



2015 Budget and Five Year Forecast  
Budget Hearing #3  
October 28, 2014

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# Presentation Overview

1. Historical Budget Review
2. Current Financial Status
3. 2015 Preliminary Balanced Budget  
and Updated Budget Forecast 2016-2019



# Historical Review



# Historical Budget Information

## Reductions to Property Tax Revenue:

1996 – Reduction of Mill Levy	\$212.0M
2001- Elimination of Business Personal Property Tax	\$ 57.6M
<u>TABOR Impacts to Property Tax</u>	<u>\$ 19.2M</u>
TOTAL	\$288.8M



# 2015 Preliminary Balanced Budget

## 2014 Property Tax Per Person – 10 County Comparison



# 2015 Preliminary Balanced Budget Historical Budget Reductions

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

*\*None of these reductions have been re-instated, bringing the County General Fund Unrestricted budgets down to operating levels from 1996.*



# 2015 Preliminary Balanced Budget 2006 – 2009 Historical Budget Reductions

(in Millions)

	<u>Amount</u>	<u>% of the 2006 Base Budget</u>
<b><u>Administrative Services:</u></b>		
BoCC & Administration	\$4.5	
Community Services	\$3.9	
Public Services	\$12.9	
Support Services	\$4.8	
Department of Human Services	\$2.3	
<b>TOTAL Administrative Services:</b>	<b>\$28.4</b>	<b>27.5%</b>
<b><u>Elected/Appointed Offices:</u></b>		
Assessor	\$0.2	
Clerk & Recorder	\$1.9	
Treasurer	\$0.1	
Public Safety	\$4.8	
Public Trustee	\$0.2	
<b>TOTAL Elected/Appointed Offices:</b>	<b>\$7.2</b>	<b>11.0%</b>
<b>County Attorney</b>	<b>\$0.2</b>	<b>20.6%</b>
<b>Health Department Support</b>	<b>\$2.2</b>	<b>57.6%</b>
<b>Other Budgeting Options</b>	<b>\$7.2</b>	
<b>TOTAL Budget Reductions</b>	<b>\$45.2</b>	<b>21.9%</b>



# 2015 Preliminary Balanced Budget 2009 - “Turning Point”

## Operational Sustainability

- In 2009, County achieved operational sustainability
  - Stopped using one-time funding sources to address on-going operational needs
  - Established savings strategy
    - Conservative Revenue Estimates
    - Frozen Positions not filled
    - Incorporated expenditure restrictions
  - Increased our bond rating





# 2015 Preliminary Balanced Budget Current Financial Status - Operations

## Operating Budgets:

- Since 1996:
  - No “Across the Board” Operational Budget increases
  - **Operational Budgets have been decreased 1.5%**

### **“Across the Board”**

- While Consumer Price Index has increased 44.5%
- While Population has increased 41.1%



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

### Commodity Cost Pressures

#### Facing Commodity Increases (2002-2014):

- Natural Gas      ↑535%
- Fuel              ↑131%
- Steel              ↑153%
- Water             ↑128%
- Asphalt           ↑100%



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

- How have we managed 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
  - All within a very limited budget



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

- Even with all our efforts, in order to fully address the day-to-day operational needs, programs and services had to be sacrificed or decreased

### Intended to be temporary (1 of 4):

- Reduction of 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%



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

### Intended to be temporary (2 of 4):

- Elimination of Major Maintenance Program
- While the Strategic Moves Initiative addressed many facility needs, we now need to adequately maintain those facilities so we do not create another backlog of critical maintenance needs
- Establish a Common Area Maintenance with a reserve for each facility to address the on-going maintenance needs of our facilities



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

### Intended to be temporary (3 of 4):

- Elimination of PC Replacement and Printer Replacement Program
- Currently sitting on a backlog close to 1,000 obsolete computers throughout the organization
- Pending JDE (Financial and Operations System) upgrade of \$1.6M
  - Will lose the ability to update payroll tax tables
  - Not in compliance with IRS
- Transfer remaining phones to VOIP



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

### Intended to be temporary (4 of 4):

- Parks needs additional funding for forest management / fire mitigation efforts
- Nature Center staffs were reduced by 50% resulting in a 28% reduction in operational hours
- Park maintenance staff was reduced by 25% resulting in reduced trail maintenance, turf management, and facility repairs
- Development Services is working with old vegetation mapping of Wildland fire areas and Long Range Plans need to be updated



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

### Additionally:

- While the Public Safety needs of the Offices of the Sheriff and Coroner have been addressed through Dedicated funding and the Strategic Moves Initiative
  - There continues to be significant inequities in staffing and pay levels in the District Attorney's Office
- We also have not yet been able to address the mandated elections as an on-going line item in the Clerk and Recorder's Office
  - Discussed for 2016





# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

### Operational Summary:

- BoCC has only had the ability to start scratching the surface in addressing critical needs
  - Replenishment of department and office budgets has not yet occurred
  - Many of the critical needs that we were able to delay for a number of years, can no longer remain unaddressed



# 2015 Preliminary Balanced Budget

## Current Financial Status - Operations

### Operational Summary:

- Those Unaddressed Critical Needs are now becoming urgent and necessary, we also need to establish additional reserves
  - Fire/Flood Recovery and Mitigation Projects
  - Litigation and Investigation
  - Unfunded Mandates- GASB's Post Employment Benefits and Retirement Benefits



# 2015 Preliminary Balanced Budget

## Current Financial Status - Personnel

### Personnel Budgets:

- El Paso County is a service based organization
- Largest cost is personnel- the staff to provide those mandated services
- Represents over 70% of General Fund Unrestricted Budget
- 2007-2009 reduced 195 positions and froze 100 positions (previously reported based on estimates)



# 2015 Preliminary Balanced Budget

## Current Financial Status - Personnel

### Personnel Budgets:

- 2003-2014 Federal Cost of Living Adjustment
  - National Increases were 28.5%
  - El Paso County only provided 8.0%
- Per Mountain States Employers Council
  - El Paso County employee's average pay is 60% less than the average pay of City of Colorado Spring's employees
  - El Paso County employees on average are paid 33% less than the other large County and City employees in Colorado
  - Currently performing a county-wide compensation study



# 2015 Preliminary Balanced Budget Current Financial Status - Personnel

- How has El Paso County staff managed with these increasing demands on services— cost increases and population increases?
  - Consolidation of core functions
  - Optimization of employee expertise
  - Employee expanded use of technology



# 2015 Preliminary Balanced Budget Current Financial Status - Personnel

- However, what we are now seeing in staff after many years of carrying larger workloads and additional responsibilities
  - Employee Burnout
  - Mistakes and things “falling through the cracks”
  - Longer completion time for basic work products
  - As Economy is recovering, losing skilled staff



# 2015 Preliminary Balanced Budget

## Current Financial Status – Accomplishments

(1 of 3)

- Despite the challenges the Departments and Offices and their employees have experienced, we have still been able to:
  - Successfully respond and support three nationally declared disasters
    - Provided support to National Incident Management Teams
    - Managed over 70 recovery and mitigation projects



# 2015 Preliminary Balanced Budget

## Current Financial Status – Accomplishments

### (2 of 3)

- Completed the Strategic Moves Projects
  - 18 Months in preparation and then three years for completion
  - Managing most of these moves and projects in-house
  - Maximizing taxpayers dollars
  - Providing improved services through our new facilities
  - Addressing \$200 million dollars worth of Citizen Budget Oversight Committee (CBOC) identified Capital Needs





# 2015 Preliminary Balanced Budget

## Current Financial Status – Accomplishments

(3 of 3)

- Identified funding sources to address:
  - Sheriff’s Office backlog of personnel, operational and capital needs
  - Replacing antiquated Coroner Equipment
  - IT upgrades in our phone systems and some of our infrastructure
  - Long-term plan to address Fleet



# **2015 Preliminary Balanced Budget and Updated Budget Forecast 2015- 2019**



# 2015 Preliminary Balanced Budget

## Compiling the 2015 Budget

### Changes to revenue estimates:

- Sales & Use Tax
  - As of July 31, 2014 Actual Collections are up 5.36% (cumulative) over 2013
    - Food Services and Retail are trending increases of 3.4%-5.3%
  - The average trending increase over the last five years is 4.00%
  - Staff recommends for 2015 and years thereafter using 4.00%



# 2015 Preliminary Balanced Budget

## Compiling the 2015 Budget

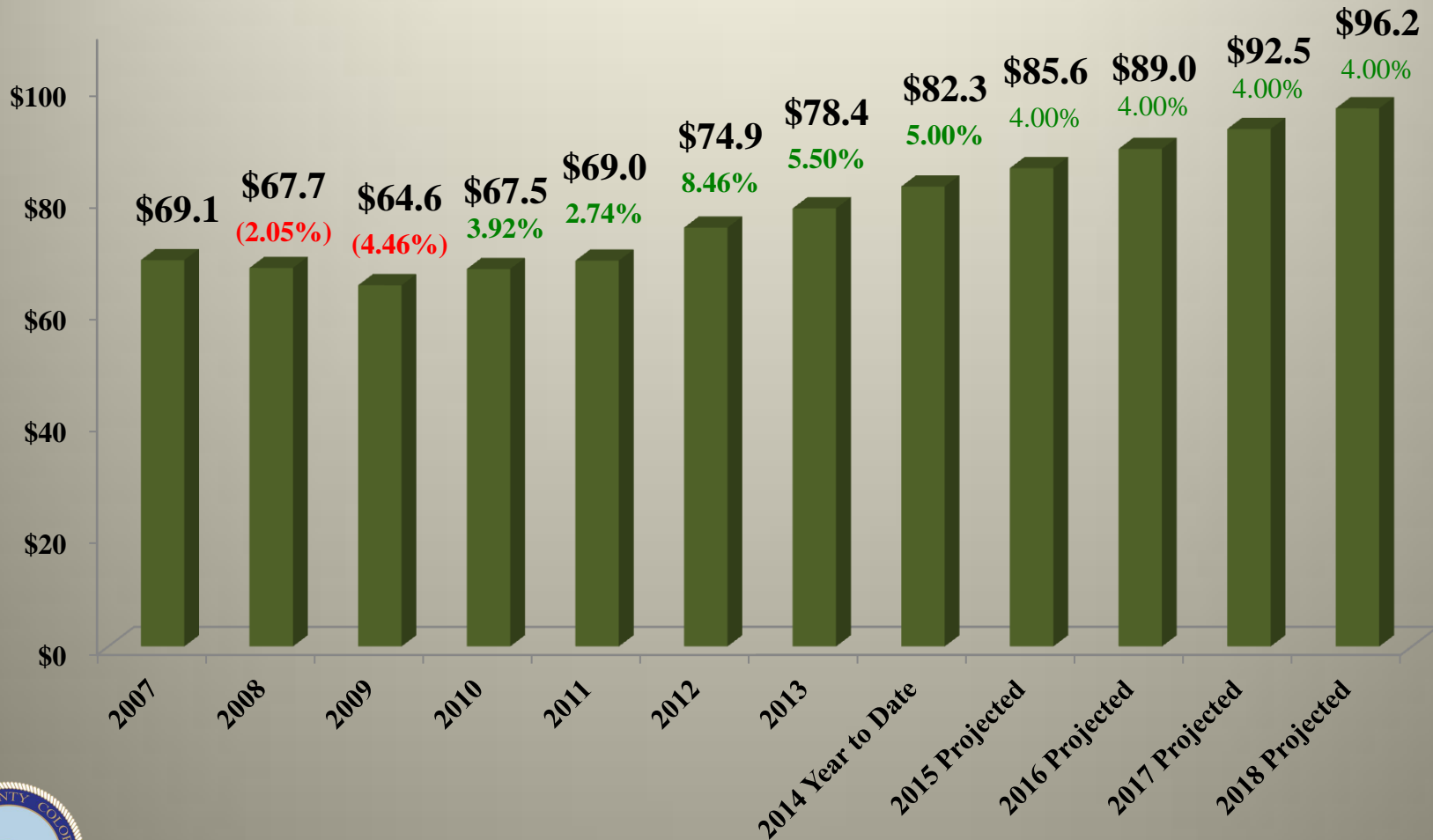
### Changes to revenue estimates:

- Sales & Use Tax

- All construction is showing a slight decline
- Total number of Permits pulled for 2014 are (cumulative):
  - Down Slightly 0.22% below 2013
  - Up 44.26% over 2007
  - Down 16.52% down for Single Family below 2013
  - Up 13.01% for Commercial over 2013
- Total Value of Pulled Permits for 2014 are
  - Down 9.45% below 2013
  - Up 31.98% over 2007
  - Down 7.67% for Single Family below 2013
  - Down 32.77% for Commercial below 2013



# 2015 Preliminary Balanced Budget Sales & Use Tax Projections



# 2015 Preliminary Balanced Budget

## Changes to Revenue Estimates / Reclassifications

### Compiling the 2015 Budget:

- Property Tax – Increase of 2.3%
- Elected Office Fees
  - Vary based on Historical Analysis and Statutory Impacts
- Retaining 2014 Expenditure Budgets
  - Addressing critical needs as one-time funds become available
  - No restoration of previous budget cuts
    - BoCC will provide direction at time of the Original Adopted Budget



# 2015 Preliminary Balanced Budget Property Tax



# 2015 Preliminary Balanced Budget Unrestricted General Fund Projections

## UNRESTRICTED GENERAL FUND PROJECTIONS

	2015	2016	2017	2018	2019
Beginning Operational Savings	(2,118,297)	141,404	4,323,628	6,424,151	9,552,124
Revenue Projections	114,129,053	116,051,575	113,969,876	114,997,325	117,709,536
Budgeted (Net) Expenditures	(111,869,352)	(111,869,352)	(111,869,352)	(111,869,352)	(111,869,352)
Ending Operational Savings	141,404	4,323,628	6,424,151	9,552,124	15,392,308





# 2015 Preliminary Balanced Budget Unrestricted General Fund Projections

PROJECTIONS AFTER MANDATES					
	2015	2016	2017	2018	2019
Beginning Operational Savings	(2,118,297)	(1,341,139)	156,956	1,869,694	4,609,882
Revenue Projections	114,129,053	116,051,575	113,969,876	114,997,325	117,709,536
Budgeted (Net) Expenditures	(111,869,352)	(111,869,352)	(111,869,352)	(111,869,352)	(111,869,352)
Eliminate Remaining "Equity Placeholder"	262,215	262,215	262,215	262,215	262,215
Net Impact - Clerk & Recorder Election	300,000	(950,000)	(650,000)	(650,000)	(650,000)
TABOR	(2,044,758)	(1,996,344)	0	0	0
<b>Ending Operational Savings -REVISED</b>	<b>(1,341,139)</b>	<b>156,956</b>	<b>1,869,694</b>	<b>4,609,882</b>	<b>10,062,281</b>



# 2015 Preliminary Balanced Budget Unrestricted General Fund Projections

PROJECTIONS AFTER MANDATES AND VENDOR DISCOUNT					
	2015	2016	2017	2018	2019
Ending Operational Savings -REVISED	(1,341,139)	156,956	1,869,694	840,639	(1,299,795)
Vendor Discount (Implementing 1/3 per year)	0	0	(1,029,055)	(2,140,435)	(3,339,078)
Ending Operational Savings -REVISED	(1,341,139)	156,956	840,639	(1,299,795)	(4,638,873)



# In Summary

- In 2015, Revenue will exceed expenditures, but the TABOR Impacts absorb it
  - There are no one-time or on-going available funds for 2015
- If we experience another TABOR refund in 2016, our budget situation will continue to be flat after addressing other mandates
- So, while we show some recovery in future years with revenues exceeding expenditures, it is nominal, we still are only barely covering expenses, leaving us very little to address critical needs



# In Summary

- We need to continue to do our Due Diligence to Work Smart and Be Proactive:
  - Explore different budget models
  - Continue to pursue dedicated funding for programs
  - Increase Reserve levels to anticipate GASB Impacts, Emergencies, Aging Employee Population, and TABOR
  - Continue to be intentional about which grants and revenue sources we accept
- Work together to determine long term strategies on how to address critical needs



# 2015 Budget Process

## Budget Hearing #4 (Original Adopted Budget) – November 4<sup>th</sup>:

- *Department/Offices Critical Needs Presentations*

## Budget Hearing #5 (Original Adopted Budget)– November 6<sup>th</sup> :

- *Department/Offices Critical Needs Presentations*
- *County Budget Officer – Updated Revenue Projections & Five Year Forecast*
- *CBOC Presentations to BoCC*

## Budget Hearing #6 (Original Adopted Budget)– November 18<sup>th</sup>:

- *BoCC Direction on the 2015 Original Adopted Budget*

## Budget Hearing #7 (Original Adopted Budget)– December 9<sup>th</sup>:

- *Resolution to Adopt the 2015 Original Adopted Budget*
- *Resolution to Certify County Mill Levy*
- *Resolution to Authorize the Treasurer to Transfer between funds*

## December 22, 2014:

- *BOCC to levy taxes and certify mill levies to the State and Assessor*

## January 31, 2015:

- *Certified copy of 2015 Original Adopted Budget filed with DOLA*



# Questions?

