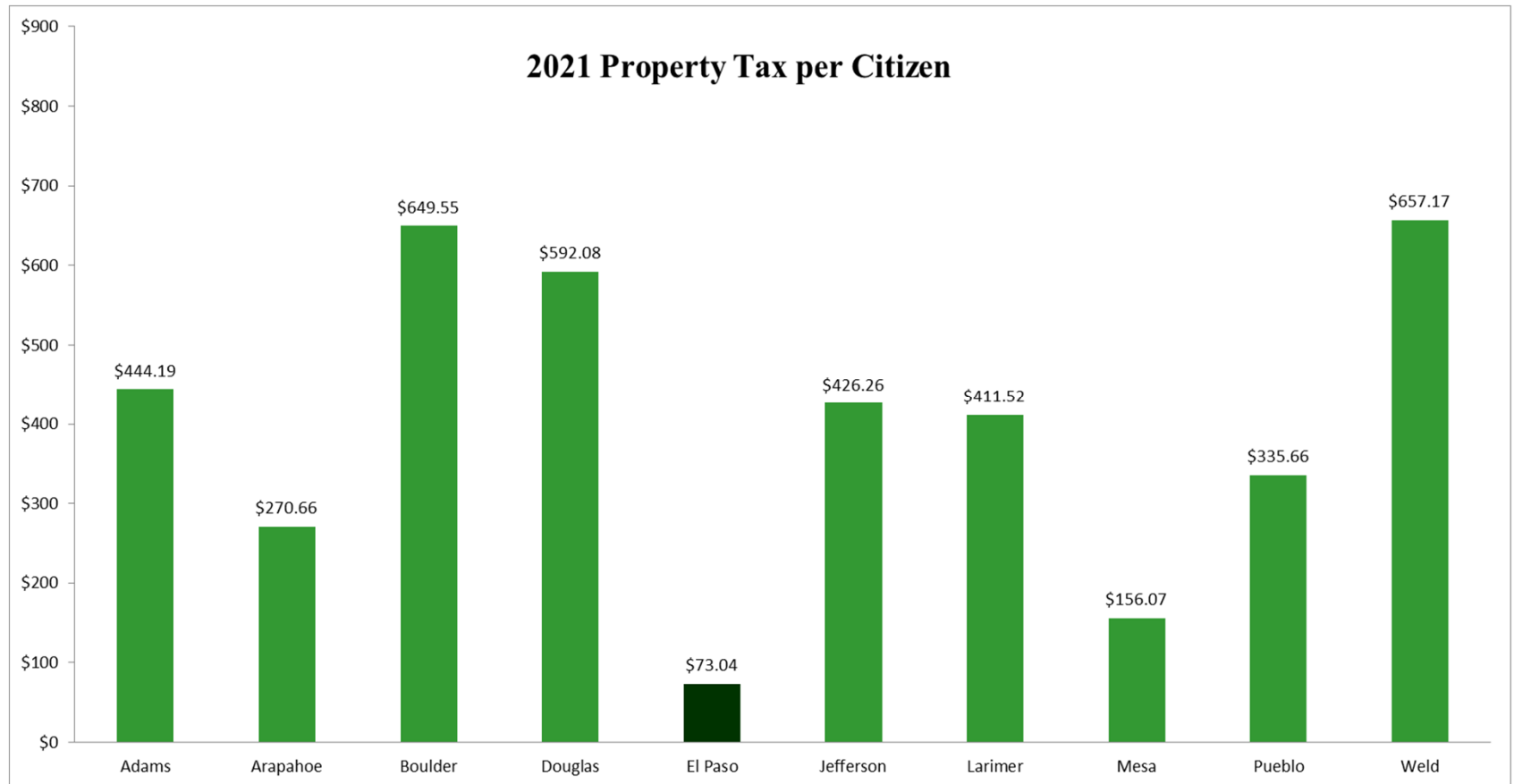
2022 Preliminary Balanced Budget

Property Taxes – All Funds *(in Millions)*



El Paso County Financial Services Department

2021 Property Tax Per Citizen 10-County Comparison



Source: 10-County Budget Books
El Paso County Financial Services Department



2021 Total Local Tax Per Citizen 10-County Comparison



Source: 10-County Budget Books
El Paso County Financial Services Department



Budget Process

Compiling the 2022 Budget

Budget Process Policy: Section 5.5 (Continued)

Revenue Estimates – *Other Revenue Lines:*

Changes from 2021 budget to 2022 budget:

- ↑ Clerk & Recorder Fees - \$1.25M
- ↑ Treasurer Fees - \$900k
- ↑ Planning & Community Development Fees- \$226k



Budget Process

Compiling the 2022 Budget

Budget Process Policy: Section 5.5 (Continued)

- 2022 Expenditure Budgets
 - Retain 2021 Expenditure Base Budget
 - 2022 Beginning Operational Savings of \$26.5M from departmental underspending (essentially the “spendable” fund balance)
 - Strategy Phase of the budget (5.5.3.2), meetings held with Countywide Elected Officials and Department Executive Directors



Budget Process

Compiling the 2022 Budget

- Re-evaluated critical needs due to increased service demands, population growth, and mandated pressures
- Investment in Human Capital Management
 - Recommending 3.5% allocation of personnel budgets for departments and offices for a cost-of-living increase. CPI is currently projected to be approximately 3.5% for 2021
 - Additional reserved for market adjustments to be allocated based on comprehensive salary study



Budget Process

Compiling the 2022 Budget

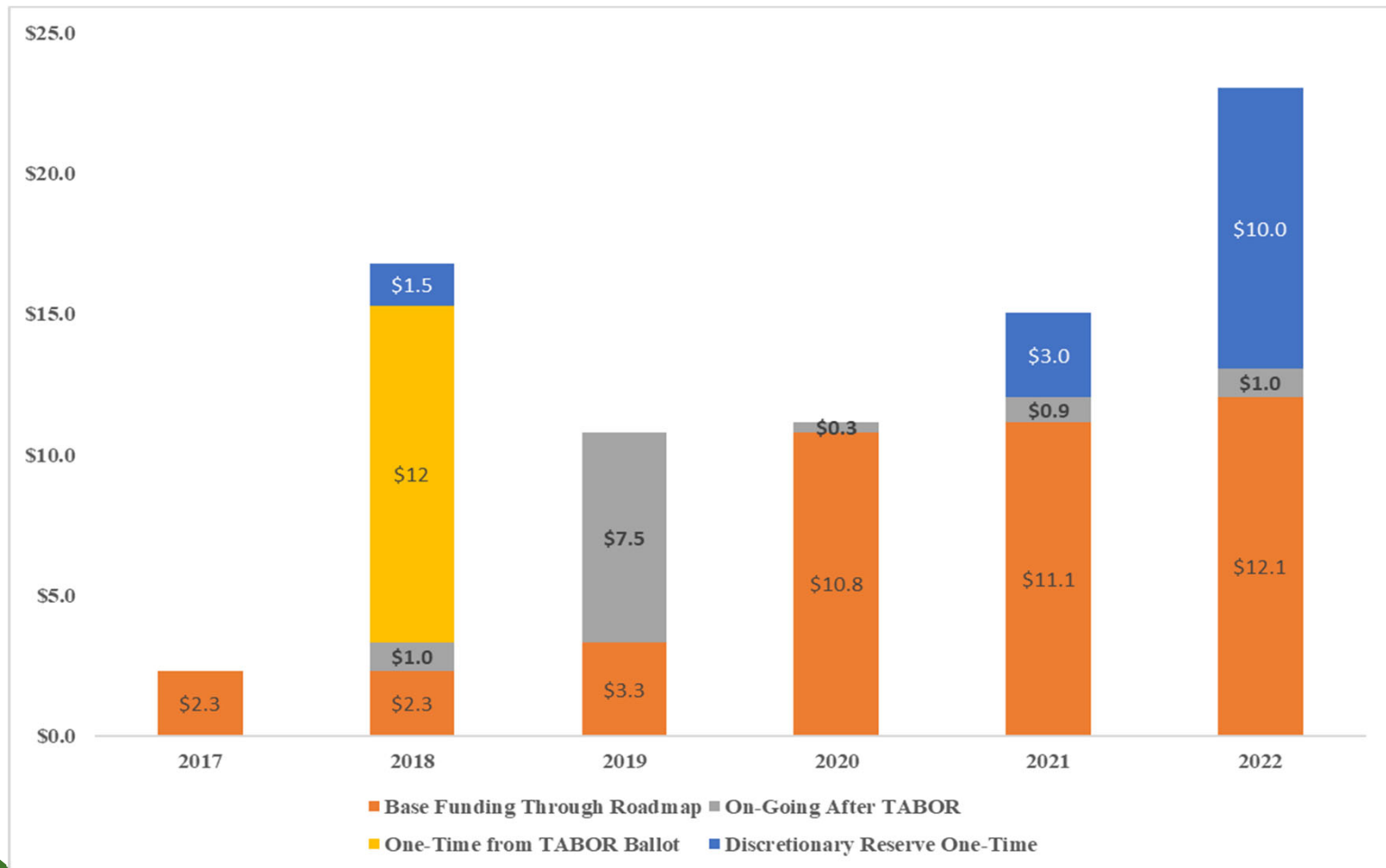
High Impact Road Safety Projects

- 2022 budget increases funding for road projects at \$11 million (\$1 million on-going and \$10 million one-time)
- Allows Department of Public Works to strategically address highest priority of road projects



Budget Process

Annual Additional Investment in High Impact Road Safety Projects



Budget Process

Compiling the 2022 Budget

TABOR Calculation Impacts - PRELIMINARY

- Early estimates (through August) show significantly above TABOR Cap
- TABOR calculation **very preliminary** – numerous variables can drastically change before finalized in about 6 months:
 - CPI Increase – June estimates will change several times by Feb/Mar 2022
 - Growth calculation – Using August preliminary – not finalized until December 2021 with final Certification of Valuation
 - Sales Tax and Intergovernmental impacts have been increasing
 - 2021 Estimates – \$15-20M reserved for TABOR overage
- Staff is closely monitoring TABOR revenues

El Paso County Financial Services Department



Budget Process

Compiling the 2022 Budget – Emergency Reserve

- 2022 Budget assumes being at County's TABOR revenue cap, all excess revenues kept in reserve for future consideration or refund
- \$5,000,000 Emergency Reserve – no plans to spend into this fund balance
- Additional reserves
 - Minimum fund balance policy
 - 10% of General Fund Sales Tax, 0.5% Property Tax, and 5% all other revenues
 - Minimum Fund Balance of \$15 million for 2021
 - Estimated TABOR 3% Reserve of \$9.4 million



Critical Needs Addressed in the 2022 PBB

<i>OPERATIONAL STRATEGY</i>		
Dept/Office	Critical Needs	2022
Beginning Operational Savings		26,483,893
Net Revenues-Expenditures & Other Sources/Uses		8,683,410
CAR	Motor Vehicle Salary Increases (Equity)	(300,000)
CSD/CSU	Part-time Horticulture Agent	(27,230)
CAT	County Attorney - 1st Assistant CAT/Civil	(226,862)
County	Fountain Creek Watershed District Increase	(24,286)
County	Upgraded ERP System/Time Tracking/HCM - Initial Allocation of \$10M project	(1,000,000)
County	2022 Compensation Adjustments	(7,482,811)
DST	Agilquest Software Annual License	(50,000)
DST	Spatialest Appeals Pro Module	(64,000)
DAO	5 Additional FTEs (3 DAs, 1 Legal Asst, 1 Clerk)	(462,335)
EDD	Business Revolving Loan Fund (one-time allocation)	(1,500,000)
EDD	Housing Authority Corpus (one-time allocation)	(3,000,000)
OEM	Part-time Temp Employee for Emergency Mgmt Accreditation Program (EMAP)	(11,000)
OEM	Alternate Emergency Coordination Center, EPC IT solutions at RDC	(15,000)
FAC	Major Facility Improvements (ongoing funding)	(750,000)
HRM	Business Partners (2) and Compensation Analyst (3 FTEs)	(339,023)
JSD	Pretrial Services Program Specialist (1 FTE)	(66,513)
JSD	Admin support staff member (1 FTE)	(65,364)
PCD	Code Enforcement Cleanup	(30,000)

Critical Needs Addressed in the 2022 PBB

<i>OPERATIONAL STRATEGY</i>		
Dept/Office	Critical Needs	2022
PCD	Planning Engineer I-II (1 FTE)	(113,490)
PCD	Planner II-III (1 FTE)	(114,323)
PCD	Planning Inspector II (1 FTE)	(84,520)
PH	Increase for County Support to Public Health (Year 3 of 4 year strategy)	(150,000)
DPW	Akers Pond Design - one-time allocation	(125,000)
DPW	Asset Management Personnel (3 FTEs)	(315,651)
DPW	Beaver Creek Drainage Basin Planning Study (DBPS) Project - one-time allocation	(375,000)
DPW	Engineering Division Personnel (4 FTEs & Outsourced Inspections)	(928,960)
DPW	One-Time Road Funds	(10,000,000)
DPW	On-Going Road Funds	(1,000,000)
DPW	Stormwater Maintenance Crew (4 FTEs in 2022)	(441,910)
DPW	Templeton Gap Drainage Basin Planning Study (DBPS) Project - one-time allocation	(175,000)
DPW	Traffic Count Plan - one-time allocation	(275,000)
SHR/SEC	Increase Security FTEs (5 FTEs)	(400,000)
Ending Operational Savings		5,254,026

PBB & The Strategic Plan

The 2022 Preliminary Balanced Budget 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



PBB & 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)



2022 Budget Process

Preliminary Balanced Budget

- Department & Elected Official Budget Strategy Sessions – July 28 and August 20, 2021
 - *Overview of County Financial Condition and Discussion of Critical Needs*
- Budget Hearing #1 – October 5, 2021
 - *Presentation of Preliminary Balanced Budget Document (Today!)*



2022 Budget Process

Original Adopted Budget

- Budget Hearings #2 and #3 – October 19 & October 21, 2021
 - *Department/Offices Critical Needs Presentations*
 - *Citizen Outreach Group Presentation to BoCC*
- Budget Hearing #4 – November 16, 2021
 - *BoCC Direction on the 2022 Original Adopted Budget*
- Budget Hearing #5 – December 7, 2021
 - *Resolution #1 – 2022 Original Adopted Budget*
 - *Resolution #2 – Certify County mill levy*
 - *Resolution #3 – Authorize the Treasurer to transfer between funds*





Presentation of the Preliminary Balanced Budget Document



El Paso County Financial Services Department