

City of El Paso, Texas



Comprehensive Annual Financial Report

For The Fiscal Year Ended

August 31, 2017



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CITY OF EL PASO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2017



Prepared by
Office of the Comptroller

Cover Photo

Cloud, El Paso, Texas

The photo on the cover is the *Cloud*, located on Spur 1966 Roundabout on Schuster Avenue near the UTEP campus. Created by Donald Lipski, *Cloud* speaks to all those passing through the City. The artwork was inspired by the Bhutanese architecture prominently displayed at the University of Texas at El Paso (UTEP). The artwork is an abstract gesture representing Bhutan - known as the Kingdom in the Clouds - and the City of El Paso's spectacular cloud formations. The piece stands 60 feet tall from base to crest, serving as an icon for the City of El Paso and UTEP. The Americans for the Arts, the leading non-profit organization for advancing the arts and arts education, has recognized it as one of the nation's Outstanding Public Arts Projects for 2016. The artwork was recently commemorated at the Americans for the Arts 2017 Annual Convention in San Francisco. The *Cloud* is an interactive sculpture, created by thousands of hinged stainless steel flaps. When wind fills the atmosphere, the flaps participate in a kinetic illusion mimicking the movement of actual clouds.



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INTRODUCTORY SECTION





Office of the Comptroller

Mayor
Dee Margo

City Council

District 1
Peter Svarzbein

District 2
Alexsandra Annello

District 3
Cassandra H. Brown

District 4
Sam Morgan

District 5
Dr. Michiel R. Noe

District 6
Claudia Ordaz Perez

District 7
Henry Rivera

District 8
Cissy Lizarraga

City Manager
Tommy Gonzalez

February 28, 2018

Honorable Mayor and City Council
City of El Paso, Texas

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended August 31, 2017.

In addition, Section 7.21 of the City Charter requires an annual audit of all City accounts by an independent certified accountant. The Comprehensive Annual Financial Report (CAFR) is the summary of the City's financial activities for the past fiscal year. We believe this CAFR is accurate in all material aspects; that it presents fairly the financial position and financial activities of the City measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The Office of the Comptroller assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that have been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BKD, LLP, independent auditors, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended August 31, 2017. The independent auditor's report is located at the front of the financial section of this report

Generally accepted accounting principles in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

Profile of the City

El Paso is located in far west Texas on the international boundary between the United States and the United Mexican States (Mexico). Situated on the Rio Grande River, the City straddles the lowest altitude all-weather pass through the Rocky Mountains. It is

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"Delivering Outstanding Services"



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approximately equidistant from the cities of Houston, Texas; Denver, Colorado; and Los Angeles, California. The area comprising the City of El Paso (estimated population 2016 – 683,080), the remainder of El Paso County (estimated population 2016 – 154,838) and Ciudad Juarez, Mexico (estimated population – 1.4 million) has a population in excess of 2.1 million. El Paso is in the top twenty most populous cities in the nation, the sixth largest city in Texas. The City’s corporate limits encompass approximately 256 square miles. It is the county seat of 1,013square mile El Paso County.

The City was incorporated in 1873, operates under a Home Rule Charter with a Council-Manager form of government consisting of a mayor and eight council members. The mayor is elected at large for a four-year term. Council members are elected from eight single member districts for a four-year term. Elections are held bi-annually. The City Manager, appointed by the City Council, is responsible for the management of City employees and the administration of all City affairs.

The City provides a full range of services to the general public. These services include police and fire protection; emergency medical and health services; sanitation services; mass transit transportation; construction and maintenance of streets and infrastructure; recreational activities and cultural events; convention and cultural facilities, international airport and bridges, and general administrative services.

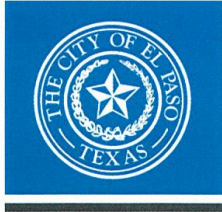
El Paso is the largest metro area along the Texas-Mexico border which boasts a best-in-class, business friendly operating environment while also offering a great living experience. Our region represents one of the largest manufacturing centers in North America and is recognized as globally competitive. This is largely due to El Paso's unique quality of possessing the largest bilingual and bi-cultural workforce in the Western Hemisphere.

As the sixth-largest city in Texas, El Paso is a top 20% U.S. performing economy and continues to experience positive economic growth by attracting new businesses and helping existing companies to grow. The City's focus is to create new employment opportunities in 21st century industries, maintain a great quality of life, and facilitate business growth at the local and international levels.

Other interesting facts about El Paso:

- #1 Best-Run City in Texas (WalletHub, July 2017)
- #2 Top Best Performing Cities in the U.S. for Job and Income Growth (Forbes, February 2107)
- #2 of 50 Safest Cities in America-2017 (SafeWise, August 2017)
- #2 Top Meeting Cities for Conferences (Meetings & Conventions Magazine, November 2016)
- #3 Best Cities for Raising a Family (Movoto, September 2016)
- #3 Most Recession-Recovered Large Cities (WalletHub, January 2017)
- #5 Best Place to Retire (U.S. News & World Report, June 2017)
- #6 Best Places for Veterans to Live (WalletHub, November 2016)
- #11 Largest Exporter of Goods Nationwide (Brookings Institution, September 2016)

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- Top 100 Best Places to Live in the U.S. for Quality of Life (U.S. News & World Report, June 2017)
- IT Department - Top Ten of 2016 Digital Cities (Center for Digital Government, November 2017)
- El Paso Fire Department – ISO Class 1 Rated and Accredited (CFIA, August 2017)
- El Paso International Airport – Second Best Airport by Region (Airports Council International, March 2017)
- El Paso Purchasing & Strategic Sourcing – EPIC Innovator of the Year Award, (ProcureCon Indirect, 2017)
- Named as a High-Performing City (Equipt to Innovate Survey, Governing, May 2017)

Financial Reporting Entity

The financial statements presented conform to the requirements of the Governmental Accounting Standards Board (GASB). GASB has established government-wide and combining fund financial statements as the required reporting level for governmental entities that present financial statements in accordance with GAAP.

This report includes financial statements of the funds required for those activities, organizations, and functions related to the City and that are controlled by or dependent upon the City's governing Body which is the City Council. The financial statements present the City of El Paso, which includes the primary government and its component units.

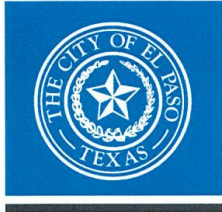
The basic criterion for determining whether another governmental organization should be included in a primary governmental unit's reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body *and* the ability of the primary government to impose its will on the organization or the existence of a financial benefit/burden relationship. An organization which is fiscally dependent on the primary government should be included as part of the reporting entity.

The following component units, although legally separate from the City, are reported as part of the reporting entity:

Discretely Presented Component Units

El Paso Water Utilities (EPWU)

EPWU is a component unit of the City based on the selection of governing authority. The Public Service Board-El Paso Water Utilities consists of the Mayor of the City of El Paso and six residents of El Paso County. With the exception of the Mayor, all other trustees are appointed by the El Paso City Council. EPWU is a discretely presented component unit of the City in the government-wide financial statements.



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El Paso Housing Finance Corporation (EPHFC)

The El Paso Housing Finance Corporation (HFC) is an independent entity, created pursuant to the Housing Finance Corporation Act by the City Council as a non-profit corporation to assist persons of low and moderate income with affordable housing. The City Council appoints its board consisting of seven directors. The EPHFC is a discretely presented component unit of the City in the government-wide financial statements.

Blended Component Units

Downtown Development Corporation (DDC)

The DDC was created and organized as a public, non-profit local government corporation incorporated pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended, to assist and act on behalf of the City in the performance of the City's governmental functions related to the downtown ballpark venue. The City Council operates as the Board of the DDC and certain City administrative staff (e.g. CFO, etc.) manage the activities for the DDC. The DDC is reported as a blended component unit of the City as a non-grant special revenue fund in the government-wide financial statements and the fund financial statements.

El Paso Metropolitan Planning Organization (MPO)

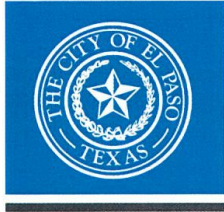
The MPO is responsible for cooperative decision-making by principal elected officials of general-purpose local governments in the El Paso Metropolitan Planning Area regarding the metropolitan transportation planning process. The MPO was established pursuant to 23 USC §134, 59 USC §5303 (Metropolitan Transportation Planning) and 23 CFR 450.300 et seq. (Metropolitan Transportation Planning and Programming). City of El Paso serves as the fiscal agent for the Transportation Policy Board of the MPO. The City also receives financial benefit as a sub-recipient of the MPO's state grant awards.

Thunder Canyon Public Improvement District (PID)

The Thunder Canyon PID was created after a handful of property owners petitioned for its creation to keep the canyon undeveloped and in its natural state. The 26-acre arroyo was purchased by the City from the developer for about \$525,000. The PID pays the annual debt service for the land's purchase. The City Council operates as the Board of the PID and certain City administrative staff (e.g. CFO, etc.) manage the activities for the PID. The PID is reported as a blended component unit as a non-grant special revenue fund in the government-wide financial statements and the fund financial statements.

El Paso Property Finance Authority, Inc. (Authority)

The Authority was incorporated March 12, 1987, pursuant to the Texas Non-Profit Corporation Act, for the purpose of establishing a Permanent Public Improvements Program. City Council appoints its board consisting of six directors and is accountable for its operations. This corporation had no assets or liabilities and had no financial transactions during fiscal year 2017.



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Fiduciary Component Units

City Employees' Pension Fund (CEPF)

The City contributes to the City Employees' Pension Fund which is a single-employer defined benefit retirement system established under legal authority of the City Charter and administered by a Board of Trustees (CEPF Board). Although not under the direct control of the City, the CEPF serves only City and Public Service Board employees and, because of the scope of service, is included in the City's financial statements as a Pension Trust Fund.

Firemen and Policemen's Pension Fund (FPPF)

Uniformed fire fighters and police officers participate in the FPPF, which is divided into two divisions: the fire division and police division. The plan is a single-employer defined benefit retirement plan established under legal authority of state statutes and the City Charter, and is administered by a Board of Trustees (FPPF Board). Although not under the direct control of the City, the FPPF serves only City employees and, because of the scope of service, is included in the City's financial statements as a Pension Trust Fund.

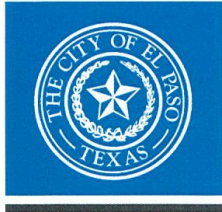
Internal Control Framework

Integrated within the business systems of the City are the policies and procedures over accounting and financial reporting that make up the internal control framework. The internal control framework provides reasonable assurance that the accounting systems and underlying data are reliable. There are, however, certain limitations inherent in the internal control framework. Management may choose to accept certain risks because the cost to prevent all risk is not reasonable. Management is responsible for establishing and maintaining effective internal controls. Although some level of risk within the internal control framework is unavoidable, the City's management maintains an attitude of supporting strong and effective internal controls.

Because the City receives federal and state awards, it is responsible for ensuring adequate internal controls are in place to comply with applicable laws, regulations, contracts and grants related to those programs. Each year a Single Audit Report is issued, which includes a schedule of expenditures of federal awards (SEFA), a schedule of expenditures of state awards (SESA), findings and questioned costs, and the independent auditor's reports on compliance and on internal control over financial reporting. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

The City adopts an annual budget for the General Fund, Debt Service Fund and the operations of the enterprise funds. Unexpended appropriations for these funds lapse at the fiscal year end. Special revenue funds and capital project funds are generally budgeted on a project basis that allows spending beyond the fiscal year end until the project is completed. If a fund is not overspent, it is in compliance with the budget ordinance. Increases to the overall budget require



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City Council approval, but reallocation of budget within funds is managed by budget transfers, approved by the Office of Management & Budget.

Long-term Financial Stability and Sustainability

Ensuring the long-term sustainability of City finances is a key strategic policy for City management. City Council has adopted fiscal policies that require the balancing of adopted appropriations with anticipated revenues. General Fund reserves may only be utilized for one-time or emergency type capital procurements that would otherwise need debt financing, or as specifically approved by the City Council.

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. In fiscal year 2017, the operating budget was funded with current revenues. At the close of the fiscal year, actual revenues had exceeded expenditures by \$237 thousand.

Since most operating costs of the City are anticipated to increase in future budgets, balancing without the use of reserves or tax/fee increases remains a major focus. 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:

- Maintain performance based budgeting and continue to align services to City Council's Strategic Goals
- Continue long-term financial planning to align financial capacity with long-term objectives
- Prepare the General Fund budget without the use of fund balance, setting appropriate budget priorities and balancing resources with expenditures
- Monitor local economy and revenue performance to quickly adjust expenditure budgets when warranted
- Review procedures and processes for ways to reduce costs and enhance efficiencies through consolidation, outsourcing, interagency partnerships, and technology investments.

Initiatives include:

- Stimulate the local economy and job creation through new 380 incentive agreements
- Introduce new technology to improve wait times and border crossing efficiency
- Expand the cultural and recreational venues that continue to attract tourists
- Budget strategically the replacement of public safety vehicles over several years
- Increase the investment portfolio performance
- Maintain strong bond ratings, S&P's AA; Fitch's AA
 - Supported by the GFOA awards for distinguished budgets (23 consecutive years) and excellence in financial reporting (19 consecutive years)



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Financial Condition

The local economy is expected to continue steady growth. Positive net migration due to low unemployment in El Paso and reduced labor demand in the oil fields will result in population growth and a boost to the number of housing starts. The improvement in the local housing market should stimulate retail sales of home and garden supplies, furnishings, appliances, and positively impact gas stations and food & beverage establishments.

The City's financial position remains stable as both tax and operating revenues out-performed budgeted revenues this fiscal year. In addition, City management continued to exercise conservative fiscal practices and careful evaluation of operational priorities. The City's 2017 General Fund activities reflect a \$236 thousand increase in fund balance, indicating a well-planned budget and continuous fiscal monitoring during the year.

General Fund Unassigned Fund Balance of \$22.7 million, plus the \$18.4 million in cash reserves restricted by the City Charter, totaled \$41.1 million as of August 31, 2017 or 10.8% of General Fund spending in fiscal year 2017. In fiscal year 2016, the General Fund unassigned fund balance plus reserves were \$40.7 million at August 31, 2016 or approximately 10.9% of spending in the fiscal year

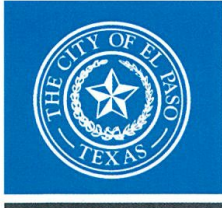
Strategic planning efforts continue within the City and the region in an effort to appropriately focus economic development and workforce efforts to expand and retain the current business base while attracting new businesses. El Paso continues to experience positive economic growth by attracting new businesses and helping existing companies grow. The City's focus is to create new employment opportunities in 21st century industries, maintain a great quality of life, and facilitate business growth at the local and international levels.

The City has an abundance of natural, cultural, educational and recreational attributes, in addition to an extremely favorable cost of living and great climate. Through effective strategic planning and management of resources, the City will be positioned to meet its growing service demands while maintaining a solid financial foundation and establishing El Paso as a premier community in the Southwest.

The Mayor and Council continue to focus on long-term strategic goals and Management continues to focus on the action plans necessary to achieve these goals. Both community resources and improvement in the City's internal operation and culture have been incorporated in these goals. Strategic goals include:

1. Create an environment conducive to strong, sustainable economic development
2. Set the standard for a safe and secure city
3. Promote the visual image of El Paso
4. Enhance El Paso's quality of life through recreational, cultural, and educational environments
5. Promote transparent and consistent communication among all members of the community
6. Set the standard for sound governance and fiscal management
7. Enhance and sustain El Paso's infrastructure network

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8. Nurture and promote a healthy, sustainable community

Periodically the elected officials engage in a strategic planning process culminating in an updated strategic plan which can be found on the City's website.

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Paso for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2016. The Certificate is the highest form of recognition in governmental accounting and financial reporting, and represents a significant accomplishment by a government and its management. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA.

Acknowledgments

The preparation of this report was made possible by the dedicated service of the employees of the Office of the Comptroller. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Additionally, the efforts of the City's component units (EPWU, EPHFC, DDC, MPO, PID, CEPF and FPPF) and their external auditors are appreciated.

We would also like to thank the Mayor, City Council and City Department Directors for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.


Respectfully submitted,



Tommy Gonzalez
City Manager



Robert Cortinas
*Interim Director
Municipal Financial Operations*



Pat Degman, CGFM
Comptroller

Pat Degman, CGFM – Comptroller
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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

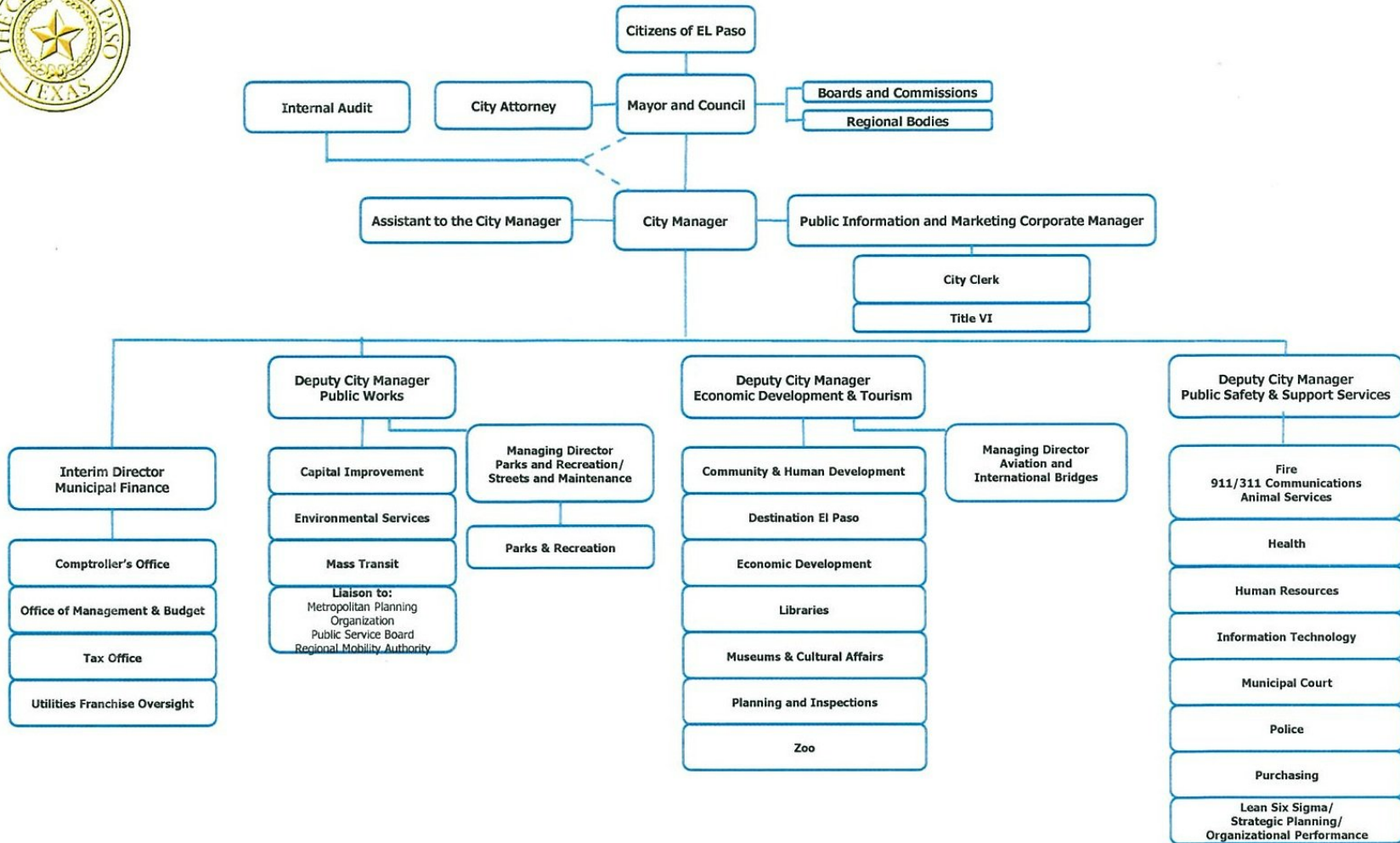
**City of El Paso
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2016

Christopher P. Morill

Executive Director/CEO



LIST OF PRINCIPAL OFFICIALS



DEE MARGO

Mayor

PETER SVARZBEIN

District 1

DR. MICHIEL NOE

District 5

ALEXSANDRA ANNELLO

District 2

CLAUDIA ORDAZ

District 6

CASSANDRA BROWN

District 3

HENRY RIVERA

District 7

SAM MORGAN

District 4

CISSY LIZARRAGA

District 8

TOMÁS GONZALEZ

City Manager

ROBERT CORTINAS

Interim Director Municipal Finance

CARY WESTIN

Deputy City Manager Economic Development & Tourism

DIONNE MACK

Deputy City Manager Public Safety & Support Services

KHALIL ZAEID

Deputy City Manager Public Works

2017 Department Directors

Monica Lombrana	Airport
Paula Powell	Animal Services (Interim)
Sylvia Firth	City Attorney
Nicole Ferrini	Community & Human Development (Interim)
Sam Rodriguez	Capital Improvement Department
Bryan Crowe	Destination El Paso
Jessica Herrera	Economic Development
Ellen Smyth	Environmental Services
Mario D'Agostino	Fire Department
Linda Ball Thomas	Human Resources
Enrique Martinez	Information Technology
Edmundo Calderon	Internal Audit
Monica Lombrana	International Bridges
Mark Pumphrey	Libraries (Interim)
Jay Banasiak	Mass Transit/Sun Metro
Lilia Worrell	Municipal Clerk (Interim)
Laura Prine	City Clerk's Office (Interim)
Tracey Jerome	Museums and Cultural Affairs
Pat Degman	Office of the Comptroller
Robert Cortinas	Office of Management and Budget
Tracy Novak	Parks and Recreation
Victor Morrison-Vega	Planning and Inspection (Interim)
Greg Allen	Police Department
Robert Resendes	Public Health
Bruce Collins	Purchasing
Ted Marquez	Streets and Maintenance (SAM)
Maria Pasillas	Tax Office
Steve Marshall	Zoo

FINANCIAL SECTION



Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of El Paso, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of El Paso, Texas (City), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the El Paso Water Utilities Public Service Board, a discretely presented component unit of the City, which represent 100 percent, 99 percent and 100 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of El Paso Firemen and Policemen's Pension Fund, a pension trust fund of the City, which represent 53 percent, 61 percent and 31 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for such entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of El Paso, Texas, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other post-employment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, introductory and statistical sections as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor and
Members of the City Council
City of El Paso, Texas
Page 3

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Dallas, Texas
February 28, 2018

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

The Management Discussion and Analysis (MD&A) presents an overview and analysis of the financial activities of the City's for the fiscal year ended August 31, 2017. This document is designed to:

- Provide a comparison of current year to prior year and identify specific economic factors contributing to changes;
- Help users of the financial statements understand the relationship between the results reported in the government-wide financial statements for governmental activities and the results reported in the major governmental fund financial statements;
- Help the reader focus on the City's financial condition as a whole, describing currently known facts, decisions or conditions expected to impact the City's financial condition and the availability of fund resources for future years; and
- Identify significant variances between the adopted budget, final budget and actual expenditures, discussing the impact of these variances on future liquidity.

Management's Discussion and Analysis should be considered in conjunction with the Letter of Transmittal as well as the City's financial statements. The information contained in these three sections of the Comprehensive Annual Financial Report (CAFR) complement each other.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the Primary Government's total assets and deferred outflows exceeded its liabilities and deferred inflows by \$13.7 million (net position). Within the Total Net Position, Unrestricted Net Position is \$707.4 million deficit.
- The Primary Government's total net position decreased by \$26.1 million. Governmental activities decreased net assets by \$25.1 million while decreases from business-type activities totaled \$1.0 million. This decrease in net position is attributable to increases in pension liability. The Primary Government's total expenses were \$811.9 million, an increase of \$53.3 million from 2016.
- The cost of the Primary Government's governmental activities was \$619.3 million for the 2017 fiscal year, an increase of 9.9% over the prior year.
- The City's governmental funds reported combined ending fund balances of \$381.7 million, a decrease of \$41.0 million compared with the prior year. Approximately 5.4% of the combined fund balances, or \$20.7 million, is unassigned and available for the discrete purposes for which these funds are collected.
- The unassigned fund balance in the General Fund was \$22.7 million or 6.1% of total General Fund current year expenditures.

**CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

These components of the Comprehensive Annual Financial Report are graphically illustrated below:

CAFR	Introductory Section	Letter of Transmittal, Organization Chart, Other Introductory Information			
	Financial Section	Management’s Discussion and Analysis			
		Government-Wide Financial Statements	Fund Financial Statements		
		Statement of Net Position	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Statement of Revenues Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Net Position	Statement of Changes in Fiduciary Net Position
		Statement of Activities	Statement of Cash Flows	Statement of Changes in Fiduciary Net Position	
	Notes to Financial Statements				
	Required Supplementary Information				
	Combining Statements and Schedules				
Statistical Section	Other Statistical Information				

The basic financial statements include both government-wide and fund financial statements. These statements differ in scope, measurement focus and basis of accounting, as well as in the information provided. The following chart illustrates these differences:

	Government-Wide Statement	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as property tax and pension
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus; except agency funds do not have measurement focus
Type of asset, deferred outflows, liability and deferred inflows information	All assets, deferred outflows, liabilities and deferred inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets, deferred outflows, liabilities and deferred inflows both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner that resemble those of private-sector business. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Component Units, which are other governmental units over which City Council, acting as a group, can exercise influence or may be obligated to provide financial subsidy. Discretely presented Component Units are presented separately in the government-wide statements, while Blended Component Units are presented as special revenue funds in the fund financial statements. The focus of the statements is clearly on the Primary Government and the presentation allows the user to address the relative relationship with the component units.

The *Statement of Activities* is focused on both the gross and net cost of various functions (including governmental, business-type and component unit) supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the costs of various governmental services and/or subsidies to various business-type activities and/or component units.

Governmental activities of the City include general government, public safety, public works, facilities, economic development, community development, and recreation and cultural services. Property and sales taxes finance the majority of these services.

Business-type activities reflect private sector type operations (where user charges or fees for services typically cover all or most of the cost of operations, including depreciation). Business-type activities include Environmental Services, Airport Operations, International Bridges, Sun Metro Transit, and the Tax Office Administration.

Fund Financial Statements

A fund is a set of self-balancing accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of El Paso uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash and other financial assets can readily be converted into available resources, as well as on the balances at the end of the fiscal year that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's operations.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

The focus of governmental funds financial statements is narrower than that of the government-wide financial statements; therefore it is useful to compare the information presented for governmental funds with similar information presented for the governmental activities in the government-wide financial statements. Because governmental fund financial statements do not encompass the additional long-term focus of the government-wide financial statement, additional information is provided that explains the relationship between them.

Both, the *Governmental Funds Balance Sheet* and the *Governmental Funds Statement of Revenues Expenditures and Changes in Fund Balances* provide a reconciliation between governmental funds and governmental activities. The flow of current financial resources will reflect bond proceeds and inter-fund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the government-wide statements. The reconciliation will help readers better understand the long-term impact of the government's near-term financing decisions.

The City maintains five governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Fiduciary Funds. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* for the General Fund, Community Development Block Grants Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered major governmental funds. The remaining governmental funds are combined into a single aggregated presentation as Non-major Governmental Funds. Individual fund data for the non-major governmental funds is provided in the combining financial statements and schedules that follow the basic financial statements in this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers— either outside customers or internal departments of the City. Proprietary funds provide a more detailed report of the same type of information as shown in the government-wide financial statements. The City maintains two types of proprietary funds:

- o Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its airport, mass transit, environmental services, international bridges, and tax office operations. It should be noted that the Tax Office administrative operations are reported as an enterprise fund and are separate from the agency fund set up to collect and distribute taxes on behalf of regional taxing authorities.
- o Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its employee health benefits and welfare programs, risk management, fleet services, printing and mail services. As these internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary funds financial statements provide separate information for the enterprise funds (i.e., El Paso International Airport, Environmental Services, Sun Metro Transit, International Bridges, and the Tax Office Operations) since they are considered major funds of the City. All internal service funds are combined into a

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the Combining Statements and Schedules section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the City in a trustee capacity or as an agent for the benefit of parties outside the City, individuals, private organizations or other governmental entities. Fiduciary funds include both trust and agency type funds. Trust fund statements allow the City to present its blended component units, the City's Employee Pension trust funds, as well as other private purpose trusts. Agency funds include tax office collections on behalf of the other taxing entities. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent discretionary resources of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

Notes to the Financial Statements

The Notes are an integral part of the financial statements and provide additional information that is essential to a full understanding and fair presentation of the data provided in both the government-wide and fund financial statements. The notes immediately follow the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information of the City's governmental and proprietary funds. Budgetary comparison schedules have been provided which demonstrate budgetary compliance.

Statistics

The statistical section provides data on financial trends, revenue, and debt capacity, demographic and economic data, and operating information.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative information for the current and preceding year is presented below:

	Net Position (in 000's)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 508,956	\$ 574,170	\$ 83,293	\$ 92,097	\$ 592,249	\$ 666,267
Capital Assets	1,075,465	1,048,382	496,958	489,286	1,572,423	1,537,668
Total Assets	<u>1,584,421</u>	<u>1,622,552</u>	<u>580,251</u>	<u>581,383</u>	<u>2,164,672</u>	<u>2,203,935</u>
Deferred Outflows of Resources	197,341	174,646	23,933	13,191	221,274	187,837
Total assets and deferred outflows	<u>1,781,762</u>	<u>1,797,198</u>	<u>604,184</u>	<u>594,574</u>	<u>2,385,946</u>	<u>2,391,772</u>
Other liabilities	164,306	142,000	35,381	27,395	199,687	169,395
Long-term liabilities	1,904,933	1,921,760	229,447	232,096	2,134,380	2,153,856
Total Liabilities	<u>2,069,239</u>	<u>2,063,760</u>	<u>264,828</u>	<u>259,491</u>	<u>2,334,067</u>	<u>2,323,251</u>
Deferred inflows	32,902	28,673	5,252	12	38,154	28,685
Total liabilities and deferred inflows	<u>2,102,141</u>	<u>2,092,433</u>	<u>270,080</u>	<u>259,503</u>	<u>2,372,221</u>	<u>2,351,936</u>
Net position:						
Net investment in capital assets	158,948	186,813	360,990	346,918	519,938	533,731
Restricted	181,218	127,479	19,934	26,658	201,152	154,137
Unrestricted	(660,546)	(609,527)	(46,820)	(38,505)	(707,366)	(648,032)
Total net position	<u>\$ (320,380)</u>	<u>\$ (295,235)</u>	<u>\$ 334,104</u>	<u>\$ 335,072</u>	<u>\$ 13,724</u>	<u>\$ 39,836</u>

Analysis of the City's Net Position

The net position may serve over time as a useful indicator of a government's financial position. For fiscal year 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13.7 million. Increases in tax revenue and grant funding was offset by additional debt service and pension obligations.

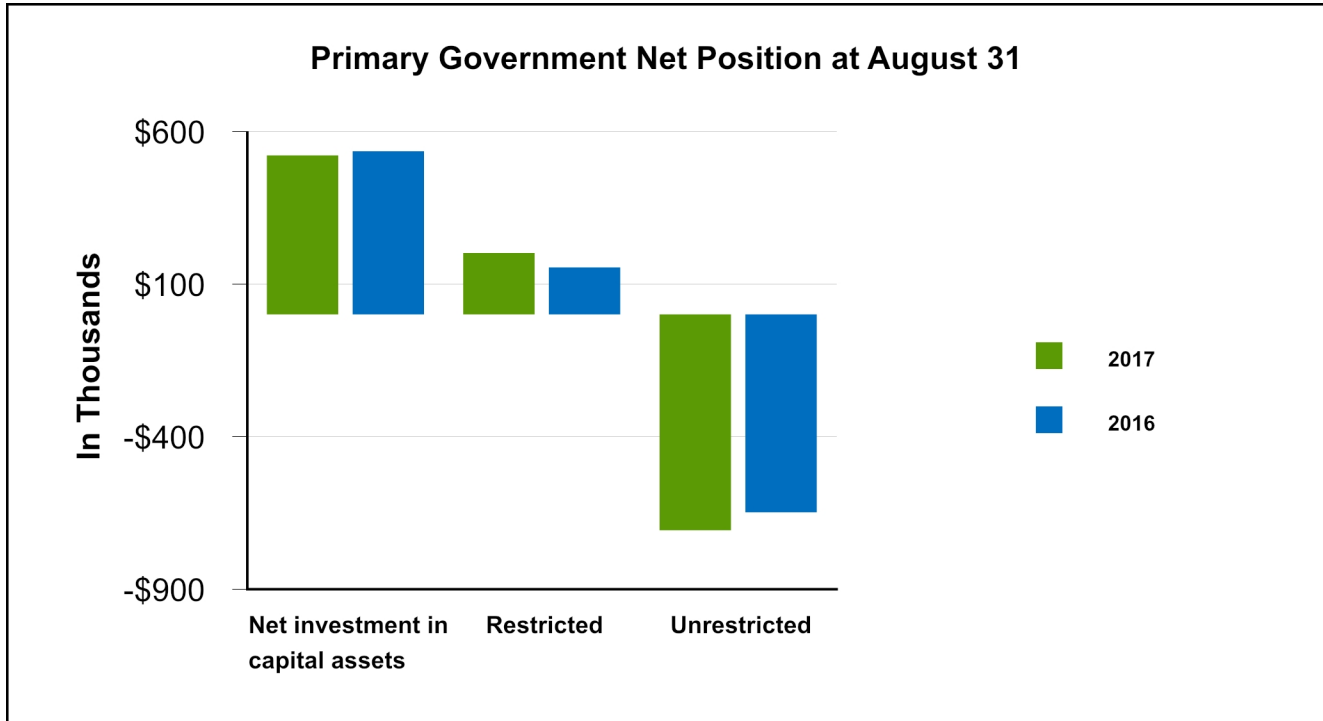
The largest portion of the City's net position, \$519.9 million, reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$201.2 million, represents resources that are subject to external restrictions on how they may be used. This restricted net position is held for debt service, amounts restricted by other funding agencies, amounts from bond proceeds for capital projects, as well as a \$18.4 million cash reserve required by the City Charter. Restricted net position increased \$47.0 million over the prior fiscal year, due mainly to an increase in capital projects in the current year.

Generally, all net position generated by governmental activities are either externally restricted or invested in capital assets. Unrestricted governmental activities net position showed a \$660.5 million deficit at the end of this year. This deficit indicates that the City has long-term commitments that exceed its related assets, related largely to pension obligations.

Unrestricted net position in business-type activities decreased a total of \$8.3 million, ending the year at a \$46.8 million deficit.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017



Analysis of the City's Operations

The following table provides a summary of the City's activities for the years ended August 31, 2017 and 2016. Governmental activities decreased the City of El Paso's net position by \$25.1 million which was in addition to a decrease in the business-type activities of \$1.0 million resulting in a net position decrease of \$26.1 million.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

Condensed Schedule of Changes in Net Position
For the Year Ended August 31
(in thousands)

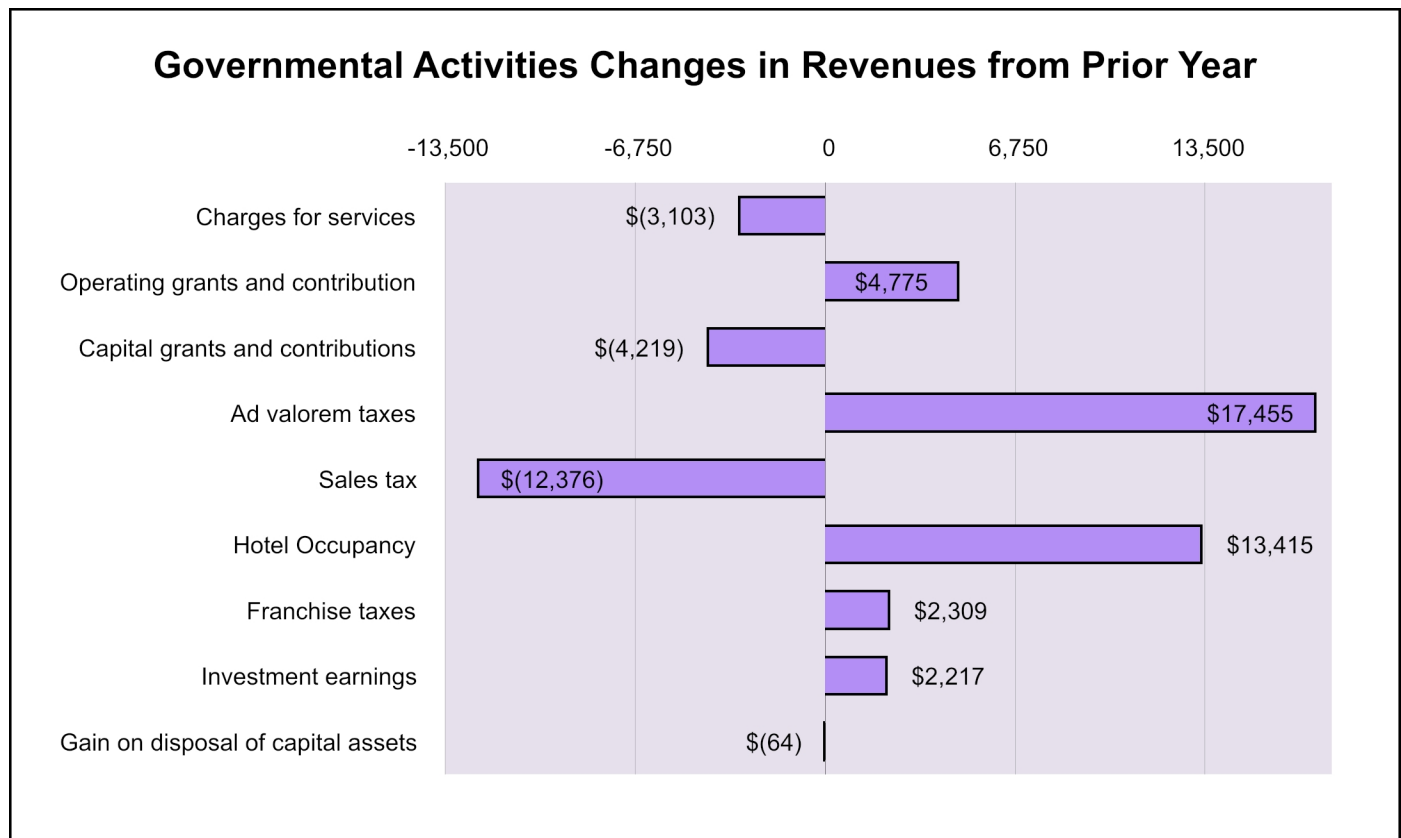
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 121,034	\$ 124,137	\$ 127,594	\$ 127,936	\$ 248,628	\$ 252,072
Operating grants and contribution	38,597	33,822	11,607	16,431	50,204	50,253
Capital grants and contributions	2,950	7,169	17,943	16,138	20,893	23,307
General revenues						
Ad valorem taxes	254,897	237,442	3,894	2,100	258,791	239,542
Sales tax	87,705	100,081	42,098	41,236	129,803	141,317
Hotel occupancy tax	13,415	—	—	—	13,415	—
Franchise taxes	58,295	55,987	—	—	58,295	55,987
Investment earnings	2,868	650	511	275	3,379	926
BABS federal tax credit	2,058	—	229	—	2,287	—
Gain on disposal of capital assets	28	92	32	(23)	60	68
Total revenues	581,847	559,380	203,908	204,093	785,755	763,473
Expenses						
Governmental activities						
General government	59,192	93,448	—	—	59,192	93,448
Public safety	278,649	241,548	—	—	278,649	241,548
Public works	76,781	67,039	—	—	76,781	67,039
Public health	33,794	21,849	—	—	33,794	21,849
Parks	31,298	26,478	—	—	31,298	26,478
Library	12,421	10,888	—	—	12,421	10,888
Culture and recreation	33,398	32,080	—	—	33,398	32,080
Community and economic development	37,844	34,224	—	—	37,844	34,224
Interest on long-term debt	55,962	36,192	—	—	55,962	36,192
Business-type activities						
Airport operations	—	—	53,963	50,650	53,963	50,650
Industrial park & other operations	—	—	—	1,577	—	1,577
International Bridges	—	—	10,002	8,508	10,002	8,508
Environmental Services	—	—	45,701	51,151	45,701	51,151
Mass Transit	—	—	80,848	80,975	80,848	80,975
Tax Office	—	—	2,015	1,932	2,015	1,932
Total expenses	619,339	563,746	192,529	194,793	811,868	758,539
Excess (deficiency) before transfers	(37,492)	(4,366)	11,379	9,300	(26,112)	4,934
Transfers	12,346	(1,164)	(12,346)	1,164	—	—
Increase (decrease) in net position	(25,145)	(5,530)	(968)	10,464	(26,112)	4,934
Net position - beginning	(295,235)	(289,705)	335,072	324,608	39,836	34,903
Net position - ending	\$ (320,380)	\$ (295,235)	\$ 334,104	\$ 335,072	\$ 13,724	\$ 39,836

**CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017**

Program Revenues and Expenses – Governmental Activities

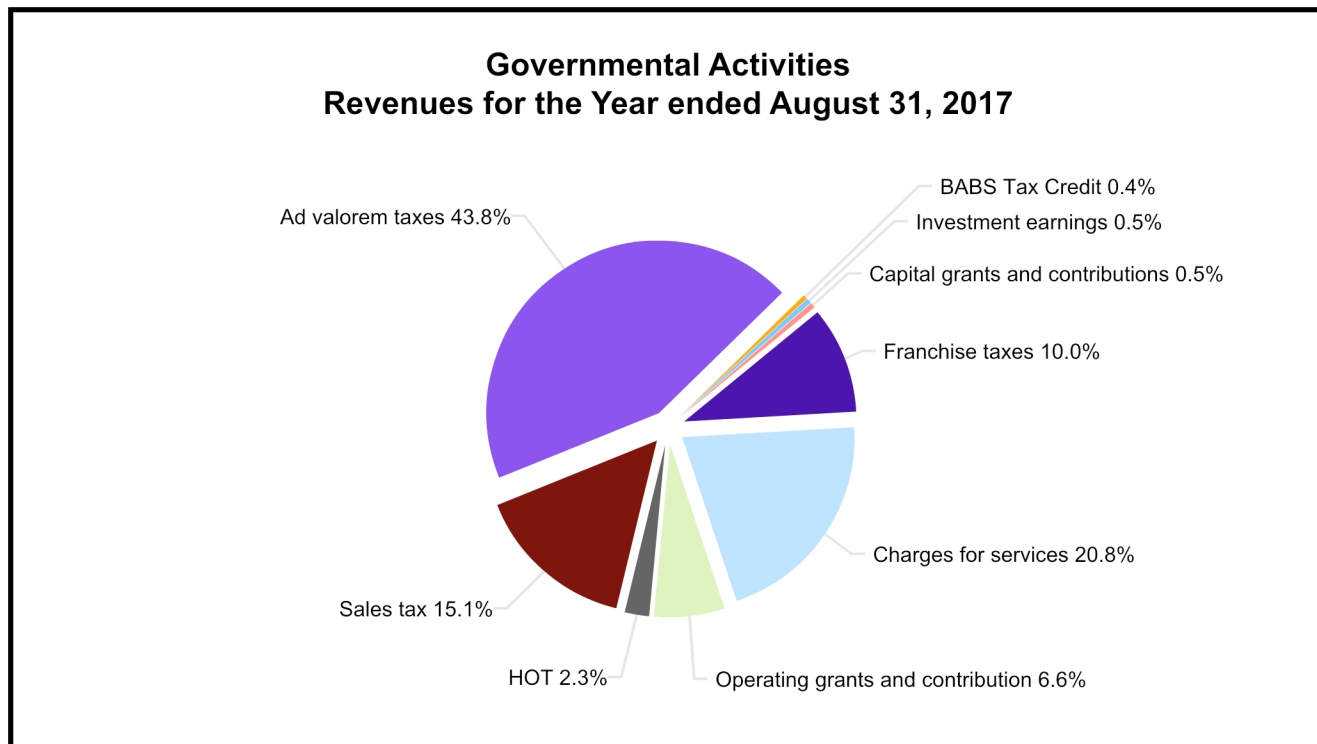
Governmental activities cover a range of typical City services and are directly supported by charges for these services, grants and contributions. In general, revenues generated by charges for services are inadequate to support the cost of the services with public safety creating the greatest burden on the taxpayer. Consequently, general revenues cover any net expense after program-specific revenues are applied. These general revenues include taxes, investment earnings and gains on sales of capital assets.

The following chart (in thousands) shows the change in governmental activities' revenues from the previous year.



**CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017**

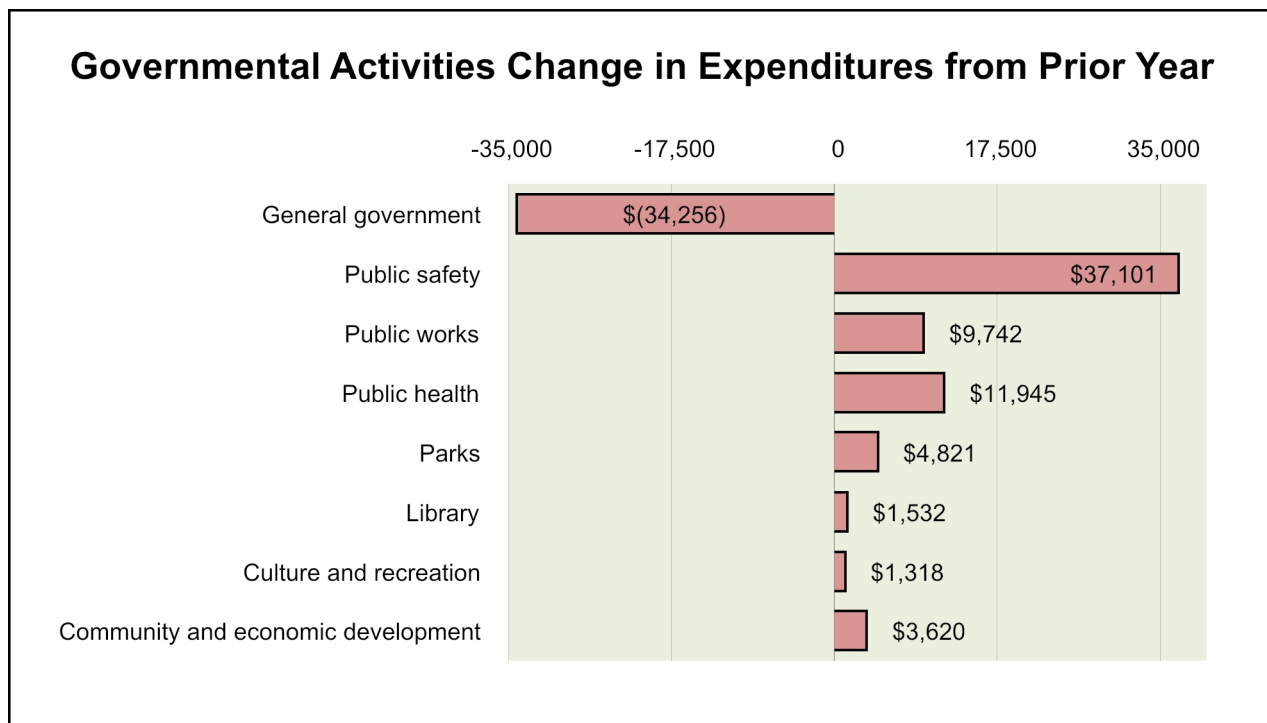
Revenues for governmental activities totaled \$581.8 million, an increase of \$22.5 million or 4.0% from 2016.



The total ad valorem taxable valuation increased 1.8% while the overall tax rate increased 4.1% from 2016. Ad valorem property tax revenues increased \$17.5 million (7.4%). Sales taxes decreased \$12.4 million (12.4%) due to reclassification of Hotel Occupancy Tax to its own line item amounting to \$13.4 million, Franchise taxes increased \$2.3 million (4.1%), Operating/capital grants and contributions increased \$0.6 million (1.4%).

The cost of governmental programs and services was \$619.3 million, an increase of \$55.6 million (9.9%) from 2016. The net pension expense for governmental activities increased \$39.5 million for the year, and other post-employment benefits expense increased \$4.1 million, compensated absence expense increased \$10.1 million, and interest on governmental long-term debt increased \$19.8 million.

The following chart (in thousands) shows changes in governmental activities’ expenses from 2016.



Program Revenues and Expenses – Business-type Activities

Charges for services decreased \$342 thousand to \$127.6 million. Operating expenses, net of depreciation, decrease \$2.5 million to \$146.8 million (1.7%) and depreciation expense increased \$2.6 million to \$42.5 million (6.6%). The decrease in operating expenses is primarily due to decreased personnel services of \$2.3 million, increase in outside contracts of \$1.3 million, and decrease in materials and supplies of \$0.9 million. Non-operating revenues, excluding operating and capital grants, increased \$1.7 million to \$57.9 million. Non-operating expenses decreased \$2.4 million to \$3.3 million. Capital contributions decreased \$3.3 million to \$17.9 million. Transfers- out decreased \$2.3 million to \$17.3 million. Transfers in decreased \$11.2 million to \$5.0 million.

El Paso International Airport

This fund accounts for the operations of the El Paso International Airport, industrial parks, and golf courses located on Airport property.

Operating revenues increased \$5.8 million to \$43.4 million, due primarily to the increased rental fees related to the opening of the new facility for car rentals. There was an increase in operating expenses of \$2.6 million from \$49.6 million to \$52.2 million related primarily to increases in outside contracts and depreciation expense. Non- operating revenues increased \$42 thousand to \$3.6 million and non-operating expenses decreased to \$1.8 million. Capital contributions decreased \$9.8 million from \$14.3 million to \$4.5 million.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Other significant changes from prior fiscal year include:

- Increase in personnel expenses of \$0.2 million
- All other operating expenses, excluding depreciation and personnel services, increased \$1.2 million
- Depreciation expense increased \$1.2 million
- Investment earnings increased \$56 thousand
- Customer facility charge revenue decreased \$17 thousand

Environmental Services

This fund accounts for the solid waste collection/disposal activities of the City.

Operating revenues decreased \$3.8 million to \$48.4 million. Transfer of Animal Services out of Environmental Services offset by population growth in the community and continued construction activity decreased collection fees and landfill fees by \$2.8 million.

Operating expenses decreased \$5.3 million to \$45.2 million, and includes \$0.3 million increase in landfill utilization expense. The increase was based on a revised landfill study. Other significant changes were:

- Personnel expense decreased by \$3.1 million due primarily to the additional staff for the Animal Shelter expansion.
- Outside contracts decreased by \$737 thousand related to payment for recycling services that resulted from a new revenue-sharing agreement.
- Materials and supplies decreased by \$1.2 million related to the Animal Shelter expansion and fleet maintenance supplies.
- Depreciation expense decreased \$305 thousand

Sun Metro Mass Transit

Sun Metro Mass Transit operating revenues decreased \$676 thousand to \$11.6 million primarily due to decreased revenues from fares. Ridership has slipped as lower gas prices offer alternatives for transportation. The sales tax subsidy increased \$862 thousand.

Operating expenses increased \$1.1 million to \$80.1 million. Depreciation expense increased by \$1.7 million. Other significant changes were:

- Personnel expenses increased \$0.6 million related to adjustments for net pension liability
- Fuel expense decreased \$774 thousand as fuel prices remained low during the year. In addition, operations has transitioned from LNG to CNG fuel. The corresponding increase for CNG in the Utilities expense was an increase of \$90 thousand.
- Maintenance and repair decreased \$985 thousand relating to major vehicle repairs in prior year.
- Outside contracts increased by \$789 thousand due to continued outsourcing of the management and operations of the LIFT program.
- FTA entitlement grant increased \$329 thousand due to reduction in grant revenue in the prior year timing of grant receipts.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Capital contributions from the FTA increased by \$8.8 million as capital projects were completed during the year.

International Bridges

This fund represents activity related to the City's international bridges.

Operating revenues decreased \$159 thousand to \$22.2 million due to a decrease in vehicular and pedestrian traffic crossing the City's bridges.

Operating expenses increased \$1.6 million, primarily attributed to increases in contractual services of \$635 thousand.

Other significant changes were:

- Outside contracts increased by \$177 thousand
- Maintenance and repair increased by \$499 thousand
- Depreciation expense increased by \$35 thousand

Tax Office Administration

This fund represents activity related to the operations of the Tax Office as it relates to the 38 taxing entities managed through this office, including the City of El Paso.

Operating revenues increased \$328 thousand to \$2.4 million relating to administrative fees allocated to the taxing entities.

Operating expenses increased \$83 thousand to \$2.0 million relating to a net increase in indirect costs offset by a decrease due to position vacancies of \$175 thousand .

Other significant changes were:

- General revenues increased by \$66 thousand from updated banking agreements
- Outside contracts decreased by \$19 thousand due to lock box conversion
- Depreciation increased by \$16 thousand

FINANCIAL ANALYSIS OF THE FUND LEVEL STATEMENTS

Governmental Funds

At the end of the current fiscal year, the City of El Paso's governmental funds reported total fund balance of \$381.7 million, a decrease of \$41.0 million from 2016. Approximately 5.4% of this total amount or \$20.7 million constitutes unassigned fund balance. Non-spendable fund balance of \$4.0 million indicates that inventory is not available to liquidate liabilities. Restricted fund balance of \$342.5 million indicates there are legal restrictions on how these funds may be expended. Committed fund balance of \$14.5 million indicates City Council has restricted how these funds may be expended.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Fund

The General Fund is the general operating fund of the City. The fund balance for the General Fund totaled \$44.8 million, increasing by \$0.2 million from the prior year. Restricted Fund Balance totaled \$18.4 million, increasing by \$0.4 million from prior year. The Non-Spendable Fund Balance related to inventories decreased \$0.1 million to \$3.8 million.

There were no changes in sales tax/franchise fee rates and no material changes to the City's revenue fee schedules from 2016.

Revenues increased \$7.8 million and transfers in decreased \$1.8 million from 2016.

Property tax revenues increased \$5.5 million or 3.5%. The adjusted assessed taxable valuation increased 1.8% and the general fund property tax rate increased to 48.6 per \$100 of assessed valuation.

Sales taxes increased \$2.4 million or 2.9%. Franchise taxes increased \$2.1 million due to increases in related services. Charges for Services decreased \$0.7 million while Intergovernmental Revenues increased \$0.1 million.

Investment earnings increased slightly by \$201 thousand. Amounts invested during 2017 were slightly higher compared to 2016.

Revenue from the County of El Paso, relating to providing health services to County residents, remained flat at \$469 thousand.

Overall, expenditures including transfers increased \$6.7 million or 1.8% over the prior fiscal year.

Community Development

The Community Development Block Grants Fund is the only Special Revenue Fund designated as a major fund for reporting purposes. These activities are funded by the U. S. Department of Housing and Urban Development (HUD). Program revenues of the revolving loan funds (RLF) were initially funded by HUD. Recognition of these revenues is dependent upon the City expending these funds in accordance with the entitlement grants and is earned as expended. Expenditures decreased \$4.8 million dollars from 2016 to \$11.9 million. The City utilized \$13.6 million in program revenues in 2017.

Debt Service Fund

Ad valorem property tax revenues increased \$8.9 million (11.0%) as a result of an increase in the debt service ad valorem property tax rate. Principal and interest payments increased \$2.5 million. Fund balance for the debt service fund increased \$3.0 million from 2016.

The City's debt management policy requires the fund balance remain in excess of the debt service portion of the largest taxpayer's tax levy for the year, \$1,338,900 in 2017. The policy also requires that a plan, without causing large variances in the tax rate, should be adopted to reduce the fund balance should it exceed 25% of the current year's expenditure budget.

Capital Projects Fund

Capital Projects Fund expenditures totaled \$69.5 million. Tax Notes were issued in 2017 were \$3.5 million while other funding sources (Hotel/Motel Tax, Interest and other) were \$11.5 million. Net transfers between

**CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017**

other funds were \$4.1 million of which \$5.1 million was transferred to the Debt Service Fund as part of the debt refinancing that occurred during the year.

This resulted in an decrease in fund balance of \$58.5 million to \$282.3 million.

Non-major Governmental Funds

Revenues in these funds were \$88.8 million and expenditures were \$88.8 million. Net transfers-in were \$7.2 million. Fund balance increased \$14.6 million to \$47.9 million.

Federal Grants

Funding for these activities is program specific and is provided by the U. S. Congress. Expenditures totaled \$7.9 million primarily from programs as follows:

- Public Safety – Police and Fire \$5.2 million including capital outlays.
- Economic Development – Incentives \$2.5 million.

State Grants

Expenditures for these activities are program specific and are provided by State Agencies or Departments. Expenditures by the City totaled \$4.2 million primarily from programs as follows:

- Community and Human Development - \$0.7 million
- Police Department \$3.2 million
- Museums - \$0.3 million

Public Health Grants

Expenditures for preventative healthcare and nutrition programs were \$11.8 million. Grant funding from the state provided \$10.7 million.

Public Health Waiver Program

Medicaid Waiver Expenditures totaled \$1.9 Million in FY2017. The Medicaid funding was \$7.9 million and also includes \$3.6 million in program revenues.

Destination El Paso

Destination El Paso had revenues and transfers totaling \$17.3 million for FY2017 and program expenditures of \$17.1 million.

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2017

Non-grants

Funding for these activities comes from a variety of sources including property taxes, sales taxes, fines and forfeitures and charges for services. Generally, funding for these activities occurs over several fiscal years and expenditures are made as accumulated funding allows. Revenues totaled \$47.0 million and expenditures were \$48.8 million and a net transfer in of \$7.3 million, resulting in a \$5.5 million increase in fund balance from fiscal year 2016. The ending fund balance as of August 31, 2017 was \$35.5 million.

Fund balances as of August 31, 2017 include the following:

- PEG \$5.1 million
- Municipal Court \$3.9 million
- Parks Department \$4.0 million
- Police Department \$5.5 million
- Economic Development \$10.1 million
- Mayor and council \$0.3 million

Proprietary Funds

The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Net position of the respective proprietary funds is shown on the Statement of Net Position for these funds. These funds had net position increases/decreases as follows:

	2017	2016
El Paso International Airport	\$ (2,417,373)	\$ 3,313,054
Environmental Services	1,077,239	7,487,542
Mass Transit	(187,638)	(1,770,661)
International Bridges	142,912	1,235,830
Tax Office Administration	416,692	198,096
Net position increase/(decrease)	<u>\$ (968,168)</u>	<u>\$ 10,463,861</u>

Factors that contributed to the increase/decrease in net position are discussed in the business-type activities section of the government-wide section.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City originally budgeted a flat budget in General Fund in 2017. Under the City Charter the overall tax rate at \$1.85 per \$100 in taxable value. The General Fund property tax rate remained \$1.372 and the Debt Service property tax rate remained \$.478. The taxable assessed valuation of real and personal property increased approximately 1.8% from 2016.

During 2017, charges to appropriations were increased a total of \$17.7 million over the prior year. Appropriation increases included \$0.2 million in general government, \$2 million in public works, and \$1.7 million in Parks. City resource appropriations increased by \$6 million , primarily due to increases in taxes and charges for services.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

CAPITAL ASSETS

The City of El Paso's investment in capital assets for its governmental and business-type activities as of August 31, 2017 amounts to \$1.6 billion (net of accumulated depreciation).

General capital assets include land, improvements to land, easements, buildings, vehicles, machinery and equipment, infrastructure and all other tangible assets that are used in operations and that have initial useful lives greater than one year and exceed the government's capitalization threshold (see Note 5). The City has capitalized assets with a cost of \$5,000 or more. The City's depreciation of assets can be found in Note 5.

The schedule below presents governmental assets net of depreciation, as reported in the government-wide statements.

	Governmental Activities	Business- Type Activities	Total
Land	\$ 182,390,084	22,713,850	205,103,934
Artwork	—	979,637	979,637
Buildings	234,638,856	164,994,874	399,633,730
Equipment	50,547,155	74,991,191	125,538,346
Improvements	18,855,243	182,750,082	201,605,325
Infrastructure	397,562,612	—	397,562,612
Construction in Progress	191,470,884	50,528,346	241,999,230
Total	<u>\$ 1,075,464,834</u>	<u>\$ 496,957,980</u>	<u>\$ 1,572,422,814</u>

This year's major additions included:

Land	\$ 6,753,760
Buildings	7,401,095
Infrastructure/Improvements	48,136,094
Vehicles and Major Equipment	12,372,602
Total	<u>\$ 74,663,551</u>

DEBT ADMINISTRATION

At the end of the fiscal year, the City of El Paso had total debt payable of \$2.3 billion. Of this amount, \$1.3 billion is bonded debt backed by the full faith and credit of the government. Revenue Bonds of \$76.3 million are secured solely by fees for services. The loans of \$13.0 million are bank loans secured by the Fire Department equipment financed by the loans. This debt also includes Capital Lease obligations of \$21.1 million to acquire buses and IT equipment. The net pension liability is \$578.5 million and the liability for other post-employment benefits is \$100.5 million .

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2017

OUTSTANDING DEBT
BONDS, NOTES PAYABLE AND MASTER EQUIPMENT LEASE/PURCHASE
AGREEMENTS

	Governmental Activities	Business- Type Activities	Total
General Obligations	716,726,862	18,453,137	735,179,999
Certificate of Obligations	419,396,513	96,123,488	515,520,001
Revenue Bonds Payable	60,685,000	15,650,000	76,335,000
Unamortized (Discount) premium, net	97,524,649	4,431,500	101,956,149
Loans	13,048,732	—	13,048,732
Capital Lease Obligations	21,114,961	—	21,114,961
Chapter 380 Agreement Obligations	27,364,727	—	27,364,727
Compensated Absences	60,095,254	6,033,192	66,128,446
Landfill Closure and Post-Closure	—	20,976,770	20,976,770
Claims and Judgments	16,533,064	364,687	16,897,751
Net Pension Liability	517,405,905	61,099,430	578,505,335
OPEB	76,471,050	23,980,619	100,451,669
Total	<u>\$ 2,026,366,717</u>	<u>\$ 247,112,823</u>	<u>\$ 2,273,479,540</u>

The City's General Obligation, Revenue Bonds, and Certificate of Obligations ratings are listed below:

	Standard & Poor's	Fitch Ratings
General Obligations	AA	AA
Certificate of Obligations	AA	AA
Revenue Bonds Payable-EI		
Paso International Airport	A+	A+
Revenue Bonds Payable-EI		
Paso International Airport	AA-	A2

Additional information on the City of El Paso's long-term debt can be found in Note 8 of this report.

ECONOMIC FACTORS

The City's financial position remains stable as both tax and operating revenues out-performed budgeted revenues this fiscal year. In addition, City management continued to exercise conservative fiscal practices and careful monitoring of departmental spending during the year. The City's 2017 General Fund activities reflect a \$0.2 million increase in fund balance. Approximately \$2.9 million was due to revenues collected over budgeted revenues, offset by more than \$3.2 million budgeted expenditures.

General Fund Unassigned Fund Balance of \$22.7 million, plus the \$18.4 million in cash reserves restricted by the City Charter, totaled \$41.0 million as of August 31, 2017 or 11.1% of spending in fiscal year 2017. In fiscal year 2016, the General Fund activities reflected a \$1.6 million increase in fund balance, with undesignated cash reserves of \$40.7 million at approximately 11.6% of spending in fiscal year 2016.

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2017

Economic development in the City remains steady in both the commercial and residential regions. Redfin.com named the El Paso on of the best Cities for National Park Lovers. El Paso has been named by US News and World Report as the one of the best places to live in the US for quality of life. WalletHub has listed El Paso in the #1 Best Run Cities in America.

These recognitions combined with economic initiatives and a stable workforce are reflected in continued economic activity.

- El Paso has the largest bilingual and bicultural workforce in the western hemisphere for young and growing populations.
- In October 2017, El Paso's metropolitan statistical area (MSA) projected unemployment rate fell to 3.8% with a projected labor force of 355,936.
- Employment numbers at the end of October 2017 reflected a positive change of 5,982 jobs from October 2016.
- Lowest crime rate in the U.S. for population > 500,000 for 5th year in a row.

General Fund Budget

Fiscal year 2017 appropriations increased \$17.7 million (5.0%) to \$369.2 million from 2016 actual expenditures and transfers. Appropriations, by function, increased (decreased) as follows:

<u>Function</u>	<u>Change</u>
General government	\$ 210,780
Public Safety	13,772,271
Public Works	1,981,002
Economic development	383,438
Community and human development	(977,245)
Culture and recreation	173,154
Parks	1,745,127
Library	174,906
Public health	78,298
Debt service	1,198,634
Nondepartmental	(1,067,469)
Total	<u><u>\$ 17,672,896</u></u>

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2017

Estimated revenue and transfers increased \$6.0 million (1.6%) to \$379.5 million from 2016 actual revenues and transfers. Revenues and transfers increased (decreased) as follows:

<u>Revenue and transfers in:</u>	<u>Change</u>
Property taxes	5,353,871
Sales taxes	2,435,108
Franchise fees	2,073,100
Licenses and permits	946,361
Fines and forfeits	(2,889,077)
Charges for services	(694,550)
Intergovernmental revenues	103,100
County participation	—
Rents and other	247,268
Interest	201,307
Transfers in	(1,767,623)
	<u>\$ 6,008,865</u>

The City’s overall certified taxable assessed valuation for real and personal property increased 1.8% for the fiscal year 2017 tax levy. City Council increased the general fund rate from \$0.47813 to \$0.485641 and the Debt Service tax rate from \$0.251595 to \$0.274015 from 2016 to 2017; however the composition of the debt and general fund tax changed only slightly.

REQUEST FOR INFORMATION

The City of El Paso’s Comprehensive Annual Financial Report is designed to provide citizens, customers, investors and creditors with a general overview of the City’s finances. It is available at the following website: <http://www.elpasotexas.gov/comptroller/accounting-and-reporting/financial-reports>. If you have questions about this report or need any additional information, you may contact:

Office of the Comptroller
300 N. Campbell
El Paso, Texas 79901

CITY OF EL PASO, TEXAS
Statement of Net Position
August 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	El Paso Water Utilities February 28, 2017	El Paso Housing Finance Corporation December 31, 2016
ASSETS					
Cash and Cash Equivalents	15,617,371	1,137,751	16,755,122	36,308,710	1,540,818
Cash with Fiscal Agent	11,169,547	—	11,169,547	—	—
Investments	326,740,147	25,964,604	352,704,751	7,339,172	2,154,800
Receivables, Net of Allowances	111,398,348	36,446,253	147,844,601	31,072,516	236,159
Interest and Dividends	—	—	—	354,174	—
Other Assets	—	—	—	1,543,109	—
Prepaid Items	111,980	416,818	528,798	2,015,679	337
Internal Balances	35,816,189	(35,816,189)	—	—	—
Due from Component Unit	3,286,912	3,749,311	7,036,223	—	—
Inventory	4,815,226	5,838,516	10,653,742	1,735,474	—
Restricted Cash and Cash Equivalents	—	3,578,575	3,578,575	225,244,600	271,093
Restricted Investments	—	41,976,901	41,976,901	42,925,485	—
Restricted Trade and Other Receivables	—	—	—	603,287	—
Capital Assets, not being Depreciated	375,493,968	74,414,023	449,907,991	286,900,096	—
Capital Assets being Depreciated, Net	699,970,866	422,543,957	1,122,514,823	1,276,606,028	2,613,174
Total Assets	1,584,420,554	580,250,520	2,164,671,074	1,912,648,330	6,816,381
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	15,036,084	—	15,036,084	5,267,208	—
Deferred Chapter 380 Agreement Charges	27,364,727	—	27,364,727	—	—
Pension Contributions Subsequent to Measurement Date	29,322,871	6,901,527	36,224,398	2,378,270	—
Difference in Actual and Expected Pension Experience	5,804,711	490,218	6,294,929	386,908	—
Difference in Projected and Actual Earnings on Pension Investments	97,276,223	7,859,086	105,135,309	5,675,305	—
Change in Assumptions for Pensions	22,536,235	8,682,222	31,218,457	5,883,108	—
Change in Proportionate Share of Pension	—	—	—	141,325	—
Total Deferred Outflows of Resources	197,340,851	23,933,053	221,273,904	19,732,124	—
LIABILITIES					
Accounts Payable	22,454,382	12,177,331	34,631,714	21,830,117	—
Accrued Payroll	9,102,248	2,065,149	11,167,397	4,163,101	—
Taxes and Fees Payable	987,144	159,596	1,146,740	—	—
Accrued Interest Payable	2,759,601	262,105	3,021,706	14,785,483	—
Due to Primary Government	—	—	—	6,140,784	—
Unearned Revenue	6,550,463	2,003,012	8,553,475	642,248	—
Other Current Liabilities	—	—	—	4,749,229	—
Construction Contracts and Retainage Payable	1,018,721	1,048,065	2,066,786	1,332,275	—
Long-term Liabilities-due within one year	89,337,884	12,107,442	101,445,326	43,596,369	—
Net Pension Liability-due within one year	32,095,473	5,558,634	37,654,106	—	—
Long-term Liabilities-due beyond one year	1,392,258,201	173,905,948	1,566,164,149	826,217,198	—
Chapter 380 Agreement Obligations	27,364,727	—	27,364,727	—	—
Net Pension Liability-due beyond one year	485,310,432	55,540,796	540,851,229	43,921,002	—
Total Liabilities	2,069,239,276	264,828,079	2,334,067,355	967,377,806	—
DEFERRED INFLOWS OF RESOURCES					
Deferred Gain on Refunding	—	—	—	266,273	—
Difference in Actual and Expected Pension Experience	15,273,553	5,251,968	20,525,521	3,558,754	—
Change in Assumptions for Pensions	17,628,091	—	17,628,091	—	—
Change in Proportionate Share of Pension	—	—	—	507,553	—
Total Deferred Inflows of Resources	32,901,644	5,251,968	38,153,612	4,332,580	—
NET POSITION					
Net Investment in Capital Assets	158,948,296	360,989,685	519,937,981	846,264,889	2,613,174
Restricted for:					
Debt Service	6,985,660	1,633,000	8,618,660	73,714,813	—
Cash Reserve	18,370,749	—	18,370,749	—	—
Municipal Court	3,886,051	—	3,886,051	—	—
Public Education in Government (PEG)	5,122,356	—	5,122,356	—	—
Civic Center	3,237,756	—	3,237,756	—	—
Public Health	10,567,072	—	10,567,072	—	—
Public Works	162,140	—	162,140	—	—
Library	881,333	—	881,333	—	—
Police	3,635,130	—	3,635,130	—	—
Economic Development	6,722,120	—	6,722,120	—	—
Thunder Canyon (PID #1)	28,421	—	28,421	—	—
Capital Projects	64,606,178	—	64,606,178	—	—
Community Development	57,013,403	—	57,013,403	—	—
Passenger Facilities	—	3,150,891	3,150,891	—	—
Customer Facility Charge	—	15,150,337	15,150,337	—	—
Facilities, infrastructure and equipment	—	—	—	33,841,475	—
Unrestricted	(660,546,184)	(46,820,387)	(707,366,571)	6,848,891	4,203,207
TOTAL NET POSITION/(DEFICIT)	(320,379,518)	334,103,526	13,724,008	960,670,068	6,816,381

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Activities
For the Year Ended August 31, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	El Paso Water Utilities - February 28, 2017	El Paso Housing Finance Corporation - December 31, 2016
Primary Government:									
Governmental Activities:									
General government	59,192,090	36,978,957	305,364	—	(21,907,769)	—	(21,907,769)	—	—
Public safety	278,648,815	20,496,087	7,275,939	44,105	(250,832,685)	—	(250,832,685)	—	—
Public works	76,780,581	8,223,634	3,463,636	—	(65,093,311)	—	(65,093,311)	—	—
Public health	33,794,360	18,352,936	14,556,465	235,721	(649,238)	—	(649,238)	—	—
Parks	31,298,298	4,431,003	264,362	165,821	(26,437,113)	—	(26,437,113)	—	—
Library	12,420,754	491,142	(99,344)	—	(12,028,957)	—	(12,028,957)	—	—
Culture and recreation	33,397,565	13,141,095	277,157	—	(19,979,313)	—	(19,979,313)	—	—
Community and economic development	37,843,697	18,918,679	12,553,906	2,504,584	(3,866,528)	—	(3,866,528)	—	—
Interest on long-term debt	55,962,214	—	—	—	(55,962,214)	—	(55,962,214)	—	—
Total governmental activities	619,338,374	121,033,533	38,597,485	2,950,231	(456,757,128)	—	(456,757,128)	—	—
Business-type Activities:									
El Paso International Airport	53,963,454	46,671,121	—	4,481,938	—	(2,810,395)	(2,810,395)	—	—
Solid waste disposal operations	45,701,064	48,094,965	—	(1,628,411)	—	765,491	765,491	—	—
Mass transit operations	80,848,329	9,253,342	11,606,771	15,089,176	—	(44,899,040)	(44,899,040)	—	—
Tax Office	2,015,098	1,843,339	—	—	—	(171,759)	(171,759)	—	—
International bridges operations	10,002,271	21,731,391	—	—	—	11,729,120	11,729,120	—	—
Total business-type activities	192,530,216	127,594,158	11,606,771	17,942,703	—	(35,386,584)	(35,386,584)	—	—
Total Primary Government	811,868,590	248,627,691	50,204,256	20,892,934	(456,757,128)	(35,386,584)	(492,143,712)	—	—
Component Units:									
Water and reclaimed water	172,341,872	151,855,720	196,329	13,665,028	—	—	—	(6,624,795)	—
Wastewater	21,994,524	69,631,768	—	—	—	—	—	47,637,244	—
Stormwater district	10,508,424	19,480,512	730,547	—	—	—	—	9,702,635	—
Low/moderate income housing	134,822	44,358	—	—	—	—	—	—	(90,464)
Total Component Units	204,979,642	241,012,358	926,876	13,665,028	—	—	—	50,715,084	(90,464)
General revenues:									
Taxes:									
Property taxes, levied for general purposes					164,680,106	3,894,131	168,574,237	—	—
Property taxes, levied for debt service					90,217,358	—	90,217,358	—	—
Franchise taxes					58,295,404	—	58,295,404	—	—
Sales taxes					87,704,730	42,098,342	129,803,072	—	—
Hotel Occupancy Tax					13,415,214	—	13,415,214	—	—
Investment earnings					2,867,819	511,087	3,378,906	1,347,567	23,767
BABS federal tax credit					2,058,173	228,925	2,287,098	—	—
Gain on disposition of capital assets					28,103	31,858	59,961	5,737,097	—
Transfers					12,345,926	(12,345,926)	—	—	—
Total general revenues and transfers					431,612,834	34,418,417	466,031,250	7,084,664	23,767
Change in net position					(25,144,295)	(968,167)	(26,112,462)	57,799,748	(66,697)
Net position/(Deficit) - beginning					(295,235,223)	335,071,693	39,836,470	902,870,320	6,883,078
Net position/(Deficit) - ending					(320,379,518)	334,103,526	13,724,008	960,670,068	6,816,381

The accompanying notes are an integral part of these financial statements

CITY OF EL PASO, TEXAS

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	Community Development Block Grants	Debt Service	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	7,586,119	121,189	782,250	2,290,506	459,465	11,239,529
Cash with Fiscal Agent	—	—	—	8,072,048	3,097,499	11,169,547
Investments	25,021,866	943,254	4,788,742	243,234,935	34,647,773	308,636,570
Receivables - Net of Allowances						
Taxes	20,212,845	—	3,001,732	568,172	1,480,714	25,263,463
Interest	1,254	169,622	978	2,392	135,558	309,804
Trade	2,420,933	—	1,008,237	1,723,246	1,150,072	6,302,488
Notes	1,900,000	54,120,185	—	—	1,964,737	57,984,922
Due from Other Government Agencies	203,299	1,766,422	—	1,969,235	5,478,094	9,417,050
Other	9,107,731	—	—	—	2,811,435	11,919,166
Prepaid Items	—	—	—	—	111,980	111,980
Due from Other Funds	—	—	—	33,923,898	12,662,962	46,586,860
Due from Component Unit	1,554,409	—	—	318,688	1,413,815	3,286,912
Inventory	3,798,045	—	—	—	58,844	3,856,889
Total Assets	71,806,501	57,120,672	9,581,939	292,103,121	65,472,948	496,085,180
LIABILITIES						
Accounts Payable	8,634,177	394,538	3,500	6,663,625	5,471,451	21,167,291
Accrued Payroll	8,240,166	35,773	—	15,831	511,110	8,802,880
Due to Other Funds	—	—	—	2,107,710	8,662,962	10,770,672
Taxes Payable	968,518	—	9,300	—	9,326	987,144
Unearned Revenue	3,933,126	—	—	—	2,617,337	6,550,463
Due to Other Government Agencies	2,588	4,823	—	—	315,696	323,107
Other Payable	263	40,501	—	975,953	2,004	1,018,721
Total Liabilities	21,778,838	475,636	12,800	9,763,119	17,589,885	49,620,278
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues Low Income Housing	—	57,013,403	—	—	—	57,013,403
Unavailable Revenues Property Taxes	5,207,229	—	2,583,478	—	—	7,790,707
Total Deferred Inflows of Resources	5,207,229	57,013,403	2,583,478	—	—	64,804,110
FUND BALANCES:						
Nonspendable	3,798,045	—	—	—	170,824	3,968,869
Restricted	18,370,749	—	6,985,660	282,340,002	34,800,972	342,497,383
Committed	—	—	—	—	14,486,568	14,486,568
Unassigned	22,651,640	(368,368)	—	—	(1,575,301)	20,707,971
Total Fund Balances/(Deficits)	44,820,434	(368,368)	6,985,660	282,340,002	47,883,063	381,660,791
Total Liabilities, Deferred Inflows of Resources and Fund Balances	71,806,501	57,120,672	9,581,939	292,103,121	65,472,948	496,085,180

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
August 31, 2017

Fund balances - total governmental funds balance sheet		381,660,791
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets (excluding internal service funds)	2,048,836,626	
Accumulated depreciation	(973,717,673)	
		1,075,118,953
<p>Other long-term assets are not available to pay for current period expenditures and therefore are omitted or deferred in the funds.</p>		
Unavailable revenues from property taxes	7,790,707	
Unavailable revenue from low income housing loans and community development	57,013,403	
		64,804,110
<p>Internal service funds are used to charge the costs of certain activities, such as health insurance, workers' compensation, unemployment, postage, copy center and equipment maintenance to individual funds. The internal service fund's net position is included in the governmental activities in the statement of net position.</p>		
		440,699
<p>Long-term liabilities (excluding internal service funds), including bonds payable and net pension liability (and the related deferred inflows and outflows of resources), are not due and payable in the current period and therefore are not reported as liabilities, deferred inflows or deferred outflows of resources in the governmental funds. Long-term liabilities consist of:</p>		
Accrued interest payable	(2,759,601)	
Claims and judgments	(500,000)	
Compensated absences	(59,380,465)	
Net pension liability	(512,492,156)	
Deferred Outflow - Pension contributions subsequent to measurement date	28,767,835	
Deferred Outflow - Difference in projected and actual pension earnings	96,644,179	
Deferred Outflow - Difference in actual and expected pension experience	5,765,286	
Deferred Outflow - Change in assumptions for pensions	21,837,992	
Deferred Outflow - Chapter 380 Agreement Charges	27,364,727	
Deferred Inflow - Difference in actual and expected pension experience	(14,851,179)	
Deferred Inflow - Change in assumptions for pensions	(17,628,091)	
Other post-employment benefits	(74,347,240)	
Unamortized bond issuance premium	(97,524,649)	
Deferred charge on refunding	15,036,084	
Chapter 380 Agreement Obligations	(27,364,727)	
Bonds, notes payable, and capital leases, and other obligations	(1,230,972,068)	
		(1,842,404,073)
Net position (deficit) of governmental activities		(320,379,518)

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2017

	General Fund	Community Development Block Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	158,844,476	—	89,543,410	—	3,603,475	251,991,361
Penalties and Interest-Delinquent taxes	1,289,169	—	673,948	—	320	1,963,437
Sales Taxes	87,704,730	—	—	—	—	87,704,730
Hotel Occupancy Tax	—	—	—	3,716,640	9,698,574	13,415,214
Franchise Fees	53,599,045	—	—	—	4,696,359	58,295,404
Charges for Services	37,485,337	2,886,434	1,208,750	2,534,363	35,707,539	79,822,423
Fines and Forfeitures	7,760,033	—	—	—	1,653,755	9,413,787
Licenses and Permits	14,939,427	—	—	—	1,018,261	15,957,687
Ticket Sales	—	—	—	—	258,657	258,657
Intergovernmental Revenues	452,977	10,435,066	—	2,719,325	24,912,341	38,519,710
County Participation	469,169	—	—	—	—	469,169
Interest	286,712	17,486	261,723	2,094,677	207,221	2,867,819
Rents and Other	1,536,669	232,680	—	421,657	6,997,919	9,188,925
Total Revenues	364,367,743	13,571,666	91,687,831	11,486,662	88,754,421	569,868,323
EXPENDITURES						
Current:						
General Government	28,278,533	162,254	—	84,169	826,154	29,351,110
Public Safety	223,762,410	—	—	—	14,437,291	238,199,701
Public Works	37,771,710	—	—	6,033,518	8,643,201	52,448,429
Public Health	5,936,208	—	—	—	13,108,529	19,044,737
Parks Department	22,263,171	177,837	—	8,942	1,787,183	24,237,133
Library	8,876,913	—	—	—	120,098	8,997,011
Non Departmental	18,473,482	—	—	34,217	1,602,511	20,110,210
Culture and Recreation	6,600,337	—	—	701,607	19,944,564	27,246,508
Economic Development	8,941,212	—	—	—	12,171,553	21,112,765
Animal Services	—	—	—	—	7,780,460	7,780,460
Community and Human Development	60,800	9,094,596	—	38,959	986,954	10,181,309
Debt Service:						
Principal	6,941,373	—	37,416,071	—	460,000	44,817,444
Interest Expense	800,224	—	58,295,778	—	3,857,392	62,953,393
Fiscal Fees	—	—	23,130	35,000	18,195	76,325
Capital Outlay	533,914	2,504,584	—	62,572,039	3,092,101	68,702,638
Total Expenditures	369,240,288	11,939,271	95,734,979	69,508,451	88,836,186	635,259,173
Excess(Deficiency) of revenues over(under) expenditures	(4,872,545)	1,632,395	(4,047,148)	(58,021,788)	(81,765)	(65,390,851)
OTHER FINANCING SOURCES(USES):						
Transfers In	15,153,272	—	5,097,978	1,330,992	12,427,226	34,009,467
Transfers Out	(9,303,627)	(2,000,763)	(125,930)	(5,433,251)	(5,265,055)	(22,128,627)
Proceeds from Sale of Capital Assets	—	—	—	46,183	—	46,183
Issuance of Debt	—	—	—	3,500,000	—	3,500,000
Capital Contributions	—	—	—	(34,507)	546,603	512,096
Other Sources (Uses)	(740,585)	—	2,058,173	129,644	6,995,235	8,442,467
Total Other Financing Sources (Uses)	5,109,059	(2,000,763)	7,030,220	(460,939)	14,704,009	24,381,586
Net Change in Fund Balances	236,513	(368,368)	2,983,072	(58,482,728)	14,622,244	(41,009,265)
Fund Balances - Beginning of Year	44,583,921	—	4,002,588	340,822,730	33,260,819	422,670,058
Fund Balances/(Deficit) - End of Year	44,820,434	(368,368)	6,985,660	282,340,002	47,883,063	381,660,791

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended August 31, 2017

Change in net position reported for governmental activities in the statement of activities are different because:

Net change in fund balances (deficit)- total governmental funds (41,009,265)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital acquisitions	68,702,638	
Depreciation	<u>(43,717,683)</u>	
		24,984,955

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals) is to decrease net position.

Cost of disposed assets	(1,255,176)	
Accumulated depreciation on disposed assets	<u>1,242,773</u>	
		(12,403)

Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the net change in deferred inflows of resources.

Unavailable revenue from low income housing loans and community development	(1,681,954)	
Unavailable revenue from property taxes	<u>942,667</u>	
		(739,287)

Contributions of capital assets that will be used in operations because they are not relevant to the assessment of near-term liquidity are not reported in the governmental funds		2,012,283
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal amount of debt issued	(3,500,000)	
Principal payments	44,817,444	
Amortization of deferred charge on refunding	(3,101,513)	
Amortization of premiums on bonds issued	<u>10,528,442</u>	
		48,744,373

Some expenses (excluding internal service funds) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in compensated absences	(10,076,771)	
Increase in accrued interest payable	(435,750)	
Other adjustments	2,028	
Increase in deferred outflow - Pension contributions subsequent to measurement date	988,305	
Decrease in deferred outflow - Difference in actual and expected pension experience	(1,451,180)	
Increase in deferred outflow - Change in assumptions for pension	14,850,652	
Decrease in deferred outflow - Difference in projected and actual earnings on Investment Pension	(16,826,585)	
Increase in net pension liability	(38,844,990)	
Increase in deferred inflow - Difference in actual and expected pension experience	(8,349,669)	
Increase in deferred inflow - Change in assumptions for pensions	4,543,322	
Increase in other post-employment benefits	<u>(4,007,460)</u>	
		(59,608,097)

Internal service funds are used by management to charge the costs of health insurance, worker's compensation, unemployment benefits, postage, copy center and equipment maintenance to individual funds. The net revenue of the internal service funds is reported by function within governmental activities.

Change in net position of governmental activities		<u>483,147</u>
		<u>(25,144,295)</u>

CITY OF EL PASO, TEXAS
Statement of Net Position
Proprietary Funds
August 31, 2017

	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Enterprise Fund	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash	623,211	246,056	—	158,039	110,446	1,137,752	4,377,842
Investments	6,001,790	18,920,687	—	363,364	678,763	25,964,604	18,103,576
Receivables - Net of Allowances:							
Taxes	—	—	6,742,237	—	600	6,742,837	—
Interest	1,030	—	—	143	—	1,173	568
Trade	2,984,682	2,983,273	2,790,133	—	—	8,758,088	9,353
Due from Other Government Agencies	3,684,310	153,864	17,105,981	—	—	20,944,155	191,534
Due from Component Unit	—	3,749,311	—	—	—	3,749,311	—
Prepaid Items	358,178	—	58,639	—	—	416,817	—
Due From Other Funds	5,000,000	3,000,000	2,107,710	—	—	10,107,710	—
Inventory	1,372,871	—	4,465,645	—	—	5,838,516	958,337
Total current assets	20,026,072	29,053,190	33,270,343	521,546	789,809	83,660,963	23,641,210
Noncurrent assets:							
Restricted Cash	—	2,978,713	—	599,861	—	3,578,574	—
Restricted Investments	19,934,228	17,998,057	—	4,044,616	—	41,976,901	—
Capital Assets:							
Land	1,381,099	6,887,813	11,975,407	2,469,531	—	22,713,850	—
Buildings, Improvements, Equipment & Other, Net	238,730,014	36,858,941	133,284,050	14,761,470	81,310	423,715,785	345,881
Construction in Progress	20,129,008	6,531,578	23,767,909	99,850	—	50,528,345	—
Total noncurrent assets	280,174,349	71,255,102	169,027,366	21,975,328	81,310	542,513,455	345,881
TOTAL ASSETS	300,200,421	100,308,292	202,297,709	22,496,875	871,119	626,174,418	23,987,090
DEFERRED OUTFLOWS OF RESOURCES							
Pension Contributions Subsequent to Measurement Date	1,279,581	1,918,920	3,465,279	237,747	—	6,901,527	555,036
Difference in Projected and Actual Earnings on Pension Investment	1,457,117	2,185,163	3,946,071	270,735	—	7,859,086	632,044
Difference in Actual and Expected Pension Experience	90,889	136,302	246,139	16,888	—	490,218	39,425
Change in Assumptions for Pensions	1,609,731	2,414,030	4,359,371	299,090	—	8,682,222	698,243
Total Deferred Outflows of Resources	4,437,318	6,654,415	12,016,860	824,460	—	23,933,053	1,924,748
TOTAL ASSETS AND DEFERRED OUTFLOWS	304,637,739	106,962,707	214,314,569	23,321,335	871,119	650,107,471	25,911,838
LIABILITIES							
Current liabilities:							
Accounts Payable	4,473,642	3,109,585	4,041,554	449,041	103,509	12,177,331	963,987
Accrued Payroll	489,836	513,258	953,607	90,067	18,382	2,065,150	299,367
Bonds, Notes, and Capital Leases - Due within one year	1,876,944	1,511,033	1,711,105	1,259,907	—	6,358,989	—
Due to Other Funds	808,651	1,291,863	43,570,032	253,352	—	45,923,898	—
Taxes Payable	52,503	107,093	—	—	—	159,596	—
Interest Payable on Bonds and Notes	107,057	37,451	107,679	9,918	—	262,105	—
Unearned Revenue	1,996,684	563	764	5,000	—	2,003,012	—
Construction Contracts and Retainage Payable	566,150	—	481,916	—	—	1,048,065	—
Compensated Absences - Due within one year	2,005,358	980,025	1,448,502	167,141	104,863	4,705,889	71,479
Landfill Closure Costs - Due within one year	—	1,042,564	—	—	—	1,042,564	—
Net Pension Liability - Due within one year	1,030,579	1,545,868	2,791,489	190,698	—	5,558,634	608,357
Total current liabilities	13,407,403	10,139,304	55,106,648	2,425,124	226,754	81,305,233	1,943,191
Non-current liabilities:							
Bond Obligations	37,640,200	18,274,457	53,784,480	3,659,998	—	113,359,135	—
Revenue Bonds	14,940,000	—	—	—	—	14,940,000	—
Compensated Absences	565,614	276,417	408,550	47,143	29,577	1,327,301	643,310
Landfill Closure Costs	—	19,934,206	—	—	—	19,934,206	—
Claims and Judgments	—	—	364,687	—	—	364,687	16,033,064
Net Pension Liability	10,297,584	15,442,392	27,886,728	1,914,092	—	55,540,795	4,305,391
Other Post-employment Benefits	5,202,241	6,901,079	10,636,710	1,240,589	—	23,980,619	2,123,809
Total Non-current Liabilities	68,645,639	60,828,551	93,081,155	6,861,822	29,577	229,446,744	23,105,574
Total Liabilities	82,053,042	70,967,855	148,187,803	9,286,945	256,331	310,751,977	25,048,765
DEFERRED INFLOWS OF RESOURCES							
Difference in Actual and Expected Pension Experience	973,743	1,460,272	2,637,030	180,923	—	5,251,968	422,374
Total Deferred Inflows of Resources	973,743	1,460,272	2,637,030	180,923	—	5,251,968	422,374
NET POSITION (Deficit)							
Net investment in capital assets	205,109,770	30,455,391	112,942,185	12,401,028	81,310	360,989,685	345,881
Restricted for:							
Debt Service	1,633,000	—	—	—	—	1,633,000	—
Passenger Facilities	3,150,891	—	—	—	—	3,150,891	—
Customer Facility Charge	15,150,337	—	—	—	—	15,150,337	—
Unrestricted	(3,433,044)	4,079,189	(49,452,449)	1,452,439	533,477	(46,820,387)	94,818
Total Net Position	221,610,954	34,534,580	63,489,736	13,853,467	614,788	334,103,526	440,699
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	304,637,739	106,962,707	214,314,569	23,321,335	871,119	650,107,471	25,911,838

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended August 31, 2017

	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Enterprise Fund	Totals	Internal Service Funds
OPERATING REVENUES:							
Charges of Rentals and Fees	42,897,390	48,005,424	163,846	44,435	—	91,111,095	—
Charges of Tolls	—	—	—	21,686,955	—	21,686,955	—
Charges of Fares and Fees	355,275	—	9,089,495	—	—	9,444,771	—
Sales to Departments	—	89,542	—	—	—	89,542	17,673,081
Premium Contributions	—	—	—	—	—	—	60,959,091
Intergovernmental Revenues	—	—	—	—	1,843,339	1,843,339	—
Penalties and Interest-Delinquent taxes	—	—	—	—	518,368	518,368	—
General Revenues	192,033	286,038	2,384,135	447,841	65,716	3,375,763	876,257
Total Operating Revenues	43,444,699	48,381,003	11,637,477	22,179,231	2,427,423	128,069,833	79,508,429
OPERATING EXPENSES:							
Personnel Services	17,908,931	18,454,324	36,731,386	3,281,180	1,027,444	77,403,265	7,506,159
Contractual Services	22,300	6,827	—	2,090,071	—	2,119,198	—
Professional Services	535,437	60,409	112,559	62,144	—	770,549	1,190,815
Outside Contracts	7,522,086	1,818,749	13,450,816	1,634,892	226,195	24,652,737	3,545,150
Fuel and Lubricants	220,194	2,356,944	2,447,703	5,432	77	5,030,349	5,030,594
Materials and Supplies	1,260,164	7,296,501	4,409,959	148,417	146,550	13,261,591	4,819,856
Communications	226,999	164,718	117,204	20,480	—	529,401	1,423
Utilities	1,822,383	102,702	1,435,385	88,895	—	3,449,365	28,725
Operating Leases	21,916	25,190	808,820	342,671	130,019	1,328,615	12,780
Travel and Training	132,387	57,864	39,265	22,255	8,145	259,915	5,243
Benefits Provided	306	—	42,768	—	—	43,074	55,686,560
Maintenance and Repairs	863,496	305,731	444,790	757,550	—	2,371,568	1,633,011
Landfill and Transfer Station Utilization	—	3,293,334	—	—	—	3,293,334	—
Other Operating Expenses	2,206,329	3,531,079	5,922,157	122,055	457,291	12,238,911	28,010
Depreciation	19,450,701	7,681,971	14,156,897	1,196,096	19,378	42,505,043	108,288
Total Operating Expenses	52,193,628	45,156,343	80,119,708	9,772,137	2,015,099	189,256,915	79,596,612
Operating Income (Loss)	(8,748,929)	3,224,660	(68,482,232)	12,407,094	412,324	(61,187,083)	(88,184)
NONOPERATING REVENUES (EXPENSES):							
Interest Revenue	198,789	272,837	—	35,092	4,368	511,087	106,244
Interest Expense	(1,769,826)	(544,720)	(728,620)	(230,133)	—	(3,273,300)	—
Federal Tax Credit - Build America Bonds	—	—	228,925	—	—	228,925	—
Gain(Loss) on Sale of Equipment and Land	2,200	29,658	—	—	—	31,858	—
Customer Facility Charge	3,418,455	—	—	—	—	3,418,455	—
Sales Tax	—	—	42,098,342	—	—	42,098,342	—
FTA Subsidy	—	—	11,606,771	—	—	11,606,771	—
Total Non-Operating Revenues (Expenses)	1,849,619	(242,225)	53,205,417	(195,041)	4,368	54,622,138	106,244
Income (Loss) Before Capital Contributions and Transfers	(6,899,311)	2,982,435	(15,276,815)	12,212,053	416,692	(6,564,946)	18,061
Capital Contributions	4,481,938	(1,628,411)	15,089,176	—	—	17,942,704	—
Transfers Out	—	(5,261,435)	—	(12,069,141)	—	(17,330,576)	—
Transfers In	—	4,984,650	—	—	—	4,984,650	465,086
Change in net position	(2,417,373)	1,077,239	(187,638)	142,912	416,692	(968,168)	483,147
Net Position, Beginning of Year	224,028,330	33,457,341	63,677,373	13,710,553	198,096	335,071,695	(42,447)
Net Position, End of Year	221,610,954	34,534,580	63,489,736	13,853,467	614,788	334,103,526	440,699

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS

Statement of Cash Flows

Proprietary Funds

For the Year Ended August 31, 2017

	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Enterprise Fund	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	43,203,363	48,586,891	9,113,641	22,118,861	2,429,005	125,451,763	79,317,750
Payments to Suppliers	(15,081,263)	(14,318,805)	(29,789,662)	(4,999,903)	(968,276)	(65,157,909)	(72,111,116)
Payments to Employees	(17,173,288)	(17,384,610)	(35,094,656)	(2,877,777)	(992,401)	(73,522,732)	(7,017,472)
Subsidy from Federal Grant	—	—	11,606,771	—	—	11,606,771	—
Operating expense to be reimbursed by grants	—	—	(16,201,982)	—	—	(16,201,982)	—
Net cash provided by (used for) operating activities	<u>10,948,812</u>	<u>16,883,477</u>	<u>(60,365,888)</u>	<u>14,241,181</u>	<u>468,328</u>	<u>(17,824,090)</u>	<u>189,162</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds	—	(5,261,435)	—	(12,069,141)	—	(17,330,576)	465,086
Transfers from Other Funds	—	4,984,650	—	—	—	4,984,650	—
Advances to Other Funds	(5,000,000)	(4,628,411)	—	—	—	(9,628,411)	—
Advances from Other Funds	—	—	21,386,881	—	—	21,386,881	—
Sales Tax	—	107,093	42,395,141	—	(600)	42,501,634	—
Net Cash Provided by (used for) Non-capital Financing Activities	<u>(5,000,000)</u>	<u>(4,798,103)</u>	<u>63,782,022</u>	<u>(12,069,141)</u>	<u>(600)</u>	<u>41,914,178</u>	<u>465,086</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Customer Facility Charges	3,418,455	—	—	—	—	3,418,455	—
Contributions from Federal Government	4,481,938	—	15,318,101	—	—	19,800,039	—
Purchases of Capital Assets	(18,061,894)	(14,614,686)	(16,436,815)	(209,681)	(71,565)	(49,394,642)	(53,869)
Payment of Landfill Closure and Transfer Station costs	—	(2,462,858)	—	—	—	(2,462,858)	—
Proceeds from the Issue of Capital Debt	—	—	145,424	—	—	145,424	—
Principal Paid on Capital Debt	(1,831,900)	(1,488,780)	(1,720,859)	(1,248,323)	—	(6,289,862)	—
Interest Paid on Capital Debt	(1,771,714)	(547,407)	(721,984)	(232,577)	—	(3,273,683)	—
Proceeds from Sale of Capital Assets	290,606	29,659	—	—	—	320,265	—
Net Cash Used for Capital and Related Financing Activities	<u>(13,474,509)</u>	<u>(19,084,072)</u>	<u>(3,416,134)</u>	<u>(1,690,582)</u>	<u>(71,565)</u>	<u>(37,736,862)</u>	<u>(53,869)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	(2,621,614)	(18,026,002)	—	(4,002,127)	(403,975)	(25,053,719)	(2,709,186)
Interest	200,985	272,837	—	35,092	4,368	513,283	106,244
Net Cash Provided by (Used for) Investing Activities	<u>(2,420,629)</u>	<u>(17,753,165)</u>	<u>—</u>	<u>(3,967,035)</u>	<u>(399,607)</u>	<u>(24,540,436)</u>	<u>(2,602,942)</u>
Net decrease in cash	(9,946,325)	(24,751,864)	—	(3,485,577)	(3,444)	(38,187,210)	(2,002,564)
Cash - beginning of the year	10,569,536	27,976,633	—	4,243,477	113,890	42,903,536	6,380,405
Cash - end of the year	<u>623,211</u>	<u>3,224,769</u>	<u>—</u>	<u>757,900</u>	<u>110,446</u>	<u>4,716,326</u>	<u>4,377,842</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	(8,748,929)	3,224,660	(68,482,232)	12,407,094	412,324	(61,187,083)	(88,184)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:							
Landfill and Transfer Station Utilization	—	3,293,334	—	—	—	3,293,334	—
Depreciation Expense	19,450,701	7,681,971	14,156,897	1,196,096	19,378	42,505,043	108,288
Compensated Absences	(195,556)	96,380	(268,967)	(21,654)	(42,360)	(432,157)	(10,538)
Other Post Employment Benefits	305,674	236,361	437,181	142,835	—	1,122,051	124,059
Net Pension Liability	369,163	528,926	999,744	236,391	—	2,134,223	165,319
Change in Assets and Liabilities:							
Receivables, Net Cash	234,672	795,171	(7,119,188)	5,754	1,583	(6,082,008)	855
Inventories	184,308	—	(222,972)	—	—	(38,664)	(18,560)
Other Assets	(9,925)	5,049	574	—	—	(4,302)	(295,347)
Accounts and other payables	(706,982)	908,163	(232,682)	228,835	—	197,335	(223,216)
Accrued Expenses	65,687	113,460	365,757	45,831	77,403	668,138	426,487
Net Cash Provided by (Used for) Operating Activities	<u>10,948,812</u>	<u>16,883,477</u>	<u>(60,365,888)</u>	<u>14,241,181</u>	<u>468,328</u>	<u>(17,824,090)</u>	<u>189,162</u>
Unrestricted Cash	623,211	246,056	—	158,039	110,446	1,137,752	4,377,842
Restricted Cash	—	2,978,713	—	599,861	—	3,578,574	—
Total Cash	<u>623,211</u>	<u>3,224,769</u>	<u>—</u>	<u>757,900</u>	<u>110,446</u>	<u>4,716,326</u>	<u>4,377,842</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Fiduciary Net Position
August 31, 2017

ASSETS	Pension Trust Funds	Private-Purpose Trusts	Agency Funds
Cash	26,983,020	1,367,646	291,041,770
Investments	—	2,906,490	—
Commingled Funds	164,011,312	—	—
U.S. Government Securities	27,104,666	—	—
Absolute Return Investments	109,573,856	—	—
Corporate Stocks	83,883,305	—	—
Bank Collective Investment Funds	176,342,988	—	—
Master Limited Partnerships	37,030,451	—	—
Private Equities	133,194,545	—	—
Investment in Real Estate Funds	194,810,322	—	—
Fixed Income Securities	378,965,761	—	—
Domestic Equities	366,450,206	—	—
International Equities	375,400,413	—	—
Invested securities lending collateral	82,219,120	—	—
Receivables - Net of Allowances			
Commission Credits Receivable	128,931	—	—
Due from Brokers For Securities Sold	967,188	—	—
Employer Contributions	1,475,438	—	—
Employee Contributions	1,024,031	—	—
Interest	620,705	—	—
Other Receivable	7,088	540,216	—
Taxes	—	—	67,023,324
Prepaid Items	21,857	—	—
Capital Assets:			
Land	891,306	—	—
Buildings, Improvements & Equipment, Net	1,788,498	—	—
Total Assets	2,162,895,007	4,814,352	358,065,094
LIABILITIES			
Accounts Payable	87,611,513	901,303	27,690,866
Accrued Expenses	2,138,191	—	—
Accrued Drawdown	855,764	—	—
Prepaid Property Taxes	—	—	2,526,754
Unearned Revenue - Commission Credits	128,931	—	—
Due to Other Government Agencies	—	—	258,359,841
Property Taxes Subject to Refund-Other Taxing Entities	—	—	2,797,000
Uncollected Property Taxes-Other Taxing Entities	—	—	66,690,633
Total liabilities	90,734,399	901,303	358,065,094
NET POSITION:			
Restricted for Pensions and Other Purposes	2,072,160,608	3,913,049	

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Changes in Fiduciary Net Position
For the Year Ended August 31, 2017

	Pension Trust Funds	Private-Purpose Trusts
ADDITIONS:		
Contributions:		
Employer	51,173,560	—
Employee	35,474,321	—
Total contributions	<u>86,647,881</u>	<u>—</u>
Rental vehicle sales tax	—	3,497,801
Miscellaneous	—	111,198
Investment income:		
Net appreciation in fair value of investments	144,790,324	—
Interest	9,584,146	—
Dividends	17,090,234	—
Securities lending income	424,649	—
Securities lending fees	(22,691)	—
Miscellaneous income	2,206	—
Investment advisory fees	(10,926,335)	—
Net investment income	<u>160,942,533</u>	<u>—</u>
 Total additions	 <u>247,590,414</u>	 <u>3,608,999</u>
DEDUCTIONS:		
Benefits paid to plan members	135,148,012	—
Refunds	5,654,485	—
Administrative expenses	2,935,260	—
Depreciation and amortization expense	174,078	—
Expended for other purposes	—	3,557,066
Total deductions	<u>143,911,835</u>	<u>3,557,066</u>
TRANSFERS:		
Transfers in	(1,007,714)	—
Transfers out	1,007,714	—
Total transfers	<u>—</u>	<u>—</u>
 Net decrease in net position	 103,678,579	 51,933
Net position - beginning of the year	<u>1,968,482,029</u>	<u>3,861,116</u>
Net position - end of the year	<u><u>2,072,160,608</u></u>	<u><u>3,913,049</u></u>

The accompanying notes are an integral part of these financial statements.

The City of El Paso, Texas (City) was incorporated in 1873. The government of the City is operated by authority of its charter exercising all powers conferred upon constitutional home rule cities in the State of Texas and exercises these powers as a municipal corporation, subject to the Constitution and the laws of the State of Texas. The city charter was amended in February 2004 to adopt a Council/City Manager form of government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of significant accounting policies of the City.

A. Reporting Entity

The accompanying financial statements include the City and its component units, collectively referred to as the financial reporting entity. In accordance with GASB Statement Number 14, as amended by GASB Statement 39, GASB Statement 61 and GASB Statement 80, the component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units**El Paso Water Utilities (EPWU)**

The Public Service Board (PSB), the governing board of EPWU, consists of the Mayor and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council. The City authorizes the issuance of the debt for EPWU. EPWU is a discretely presented component unit in the accompanying financial statements. The financial information included in these statements is as of EPWU's latest fiscal year end, February 28, 2017.

El Paso Housing Finance Corporation (EPHFC)

EPHFC was incorporated September 10, 1979, under Chapter 394 of the Texas Local Government Code, for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe, affordable and sanitary housing for persons of low and moderate income. Its board consists of seven directors, appointed by the City Council, who serve six-year terms of office. Any director may be removed from office at any time, with or without cause, by written resolution of the governing body of the City. EPHFC is reported discretely as a component unit in the accompanying financial statements. The financial information included in these statements is as of EPHFC's latest fiscal year end, December 31, 2016.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Blended Component Units*Downtown Development Corporation (DDC)

The DDC was created and organized as a public, non-profit local government corporation incorporated pursuant to Sub-chapter D of Chapter 431, Texas Transportation Code, as amended, to assist and act on behalf of the City for the purpose of issuing debt to finance the construction of a Triple-A baseball stadium. The City Council operates as the Board of the DDC and certain City administrative staff (e.g. CFO, etc.) manage the activities for the DDC. The City levies and collects a designated tax for the purpose of paying debt service on debt issued by the DDC. The DDC is reported as a blended component unit of the City in the non-grant special revenue fund.

El Paso Metropolitan Planning Organization (MPO)

The MPO is responsible for cooperative decision-making by principal elected officials of general-purpose local governments in the El Paso Metropolitan Planning Area regarding the metropolitan transportation planning process. The MPO was established pursuant to 23 USC §134, 59 USC §5303 (Metropolitan Transportation Planning) and 23 CFR 450.300 et seq. (Metropolitan Transportation Planning and Programming). City of El Paso serves as the fiscal agent for the Transportation Policy Board of the MPO. The City also receives financial benefit as a sub-recipient of the MPO's state grant awards. The MPO is reported as a blended component unit of the City in the non-grant special revenue fund.

Thunder Canyon Public Improvement District 1 (PID)

The Thunder Canyon PID was created after a handful of property owners petitioned for its creation to keep the canyon undeveloped and in its natural state. The 26-acre arroyo was purchased by the City from the developer for about \$525,000. The PID pays the annual debt service for the land's purchase. The City Council operates as the Board of the PID and certain City administrative staff (e.g. CFO, etc.) manage the activities for the PID. The PID is reported as a blended component unit in the non-grant special revenue fund.

El Paso Property Finance Authority, Inc. (Authority)

Incorporated March 12, 1987, pursuant to the Texas Non-Profit Corporation Act, for the purpose of establishing a Permanent Public Improvements Program. Its board consists of six directors who serve two-year terms or until a successor is appointed. The City reserves the right to alter the structure, organization, programs or activities of the Authority or to terminate and dissolve the Authority. The Authority had no assets or liabilities and had no financial transactions during fiscal year 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Component Units

City Employees' Pension Fund (CEPF)

Substantially all full-time employees of the City are eligible to participate in the City's Employees' Pension Fund (CEPF), except for uniformed fire fighters and police officers who are covered under separate plans. The plan is a single- employer defined benefit retirement plan established under legal authority of the City Charter and administered by a Board of Trustees (CEPF Board). The CEPF Board is comprised of the Mayor, two citizens designated by the Mayor who are not officers or employees of the City, four elected City employees, a retiree and two City district representatives. The CEPF is included in the accompanying financial statements as a Pension Trust Fund and the financial information included in these statements is as of August 31, 2017.

Firemen and Policemen's Pension Fund (FPPF)

Uniformed fire fighters and police officers participate in the Firemen and Policemen's Pension Fund (FPPF), which is divided into two divisions: the firemen division and policemen division. The plan is a single-employer defined benefit retirement plan established under legal authority of State Statutes and the City Charter and is administered by a Board of Trustees (FPPF Board). The FPPF Board is comprised of the Mayor, two citizens' designated by the Mayor, the Chief of Police (or his designee), the Fire Chief (or his designee) and three policemen and three firemen elected by the membership of their respective divisions. The FPPF is included in the accompanying agency fund financial statements under Pension Trust Funds. The financial information included in these statements is as of December 31, 2016.

Financial statements for EPWU, EPHFC, CEPF or FPPF may be requested from the respective entity's administrative offices.

EPWU - El Paso Water Utilities	El Paso Water Utilities P. O. Box 511 El Paso, Texas 79961 http://www.epwu.org/
EPHFC - El Paso Housing Finance Corporation	El Paso Housing Finance Corporation 701 Montana El Paso, Texas 79902
CEPF - City Employees' Pension Fund	City of El Paso Employees' Pension Fund 400 W. San Antonio Ave., Suite B El Paso, Texas 79901 http://www.eppension.org
FPPF - Firemen and Policemen's Pension Fund	El Paso Firemen & Policemen Pension Fund 1155 Westmoreland, Suite 223 El Paso, Texas 79925 http://www.elpasofireandpolice.org

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Not-for-profit Corporations**

The directors of each corporation below are appointed by the City Council and all activity must be approved from time to time by ordinance or resolution duly adopted by the City Council. Approval is solely for the purpose of satisfying the conditions and requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended. Certain of the corporations have authorized and issued bonds for projects. The bonds specifically provide they are not a debt of the City and the City is not responsible for payment of these bonds. These corporations issue conduit debt, therefore, there is no financial benefit/obligation to the City resulting from these projects and no amounts related to these bonds have been reported in these financial statements.

El Paso Health Facilities Development Corporation

Incorporated September 2, 1981, under Chapter 221 of the Texas Health and Safety Code, for the purpose of acquiring, constructing, providing, improving, financing and refinancing health facilities in order to assist the maintenance of public health and public welfare. Its board consists of six directors who serve six-year terms of office. Although there may be bonds outstanding, there is no liability to the City as all liability transfers to the trustee of the bond issue.

City of El Paso Industrial Development Authority

Incorporated October 10, 1979, under Article 5190.6 of the Texas Revised Civil Statutes, for the purpose of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and public welfare. Its board consists of nine directors who serve six-year terms of office. Although there may be bonds outstanding, there is no liability to the City as all liability transfers to the trustee of the bond issue.

B. Basic Financial Statements

The government-wide financial statements report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus on the sustainability of the City as an entity and the change in aggregate financial net position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are made when the elimination would distort the measurement of the cost of individual functional activities. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

Services performed by one function for another are credited as operating revenue to the performing department and an operating charge to the receiving department to reflect the accurate costs of programs. The rates used are intended to reflect full costs of providing the services.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certain indirect costs have been included as part of program expenses reported for the various functional activities.

The government-wide statement of net position reports all financial and capital resources of the government excluding fiduciary funds. It presents information on assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the outstanding balance of any bonds, notes or other borrowings, excluding unspent proceeds, that are attributable to the acquisition, construction or improvements of capital assets. Restricted net position has external constraints placed on their use by either: 1) creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or 2) by law through constitutional provisions or enabling legislation. All net position not otherwise classified as net investment in capital assets or restricted are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Restrictions of net position imposed by the reporting government by administrative policy are not shown as restricted net position on the government-wide financial statements.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functions and departments of the City are offset by program revenues. Direct expenses are those that are easily identifiable with a specific function or department. Interest on long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or department such as licenses, permits, park user fees, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or department.

Taxes, investment income (loss) and other revenues not identifiable with particular functions or departments are included as general revenues. The general revenues support the net costs of the functions and departments not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement Number 34. Criteria for determination of major funds are percentage of assets, liabilities, revenues or expenditures/expenses of the fund category and of the governmental and enterprise funds combined. Non-major governmental funds are combined in a single column on the fund financial statements.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance; 2) demonstrate the sources and uses of liquid resources; and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary (enterprise and internal service) funds and fiduciary fund financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements but are included in the fund columns in the proprietary fund financial statements.

C. Fund Accounting

The City uses funds to report its financial position and activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance. Fund accounting also aids financial management by segregating transactions related to certain governmental functions or activities.

The City uses the following fund categories:

Governmental Funds

Governmental funds are those through which most of the governmental functions of the City are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund in the basic financial statements.

Community Development Block Grants Fund (CDBG)

CDBG is a special revenue fund that accounts for the proceeds of federal grants approved by the Department of Housing and Urban Development (HUD) for community development projects that may extend over multiple fiscal years.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund

This fund accounts for the resources accumulated for and the payment of long-term debt principal, interest and related costs of the governmental funds.

Capital Projects Fund

This fund accounts for the proceeds of debt issuances, private donations and internal funding for the completion of capital construction projects and equipment purchases outside the scope of general operations.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those found in the private sector and where recovery of cost and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net position, financial position and cash flows.

Enterprise Funds

Enterprise funds are used to account for operations that provide services to the general public for a fee. Under GASB Statement Number 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria:

- 1) any activity that has issued debt backed solely by the fees and charges of the activity,
- 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges or
- 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

The City reports the following major enterprise funds:

El Paso International Airport (Airport)

This fund accounts for the activities of the Airport including aviation operations and leasing activities on Airport properties.

Environmental Services

This fund accounts for the activities of the City-operated refuse collection, transfer and storage operations.

Sun Metro Mass Transit (Sun Metro)

This fund accounts for the activities of the City-operated bus and para-transit operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

International Bridges

This fund accounts for the operations and maintenance activities of the three international bridges it controls. The City has designated this fund as a major fund.

Tax Office Administration

This fund represents activity related to the operations of the Tax Office as tax collector for 38 taxing entities, including the City of El Paso. The City has designated this fund as a major fund.

Internal Service Funds

These funds account for facilities maintenance, fleet services, and document services provided to other departments of the City and to other governments and organizations on a cost reimbursement basis. These funds also account for risk management and insurance activities, which include the self-insured health, workers' compensation and unemployment compensation programs.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governmental units. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they do not represent assets of the City to support City programs.

Pension Trust Funds

Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans or other employee benefit plans. The City has two pension trust funds to account for the activities of the CEPF and FPPF.

Private Purpose Trust Funds

These funds are used to account for resources of various trusts, the most significant of which is the car rental tax collections used for supporting the funding of the Sun Bowl Association. All resources of these funds, including any earnings on invested resources, may be used to support trust activities. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds

Agency funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, and other governmental units. Agency funds include property taxes collected for other taxing entities, a special assessment for the payment of bonds issued for the Public Improvement District #1 and the Camino Real Regional Mobility Authority.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Measurement Focus and Basis of Accounting**

In the government-wide statements, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Other taxes and fees are recognized as revenue in the year they are earned. Revenue from most grants and similar items are recognized in the fiscal year the qualifying expenditure is made, if applicable, and all other eligibility requirements are satisfied.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets, current liabilities and deferred inflows/outflows of resources are generally included on their balance sheet. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers grant revenues to be available if they are collected within one year after year-end and all other revenues to be available if they are collected within 60 days after year-end except for franchise fee revenues collected within 75 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, compensated absences, debt service expenditures, claims and judgments and arbitrage liabilities are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and any acquisitions under capital leases are reported as other financing sources.

Revenues susceptible to accrual include property taxes, sales taxes, franchise taxes, fines and forfeits and interest earned on investments. Charges for services, licenses and permits and miscellaneous revenues are recorded when received in cash since they are generally not measurable until actually received which is the same as the date the services are rendered or the license or permits are issued.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The reported fund balance for each fund is considered a measure of "current financial resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "current financial resources" during the period.

Special reporting treatments are applied to governmental fund inventories and prepaid expenditures to indicate that they do not represent "current financial resources," since they do not represent net expendable current assets. Such amounts are reported as non-spendable fund balance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary, pension trust funds, and private purpose trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. These funds are accounted for on a flow of economic resources measurement focus whereby all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

E. Budgetary Basis of Accounting

The City operates within the confines of a balanced budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Unexpended annual budget appropriations lapse at the end of the fiscal year. The City Manager is responsible for presenting an annual budget to the City Council. The City Council sets public hearings for the annual budget review and adopts the budget. The adopted budget provides a detailed plan of the cost of public services that will be provided during the next fiscal year.

Of the major governmental funds presented in the financial statement, only the General Fund and the debt service fund have annually adopted budgets. The Community Development Block Grants and Capital Projects funds are budgeted on a project basis. Budgetary schedules are included in Required Supplementary Information for the General Fund. Budgetary schedules for Debt Service Fund, and the non-major governmental funds are included as Supplementary Information in these financial statements.

F. Cash and Investments

Cash balances of City funds are pooled and invested, except for all component units, pension trust funds, a portion of the Airport relating to passenger facility charges, and certain agency funds. Earnings from pooled investments are allocated to funds based upon their share of pooled cash. Each fund's equity in the pooled cash and investments is proportionately presented as "Cash" and "Investments." Negative cash balances have been reclassified to due to/from other funds. The City reports cash in demand deposit accounts as "Cash".

Capital projects funded through bonds with future debt service requirements transfer all investment interest earned during the year to the Debt Service Fund if the debt covenants require the transfer. When projects are completed, any remaining cash is transferred to the debt service fund as prescribed by the debt covenants.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**G. Restricted Cash and Investments**

“Restricted cash and investments” refers to assets that are held for a specific purpose and therefore not available for immediate or general business use. The restrictions are generally by contractual agreements or regulatory requirements. The City reports restricted cash and investments for the El Paso International Airport for debt service reserve requirements, for Environmental Services for the landfill closure/post-closure obligation, for International Bridges related to the Customs & Border Patrol funding for capital improvements, and for unspent bond proceeds in the Capital Project fund. Cash with Fiscal Agent is for operating and capital purposes.

H. Inventories and Prepaid Items

Inventories of materials and supplies consist primarily of expendable items held for consumption. They are stated at the lower of cost (based on a first-in, first-out method) or market for all governmental and proprietary funds and on the statement of net position for governmental activities and business-type activities. The consumption method is used to account for inventories. Under the consumption method, inventory acquisitions are recorded in inventory accounts and charged as expenditures or expenses when used. On the government-wide statement of activities, consumption of inventory is recorded as an expense.

Prepaid items, recorded in both government-wide and fund financial statements, are goods or services that are paid for in advance and are applicable to future accounting periods. Using the consumption method, prepaid items are recorded as expenditures or expenses as the goods or services are used. On the government-wide statement of activities, consumption of prepaid items is recorded as an expense.

I. Capital Assets

GASB Statement 34 requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated in the government-wide financial statements. In the governmental fund statements, capital assets are not reported as they do not fit in the current financial resources measurement focus.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost, if purchased or constructed, or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for the enterprise funds. For the fiscal year 2017, \$154,820, \$716,696, and \$1,593,015 was capitalized in the Environmental Services fund, El Paso International Airport fund, and Mass Transit fund, respectively. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the estimated remaining useful lives of the related capital assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets of the primary government are depreciated or amortized using the straight-line method and the following estimated useful lives:

Land improvements	15 to 20 years
Buildings and improvements	5 to 50 years
Vehicles and major equipment	3 to 12 years
Data processing	3 to 5 years
Infrastructure	12 to 100 years
Other capital assets	5 to 15 years

When capital assets are retired from service or otherwise disposed of, any gain or loss on disposal of assets is recognized. Capital assets transferred between funds are transferred at their net book value or net realizable value, if lower, as of the date of the transfer.

J. Insurance

Activity for certain self-insurance programs is recorded in the City’s Internal Service Self-Insurance Fund. Assets and obligations related to employee health benefits, workers’ compensation and unemployment compensation are included in the Self-Insurance Fund. Employee health and workers’ compensation benefit liabilities are accrued in the Internal Service Funds based upon actuarially determined estimates of the aggregate liability for unpaid benefits. The City records all health and workers’ compensation claims liabilities, including an estimate for claims incurred but not reported. In addition, the City has a stop loss policy for health claims.

The City is self-insured for general liability, excluding the Mass Transit Department’s fleet of vehicles and liability insurance for the Airport. Expenditures for these liabilities are accounted for in the General Fund, which will pay any liabilities incurred. Additionally, the City maintains insurance policies acquired from independent insurance carriers for property insurance, errors and omissions insurance, and auto liability insurance coverage for some of the City’s fleet of vehicles.

The City is subject to the State of Texas Employment Commission Act. Under this act, the City’s method for providing unemployment compensation is to reimburse the State of Texas for claims paid by the state.

K. Unearned Revenue

In the governmental and proprietary funds, unearned revenue represents amounts reported in accordance with the City’s revenue recognition criteria. In the General Fund unearned revenue consists of \$3,933,126 in fees collected from developers for future construction projects assigned to the City. Unearned reimbursements of \$2,617,337 reported in Special Revenue Funds is collected but unspent at the fiscal year end. Unearned revenue of \$1,996,684 related to a long-term right of way agreement is reported in the El Paso International Airport Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position presents deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has the following items that qualify for reporting in this category.

- Deferred charge on refundings - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred Chapter 380 obligations - A deferred charge related to the Camino Real Chapter 380 agreement is reported in the amount equal to future payments of HOT tax.
- Pension contributions subsequent to measurement date - These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension plan investments - This difference is deferred and amortized over a closed five year period.
- Changes in assumptions for pensions - These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the measurement period.
- Difference in actual and expected pension experience is deferred and recognized over the estimated average remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined as of the measurement period.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City of El Paso has the following types of items that qualify for reporting in this category.

- Deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in actual and expected pension experience is deferred and recognized over the estimated average remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined as of the measurement period.
- In the governmental funds, unavailable resources are revenues that are earned and measurable but not yet available, and are reported as deferred inflows of resources. The governmental funds report unavailable resources: property taxes and low income housing loans.
- Changes in assumptions for pensions - These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the measurement period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**M. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Resulting receivables and payables are classified as “Due from Other Funds” or “Due to Other Funds.”

N. Internal Balances

“Internal balances” are the net residual amounts due between governmental and business-type activities in the government-wide statement of net position. The amounts shown as internal balances are the Due to Other Funds and Due from Other Funds balances between governmental activities and business-type activities of the primary government. Any interfund receivables and payables that are within governmental activities or within business-type activities are eliminated on the statement of net position.

O. Federal and State Grants

Grants and entitlements received for purposes normally financed through the general government are accounted for within the Special Revenue Funds. Revenues are recognized when the expenditures of federal and state grant funds are made and all eligibility requirements have been met. Amounts owed to the City at August 31, 2017, for grants and entitlements are reflected as “Due from Other Government Agencies.” The City expects to collect these balances during the subsequent fiscal year.

Grants received by Proprietary Funds are reported in the applicable Proprietary Fund.

P. Compensated Absences

City employees, excluding uniformed Police Department and Fire Department employees, earn vacation leave, which may either be taken or accumulated (up to a maximum of 400 hours) until paid upon termination or retirement. For uniformed Police Department and Fire Department employees’ only, special provisions apply based on the most current Articles of Agreement between the City and the local associations of Fire and Police unions.

Leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through paid time off or cash payments, conditioned on the employee’s termination or retirement. For governmental funds, a liability for these amounts is reported only if they have matured as a result of termination or retirement. For the government-wide financial statements and enterprise fund financial statements, all of the outstanding compensated absences are recorded as a liability.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the El Paso City Employees’ Pension Fund (CEPF) and El Paso Firemen and Policemen’s Pension Fund (FPPF) and additions to/deductions from CEPF and FPPF Fiduciary Net Position have been determined on the same basis as they are reported by CEPF and FPPF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 13 for additional information on the pension plans.

R. Long-Term Obligations, Bond Premiums, Discounts, and Issue Costs

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position or balance sheet. In these statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed in accordance with GASB Statement 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issue costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

S. Classification of Fund Equity

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding proceeds of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the City’s practice to use restricted resources first and then unrestricted resources, as they are needed.

The City reports governmental fund balances by the five following classifications:

Non-spendable – Amounts that cannot be spent, such as inventory or prepaid amounts, because they are either not in spendable form or legally required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government's highest level of decision-making authority. In the case of the City, it is the City Council and the formal action would be a resolution.

Assigned – Amounts constrained by City management's intent to be used for specific purposes but are not formally restricted by external resources or committed by the City Council. In the annual budget resolution, the City Manager is authorized to assign fund balance.

Unassigned – Amount of the remaining fund balance not in any of the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balance is available unless there are legal constraints that prohibit this, such as in grant agreements requiring the City to match with local fund the grant amounts spent. Additionally, the City would first use committed, followed by assigned, and last of all unassigned balances when expenditures are incurred for purposes for which balances in any of these fund balance classifications could be used.

T. Minimum Fund Balance Policy

It is the desire of the City to maintain an adequate General Fund balance to maintain liquidity in anticipation of economic downturns or natural disasters. The City Council has adopted a financial policy to maintain a general fund minimum fund balance between thirty to forty-five days of General Fund expenditures.

U. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers cash to be currency on hand, cash held by trustee and demand deposits with banks. The City considers all highly liquid investments with an original maturity of approximately ninety days or less to be investments rather than cash equivalents.

V. Claims and Judgments

Claims and judgments are accrued as expenditures in governmental funds for the amount expected to be liquidated with expendable available financial resources to the extent they mature each period. The entire liability for claims and judgments is reported in the government-wide financial statements and in the enterprise fund financial statements when it is probable that a liability has been incurred.

W. Solid Waste Landfill Closure and Post-closure Cost

Solid waste landfill closure and post-closure costs are accounted for in accordance with guidelines recommended by GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Costs*. The liability, based upon landfill capacity used to date, is recorded in the Environmental Services enterprise fund. An explanation of the liability and its calculation is presented in Note 8.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X. Fiscal-year Inconsistencies

The City’s component unit, EPWU, operates on a fiscal year ending on the last day of February. Therefore, the following amounts reported by the primary government are inconsistent with amounts reported by EPWU.

Primary Government - Due from Component Unit	
Governmental Funds:	
General Fund	\$ 3,286,912
Proprietary Funds:	
Environmental Services	3,749,311
Due From Component Unit at August 31, 2017	<u>\$ 7,036,223</u>
Component Unit - EPWU - Due to Primary	
Government - at February 28, 2017	<u>\$ 6,140,784</u>

One of the retirement plans within the Pension Trust Funds, FPPF, operates on a fiscal year ending on December 31. Therefore, the amounts reported by the primary government are inconsistent with amounts reported by FPPF. As a fiduciary fund, the amounts reported by the FPPF are excluded from the government-wide financial statements. The following amounts are reported in these statements.

	<u>Firemen Division</u>	<u>Policemen Division</u>
Primary Government		
Employer Contributions to FPPF:		
General Fund	\$ 10,788,838	\$ 14,241,316
Non-major Governmental Funds	321,599	550,142
El Paso International Airport	410,320	379,314
Employer Contributions to FPPF - year ended August 31, 2017	<u>\$ 11,520,757</u>	<u>\$ 15,170,772</u>
Fiduciary Fund - FPPF		
Employer Contributions to FPPF - year ended December 31, 2016	<u>\$ 11,295,300</u>	<u>\$ 14,486,842</u>

Y. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City’s management to make estimates and assumptions that effect reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

A summary of cash and investments is presented below.

	Primary Government	Private-Purpose Trusts	Agency Funds	Total City Treasury
Cash	\$ 16,755,122	\$ 1,367,646	\$ 291,041,770	\$ 309,164,538
Restricted Cash	3,578,575	—	—	3,578,575
Total Cash	20,333,697	1,367,646	291,041,770	312,743,113
Investments	352,704,750	2,906,490	—	355,611,240
Restricted Investments	41,976,901	—	—	41,976,901
Total Investments	394,681,651	2,906,490	—	397,588,141
	<u>\$ 415,015,348</u>	<u>\$ 4,274,136</u>	<u>\$ 291,041,770</u>	<u>\$ 710,331,254</u>

Pooled Cash and Investments

The City maintains a cash and investment pool (Pool) that is available for use by the Primary Government and Private-Purpose Trusts. Each fund’s portion of the Pool is proportionately reported in these statements as “Cash ” and “Investments.” Participation in the Pool is restricted and does not include cash on hand (petty cash and change funds) and other funds that are restricted because of statutory or contractual considerations. A fund may overdraw its account in the Pool, with the overdraft reported as a liability (Due to Other Funds) on the Balance Sheet/Statement of Net Position. Earnings from the Pool are allocated to the funds based upon each fund’s daily balance in the Pool in accordance with the City’s Investment Policy.

	Cash	Investments	City Treasury	Non-Pooled	Pooled
Governmental Funds:					
General	\$ 7,586,119	\$ 25,021,866	\$ 32,607,985	\$ 94,940	\$ 32,513,045
Community Development Block Grants	121,189	943,254	1,064,443	200	1,064,243
Debt Service	782,250	4,788,742	5,570,992	—	5,570,992
Capital Projects	2,290,506	243,234,935	245,525,441	—	245,525,441
Non-major Governmental Funds	459,465	34,647,773	35,107,238	423	35,106,815
Internal Service Funds	4,377,842	18,103,576	22,481,418	—	22,481,418
Enterprise Funds:					
El Paso International Airport	623,211	25,936,018	26,559,229	1,500	26,557,729
Environmental Services	3,224,769	36,918,744	40,143,513	1,780	40,141,733
International Bridges	757,900	4,407,980	5,165,880	63,500	5,102,380
Tax Office Enterprise Fund	110,446	678,763	789,209	5,000	784,209
Fiduciary Funds:					
Private-Purpose Trusts	1,367,646	2,906,490	4,274,136	—	4,274,136
Agency Funds	291,041,770	—	291,041,770	—	291,041,770
	<u>\$ 312,743,113</u>	<u>\$ 397,588,141</u>	<u>\$ 710,331,254</u>	<u>\$ 167,343</u>	<u>\$ 710,163,911</u>

NOTE 2. CASH AND INVESTMENTS (continued)**Investments**

Cash and Investments of the City Treasury at August 31, 2017 were:

	Pooled Cash and Investments	Non-Pooled Cash and Investments	Total
Cash in bank (1)	\$ 312,575,770	\$ —	\$ 312,575,770
Cash on hand	—	167,343	167,343
Certificates of Deposit	6,372,244	—	6,372,244
Municipal Securities	6,265,324	—	6,265,324
US Agencies	12,980,814	—	12,980,814
US Treasuries	48,954,160	—	48,954,160
Local Government Investment Pools	311,547,706	—	311,547,706
Money Market	11,467,893	—	11,467,893
Cash and Investments	<u>\$ 710,163,911</u>	<u>\$ 167,343</u>	<u>\$ 710,331,254</u>

(1) \$146,411,113 relates to Camino Real Regional Mobility Authority's contract with Texas Department of Transportation. Depository contract mandates that the bank must pledge collateral equal to 102% of the market value of the City's deposits, using those types of collateral allowed by law.

The City follows GASB Statement 72 (Fair Value Measurement and Application), and Statement 79 (Certain External Investment Pools and Pool Participants). These statements require that governmental entities report investments at fair value and that all investment income, including changes in the fair value of investments, be reported as revenue in the statement of activities. The City reports the change in fair value as part of investment earnings. In addition, Statement 79 requires the disclosure of the presence of any limitations or restrictions on withdrawals.

The City has adopted an investment policy to minimize the inherent risks associated with deposits and investments. The primary objective of the City's Investment Policy is to invest funds to provide for the maximum safety of principal. After consideration of the City's safety and liquidity requirements, this policy seeks the highest possible investment return. The policy defines:

- * The requirements for authorized financial institutions, depositories and broker/dealers.
- * Investments authorized and prohibited.
- * The maximum maturity for any single investment as three years.
- * The maximum dollar-weighted average maturity for investment as two years.

The City's Investment Policy requires that financial institutions, broker/dealers, intermediaries and advisers must meet certain conditions and provide certain information prior to entering into investment activities with the City.

The City participates in LOGIC, TexSTAR, TEXPOOL and TexasDaily, which are government investment pools, as well as the Wells Fargo Government Investment Fund. The State Comptroller of Public Accounts maintains oversight responsibility for TEXPOOL. This responsibility includes the ability to influence operations, designation of management, and accountability for fiscal matters. LOGIC, TexasDaily and TexSTAR are public funds investment pools organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and are privately managed. LOGIC, TexasDaily, TexSTAR and the money market funds are carried at net asset value, while TEXPOOL is carried at amortized cost.

NOTE 2. CASH AND INVESTMENTS (continued)

Custodial Credit Risk (Deposits) - Collateralization is required for deposits in demand deposit accounts, certificates of deposit, and repurchase agreements. The collateralization level is 102% of principal and accrued interest. Collateral is held in the City's name by an independent third party with whom the City has a current custodial agreement and collateral instruments are limited to those instruments authorized by the City's Investment Policy.

Custodial Credit Risk (Investments) - Securities are held by the City's agent in the City's name.

Credit Risk - The investment policy authorizes the following securities:

- obligations of the United States or its agencies and instrumentalities
- direct obligations of the State of Texas or its agencies and instrumentalities
- collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by the agency or instrumentality of the United States
- other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities
- obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent
- certificates of deposit and share certificates
- repurchase agreements
- commercial paper
- mutual funds that invest in securities described above
- investment pools that invest in securities described above

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's Investment Policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
Money Market	11,467,893	N/A	Aaa-mf/AAAm
LOGIC	50,763,168	AAA/AAA-m	AAAm
TexSTAR	34,352,428	AAA/AAA-m	AAAm
TEXPOOL	121,147,708	AAA/AAA-m	AAAm
Texas Daily	105,284,402	AAA/AAA-m	AAAm
US Treasuries	48,954,160	N/A	Aaa
Municipal Securities	6,265,324	A	Aa2 to Aaa/AA to AAA
US Agencies	12,980,814	N/A	Aaa/AA+
Certificates of Deposit	6,372,244	N/A	N/A
Total Investments	<u>397,588,141</u>		

NOTE 2. CASH AND INVESTMENTS (continued)

Concentration of Credit Risk - While the investment policy does not limit the percentage of authorized investment in the portfolio, investment diversification is required.

The following is the fair value of investments that represent 5% or more of investments:

LOGIC	\$	50,763,168
TexSTAR	\$	34,352,428
TEXPOOL	\$	121,147,708
TexasDaily	\$	105,284,402

Interest Rate Risk – The City will minimize interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature in a manner consistent with projected cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

At August 31, 2017, investments of the City are as follows:

Investment type	Fair Value	Maturity in Years	
		Less than 1	1 - 5
Local Government Investment Pools	\$ 311,547,706	\$ 311,547,706	\$ —
Certificates of Deposit	6,372,244	2,206,203	4,166,041
Municipal Securities	6,265,324	1,001,580	5,263,744
US Agencies	12,980,814	—	12,980,814
US Treasuries	48,954,160	34,994,863	13,959,297
Money Market	11,467,893	11,467,893	—
Total Investments	<u>\$ 397,588,141</u>	<u>\$ 361,218,245</u>	<u>\$36,369,896</u>

Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Unadjusted inputs using quoted prices in active markets for identical investments.
- Level 2** Other significant observable inputs other than Level 1 prices, including but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.
- Level 3** Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

NOTE 2. CASH AND INVESTMENTS (continued)**Recurring Measurements**

The following table presents the fair value measurements of assets recognized in the accompanying Balance Sheet/Statements of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2017:

Investments by fair value level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 6,372,244	\$ —	\$ 6,372,244	\$ —
Municipal Securities	6,265,324	—	6,265,324	—
US Agencies	12,980,814	—	12,980,814	—
US Treasuries	48,954,160	—	48,954,160	—
Total Investments by fair value level	<u>\$ 74,572,542</u>	<u>\$ —</u>	<u>\$ 74,572,542</u>	<u>\$ —</u>
Investments measured at the net asset value (a)				
LOGIC	\$ 50,763,168			
TexasDaily	105,284,402			
TexSTAR	34,352,428			
Money Market	11,467,893			
Total investments measured at the NAV	<u>201,867,891</u>			
Investments measured at amortized cost				
TEXPOOL	121,147,708			
Investments measured at amortized cost	<u>121,147,708</u>			
Total Investments	<u>\$ 397,588,141</u>			

(a) Certain investments that are measured using the net asset value per share or its equivalent have not been classified in the fair value hierarchy. The fair value amounts included above approximated net asset value for all related external investment pool balances.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying Balance Sheet/Statements of Net Position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2017.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

NOTE 2. CASH AND INVESTMENTS (continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value at 08/31/2017	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
LOGIC	\$ 50,763,168	—	Daily	Same Day
TexasDaily	105,284,402	—	Daily	Same Day
TexSTAR	34,352,428	—	Daily	Same Day
Money Market	11,467,893	—	Daily	Same Day
Total Investments measured at the NAV	<u>\$ 201,867,891</u>			

Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexSTAR, TEXPOOL, LOGIC, and Texas Daily. LOGIC, TexasDaily, TexSTAR and the money market funds are carried at net asset value, while TEXPOOL is carried at amortized cost.

Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Deposits, Cash Equivalents, Investments and Security Lending - Component Unit - CEPF

The CEPF's cash equivalents and investments are managed by various investment managers who have discretionary authority over the assets managed by them, within the investment guidelines established by the Board, under contracts with the CEPF. The cash equivalents and investments are held by the CEPF's custodian in the CEPF's name. The cash equivalents and investments are uninsured and generally consist of short-term securities, U.S. and foreign government securities, domestic and foreign corporate debt and equity securities, real estate trusts and financial derivatives. Certain investment managers have invested in certain bank collective investment funds, which invest primarily in U.S. corporate stocks and government bonds. The bank collective funds may also invest in foreign exchange contracts, stock index futures and temporary collective investment funds and may enter into collateralized securities lending transactions. Certain investment managers also invest in private equity limited partnerships.

Through adherence to the CEPF's Investment Rules and Regulations, management attempts to limit or mitigate certain risks. Certain of these requirements are listed below.

Large Cap Index Equity Managers - Investment is passively managed and is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. Permissible investments are S&P 500 Index commingled funds or Exchange Traded Funds (ETFs).

NOTE 2. CASH AND INVESTMENTS (continued)

Large Cap Dynamic Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The portfolio will actively allocate assets across the equity, fixed income and cash markets of the U.S. The assets of the portfolio may be invested in securities, derivatives and a combination of other collective funds. Long and short positions in financial futures, options on financial futures, index options, exchange-traded options and over-the-counter options, may be used.

Small/Mid Cap Equity Managers - Under current policies, the portfolio will invest primarily in equity and equity-related securities of issuers that are located in the United States with market capitalizations greater than \$500 million and under \$15 billion; the market capitalization of certain securities may be less than or greater than this range at times. The portfolio may invest in publicly traded stocks of U.S. corporations, American depositary receipts (ADRs), publicly traded stocks of foreign corporations listed on U.S. stock exchanges, ETFs and short-term investments, money market instruments or equivalent. The maximum position size in any one company will be 5% of the portfolio value at the time of purchase and shall not exceed a maximum appreciated position size of 8% of the portfolio value. Leverage, short sales and buying and selling on margin are not permitted.

All Cap Equity Managers - Under current policies, the Portfolio will invest primarily in equity and equity-related securities of issuers that are located in the United States with market capitalizations that span the broad equity market in a concentrated manner, generally with 20-80 holdings. The Portfolio may invest in publicly traded stocks of U.S. corporations, ADRs, publicly traded stocks of foreign corporations, ETFs and short-term investments, money market instruments or equivalent. Leverage, short sales and buying and selling on margin are not permitted.

International Equity-Developed Country Index Managers - Investment is passively managed and is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. Permissible investments are MSCI EAFE Index commingled funds or ETFs.

International Equity-All Country Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The Portfolio will invest primarily in equity-related securities of issuers that are located in, or that do significant business in, countries other than the United States, including emerging market countries. The Portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 35% in any one country. The maximum emerging markets weight is the MSCI ACWI ex-US IMI Index weight plus 15%.

International Equity-Emerging Markets Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The Portfolio will invest in equity and equity-related securities of at least 80% of its assets in issuers that are located in, or that do significant business in emerging market countries. The Portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 20% in any one country.

NOTE 2. CASH AND INVESTMENTS (continued)

International Equity-All Country Small Cap Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The Portfolio will primarily invest in equity and equity-related securities of issuers that are located in, or that do significant business in, countries other than the United States, including emerging market countries. The Portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 35% in any one country. The maximum emerging market weight is the MSCI ACWI ex-US Small Cap Index weight plus 15%.

Fixed Income Core Index Managers - Investment is passively managed and is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. Permissible investments are Barclays Capital Aggregate Index commingled funds or ETFs.

Fixed Income Core Plus Managers - Under current policies, except for U.S. Treasury, its agencies, agency MBS, and approved derivative products, the fixed income account shall not contain more than 5% of any issuer. The account will not invest more than 15% in cash and cash equivalents and will not invest in equity securities, with the exception of preferred and convertible preferred securities, in which no more than 10% will be invested. The account may invest up to 15% in illiquid securities. The account may invest up to 35% in non-investment grade bonds; defined as bonds that are rated non-investment grade by two of the three major ratings agencies. The dollar weighted credit quality of the account will generally be AA or less, with a minimum dollar weighted-average quality of BBB-. The effective duration of the account should range between +25%/-40% of the benchmark's duration. The account will not employ leverage.

Fixed Income Opportunistic Managers - Under normal market conditions, the fund may invest up to 50% in bonds that are rated below investment grade (below BBB-/Baa3) by the various credit rating agencies, or securities that are not rated. In addition, the fund may leverage its capital. In normal market conditions, the manager may borrow up to 35% of the fund for investment purposes. If the investment manager believes market conditions are unfavorable to participants, the manager may invest up to 100% of the fund in U.S. or non-U.S. currency denominated short-term investments, including cash or cash equivalents.

Real Estate Managers - Real estate investments will be diversified to the extent possible by geographic location and property type. For real estate investment trusts (REITs), managers cannot invest in undeveloped, non-income producing property, cannot invest in funds where leverage is intended to exceed 30% of the fair value of the fund and cannot invest in non-U.S. real estate. For private real estate investments, managers should diversify the portfolio by property type and by various geographic regions of the U.S. Leverage is limited to no more than 30% of the fund. The quarterly standard deviation of returns for REITs and private real estate should be no greater than 150% of their respective benchmark indices.

Private Equity Managers - As private equity fund-of-funds vehicles are commingled, closed-end, finite-life limited liability entities, the investment guidelines will be determined by the fund-of-funds legal documentation. The pooled/fund-of-funds vehicle should not represent more than 20% of the total fair value of the pooled/fund-of-funds. It is also preferred that this holds true for any other investor in the pooled/fund-of-funds. The manager of the fund-of-funds vehicle shall be a Bank or a registered advisor under the

NOTE 2. CASH AND INVESTMENTS (continued)

Investment Advisors Act of 1940. If the fund-of-funds provides the option of receiving distributions in cash or securities, the Trust will opt to receive cash.

Master Limited Partnerships - Investment objective is to achieve long-term growth of capital and outperform the S&P MLP Index. Management of the portfolio will seek to achieve the investment objective through investments primarily in master limited partnerships (MLPs) and energy-related C-corporations. Security and sector selection, portfolio structure and timing of purchases and sales are delegated to the manager of the portfolio, subject to these guidelines: the portfolio will hold approximately 20 - 30 securities, no single security will exceed the greater of 10% of the portfolio's fair value or 120% of the security's weight within the benchmark, cash and cash equivalents will be no more than 10% of the portfolio's assets. Authorized investments include MLPs, securities of energy-related C-corporations and limited liability energy companies that trade on United States stock exchanges, as well as initial public offerings of these investments.

Absolute Return - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The assets may be invested in common stock, ADRs, global depositary receipts (GDRs), preferred stock, ETFs, participation notes, fixed income securities, futures, options, real estate (tradable securities), commodities (tradable securities), and cash and cash equivalents. Currency exposures may be obtained through currency spot, forward, and swap contracts.

The following was the Board's adopted asset allocation policy as of August 31, 2017:

Asset Class	Target Allocation
Domestic equity	24%
International equity	16%
Fixed income	19%
Real estate	10%
Absolute return	15%
Private equity	10%
Master limited partnerships	5%
Cash	1%
	100%

The preceding target allocation was amended in 2017. This was done to reflect a reduction in the previous allocation to international equity and fixed income and to increase the allocation to absolute return and private equity. The previous target allocation was 20% international equity, 25% fixed income, 23% domestic equity, 10% absolute return, 10% Real estate, 7% private equity and 5% master limited partnerships.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The CEPF's investment policy does not specifically address custodial credit risk for deposits. As of August 31, 2017, the CEPF holds no deposits.

NOTE 2. CASH AND INVESTMENTS (continued)**Investments**

Interest rate risk is the risk that the fair value of securities will fall due to changes in market interest rates. The CEPF's policy is to minimize interest rate risk by structuring the investment portfolio so that the duration securities are held and the coupon rates of such are appropriately diversified.

As of August 31, 2017 the CEPF had the following investments subject to interest rate risk:

Investment type	Fair value	Weighted Average Maturity (in Years)
Cash equivalents (money market funds)	9,853,245	—
Government fixed income	27,104,666	23
Corporate bonds and notes	42,183,835	9
Bank collective investment funds	37,533,947	8
Commingled funds	37,208,259	3
	Total fair value	153,883,952
	Portfolio weighted average maturity	9

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Nationally-recognized statistical rating organizations assign ratings to measure credit risk. These rating agencies assess a firm's or government's willingness and ability to repay its debt obligations based on many factors.

The CEPF employs one core bond manager that primarily invests in U.S. fixed income and non-U.S. fixed income securities. The CEPF also invests in two commingled funds, one passive core fixed income index fund and one opportunistic fixed income fund. The investment management agreement between the CEPF and its core bond manager contains specific guidelines that identify permitted fixed income investments.

Permitted securities and derivatives for the CEPF's opportunistic income fund include fixed and floating-rate debt securities and debt obligations of governments and government-related or corporate issuers worldwide; foreign currencies or securities linked to assets or currencies of any nation; and derivatives on any of the previously mentioned securities. 50% of the total net assets in the opportunistic fixed income fund may be invested in bonds that are rated below investment grade (below BBB-) or securities that are not rated.

The CEPF's investment policy indicates that the fixed income core plus manager may invest up to 35% of net assets in non-investment grade bonds, at time of purchase. The fixed income core plus portfolio obligations will generally have a dollar weighted average credit quality of generally AA or less, with a minimum dollar weighted average credit quality of BBB-.

The following table identifies the credit quality of the CEPF's fixed income strategies based on portfolio holdings as of August 31, 2017.

NOTE 2. CASH AND INVESTMENTS (continued)

S&P Quality Rating	Total Fair Value	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Corporates (a)	Government & Agency Obligations (b)
U.S. Treasuries	\$ 23,417,126	\$ —	\$ —	\$ —	\$ 23,417,126
GNMA Securities	5,130,296	—	—	—	5,130,296
AAA	1,330,537	102,693	33,121	404,953	789,771
AA+	24,147,528	124,680	138,150	183,959	23,700,739
AA	6,909,096	—	—	195,795	6,713,301
AA-	1,422,912	—	—	1,297,965	124,947
A+	1,921,021	—	—	1,686,105	234,916
A	3,108,535	117,440	—	2,969,173	21,922
A-	7,809,807	—	—	4,114,679	3,695,128
BBB+	12,171,589	—	103,055	11,407,027	661,507
BBB	10,555,594	167,096	—	7,835,514	2,552,984
BBB-	17,593,260	—	—	12,919,565	4,673,696
BB+	2,107,252	—	82,604	2,024,648	—
BB	6,338,556	—	85,021	1,053,768	5,199,766
BB-	2,384,544	—	—	1,483,069	901,475
B+	1,109,502	—	54,545	897,430	157,526
B	265,849	—	86,984	178,865	—
B-	4,175,578	—	—	—	4,175,578
NR	12,132,125	269,488	495,334	2,178,880	9,188,422
Totals	144,030,707	781,397	1,078,815	50,831,394	91,339,100

(a) Corporate Bonds include convertible preferred stocks and convertible preferred bonds

(b) Includes international and municipal holdings

At August 31, 2017, the CEPF held various bond instruments in the aggregate fair value of \$144,030,707. Fixed income core plus portfolios held bond instruments with ratings of BBB or better by Standard & Poor's. Approximately 5% of the portfolio was of non-investment grade bonds as of August 31, 2017.

Concentration of credit risk is the risk of loss attributed to the magnitude of the CEPF's investment in a single issuer. The CEPF's investment policy does not allow for the investment portfolio to hold more than 10% in any one company. The following table presents the fair value of investments that represents 5% or more of the CEPF's net position at August 31, 2017.

These investments were in bank collective investment and commingled funds, which consist of diversified portfolios of investments as described above, and none of these investments consist of any one company holding 5% or more of the total investment.

	Shares/ Par Value	Fair Value
August 31, 2017		
EB MCM Daily Valued International Specialized Investment Fund Mellon Capital Management Corporation	135,488	\$ 60,090,017
EB MCM Daily Valued Stock Index Fund Mellon Capital Management Corporation	18,995	\$ 66,081,007
EB MCM Daily Valued Dynamic U.S. Equity Fund Mellon Capital Management Corporation	187,489	\$ 50,171,937
Allianz Structured Alpha 1000 Plus LLC Allianz Structured Alpha 1000 Plus LLC	57,584,830	\$ 57,584,830

NOTE 2. CASH AND INVESTMENTS (continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The CEPF's investment policy allows 13% - 19% of equity securities to be invested in foreign markets. The CEPF's exposure to foreign currency risk on August 31, 2017 was as follows:

Local Currency Name	Equity	Fixed Income	Real Estate	Total
Argentine Peso	\$ —	\$ 1,935,706	\$ —	\$ 1,935,706
Australian Dollar	4,266,391	—	—	4,266,391
Brazilian Real	1,554,956	5,199,766	—	6,754,722
British Pound	12,711,136	—	—	12,711,136
Canadian Dollar	2,137,561	—	—	2,137,561
Columbian Peso	—	1,730,797	—	1,730,797
Danish Krone	1,216,206	—	—	1,216,206
Euro Currency Unit	26,641,151	—	—	26,641,151
Ghanaian Cedi	—	2,097,208	—	2,097,208
Hong Kong Dollar	10,784,815	—	—	10,784,815
Indian Rupee	2,688,428	3,587,919	—	6,276,347
Indonesian Rupiah	24,192,027	3,821,392	—	28,013,419
Japanese Yen	26,157,746	—	—	26,157,746
Mexican Peso	1,035,441	8,015,799	—	9,051,240
Phillipine Peso	478,253	628,442	—	1,106,695
South African Rand	1,797,254	806,855	—	2,604,109
South Korean Won	5,112,748	—	—	5,112,748
Swedish Krona	2,864,427	—	—	2,864,427
Swiss Franc	5,800,267	—	—	5,800,267
Taiwanese Dollar	4,181,711	—	—	4,181,711
Thai Baht	883,652	1,752,770	—	2,636,422
Other	4,120,609	636,745	—	4,757,354
Total	\$138,624,779	\$ 30,213,399	\$ —	\$ 168,838,178

Security Lending Transactions

State statutes and board of trustees' policies permit the CEPF to lend its securities to broker/dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The CEPF currently participates in a security lending short duration lending pool. All securities loans can be terminated on demand by either the CEPF or the borrower, although the average term of the loans is one week. The relationship between the maturities of the investment pool and the system's loans is affected by the maturities of the securities loans made by other entities that can use the agent's pool, which the CEPF cannot determine.

Custodial credit risk for securities lending transactions is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the year ended August 31, 2017, the CEPF had no credit risk exposure to borrowers because the amounts the CEPF owes the borrowers exceed the amounts the borrowers owe the CEPF. At August 31, 2017, the fair value of securities loaned was \$18,206,098 and was comprised of corporate stocks.

NOTE 2. CASH AND INVESTMENTS (continued)**Rate of Return**

For the year ended August 31, 2017 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 10.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2017:

NOTE 2. CASH AND INVESTMENTS (continued)

	Fair Value Measurements Using			
	8/31/2017	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government securities	\$ 27,104,666	\$ —	\$27,104,666	\$ —
Corporate bonds and notes	42,183,835	—	42,183,835	—
Total debt securities	69,288,501	—	69,288,501	—
Corporate stocks				
All cap equity	28,678,712	28,678,712		
Small/Mid cap equity	55,204,592	55,204,592		
Total corporate stocks	83,883,304	83,883,304	—	—
Master limited partnerships	37,030,451	37,030,451	—	—
Total investments by fair value level	190,202,256	120,913,755	69,288,501	—
Investments measured at the net asset value (NAV) (a)				
Absolute return investments	109,573,856			
Bank collective investment funds				
Large cap index	66,081,007			
Large cap dynamic	50,171,964			
International equity developed	60,090,017			
Total bank collective investment funds	176,342,988			
Commingled funds - fixed income				
Fixed income opportunistic	37,208,259			
Fixed Income core index	37,533,947			
Total commingled funds - fixed income	74,742,206			
Commingled funds - corporate stocks				
International equity - all country	31,683,453			
International equity - all country small cap	28,027,381			
International equity - emerging markets	29,558,272			
Total commingled funds - corporate stocks	89,269,106			
Real estate				
Private real estate	67,975,022			
Total real estate	67,975,022			
Private equity investment	57,103,830			
Total investments measured at the NAV	575,007,008			
Total investments measured at fair value	\$ 765,209,264			

NOTE 2. CASH AND INVESTMENTS (continued)

(a) Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of fiduciary net position.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of fiduciary net position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2017.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table

Investments Measured at the NAV	Fair Value at 08/31/2017	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Absolute return investments	\$ 109,573,856		Daily	Daily to 30 days
Large cap index	66,081,007		Daily	1 day
Large cap dynamic	50,171,964		Daily	Daily
International equity - developed	60,090,017		Daily	2 Days
Fixed income opportunistic	37,208,259		Daily	Daily
Fixed Income core index	37,533,947		Daily	2 Days
International equity - all country	31,683,453		Daily	3 Days
International equity - all country small cap	28,027,381		Daily	Daily
International equity - emerging markets (commingled)	29,558,272		Daily	30 Days
Private real estate	67,975,022		Daily	90 Days
Real estate investment trust	—		Daily	Daily
Private equity investments	57,103,830	\$ 57,563,923	Daily	5 Days
Total investments measured at the NAV	<u>\$ 575,007,008</u>			

Cash and Cash Equivalents, Investments, and Securities Lending - Component Unit - FPPF**Cash and Cash Equivalents**

Cash and cash equivalents consists of cash and short-term investments held by the Custodian. Custodial risk for cash and cash equivalents is the risk that in the event of bank failure, the FPPF's deposits may not be returned. The FPPF does not have a deposit policy for custodial credit risk; however, management believes that the FPPF's credit risk exposure for amounts not covered by federal depository insurance is mitigated by the financial strength of the banking institution in which the deposits are held.

NOTE 2. CASH AND INVESTMENTS (continued)**Investments**

The Board of Trustees has adopted an investment policy and has the authority to establish or amend the policy, with the objective to invest the FPPF's assets in a manner consistent with generally accepted standards of fiduciary responsibility. Safety of principal is emphasized and the FPPF's objective is to be diversified. The FPPF's investment policy was updated during September 2016 with adjustments to the allowable ranges for certain investment classes.

The FPPF's investments are managed by various investment managers who have discretionary authority over the assets managed by them under contract with the FPPF and within the investment guidelines established by the Board of Trustees. The investments of the FPPF are held by the FPPF's custodian and are accessible by the investment managers. The investments generally consist of short-term securities, U.S. and foreign government securities, and domestic and foreign corporate debt and equity securities.

The Board of Trustees has adopted the following asset allocations as part of the FPPF's investment policy:

Asset Classification	Allowable Range	Target Percentage
Large Cap Domestic Equity	15.0% - 25.0%	19.25%
Small Cap Domestic Equity	5.0% - 15.0%	8.25%
International Equity	20.0% - 30.0%	22.50%
Emerging Markets Equity	4.0% - 9.0%	5.00%
Private Equity	0.0% - 10.0%	10.00%
Real Estate	0.0% - 15.0%	10.00%
Fixed Income	25.0% - 35.0%	25.00%
Cash Equivalents	0.0% - 5.0%	0.00%

Management attempts to limit or mitigate certain risks through adherence to the FPPF's investment policy. The investment policy includes the following requirements:

Domestic Large Cap Equity Portfolio - The annual standard deviation of returns for the FPPF's domestic large cap equity portfolio, if actively managed, is not expected to exceed 1.25 times the annual standard deviation of the S&P 500 Index. If passively managed, it is not expected to exceed 1.1 times the annual standard deviation of the S&P 500 Index.

Domestic Small Cap Equity Portfolio - The annual standard deviation of returns for the FPPF's domestic small cap equity portfolio, if actively managed, is not expected to exceed 1.50 times the annual standard deviation of the Russell 2000 Index.

International Equity Portfolio - The annual standard deviation of returns for the FPPF's international equity portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the returns for the International Equity Benchmark Index.

Emerging Markets Equity Portfolio - The annual standard deviation of returns for the FPPF's emerging markets equity portfolio, if actively managed, is not expected to exceed the 1.5 times the annual standard deviation of the returns for the Emerging Markets Equity Benchmark Index.

Domestic Fixed Income Portfolio - The annual standard deviation of returns for the FPPF's domestic fixed income portfolio, if actively managed, is not expected to exceed 1.3 times the annual standard deviation

NOTE 2. CASH AND INVESTMENTS (continued)

of the returns for the Lehman Brothers Aggregate Bond Index. If passively managed, the portfolio is not expected to exceed 1.2 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.

Real Estate Portfolio - The annual standard deviation of returns for the FPPF's real estate portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the returns for the NCREIF Index.

Private Equity Portfolio - The annual standard deviation for the FPPF's private equity portfolio is not to exceed 1.5 times the annual standard deviation of the S&P 500 returns.

Domestic Cash Equivalents Investments - The risk objective shall be to stay within an acceptable risk level, as measured by standard deviations, which is equal to that of the 91-day Treasury Bill rate.

Concentration of credit risk - The asset allocations in the FPPF's investment policy contain guideline percentages of the FPPF's investment portfolio to be invested by asset classification, at fair value. Actual asset allocations will be dictated by current and anticipated market conditions, the actions of the Board of Trustees and required cash flows to and from the FPPF. As of December 31, 2016, the FPPF has no single investment holdings in excess of 5% of the Fund's fiduciary net position.

Custodial credit risk - Custodial credit is the risk that, in the event of the failure of a custodial counterparty, the FPPF will not be able to recover the value of its investment or collateral securities that are in the possession the custodian. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the FPPF, and are held by either the counterparty or the counterparty's trust department or agent but not in the FPPF's name. At December 31, 2016, the FPPF's security investments that were not subject to custodial credit risk were the investments not registered on an exchange. The FPPF's investments are held in the FPPF's name.

Credit risk - Credit risk is the risk that the issuer of securities or another counterparty to an investment may be unable to fulfill its payments on a security under the original term. The FPPF's investment policy prohibits investments in private placement debt securities and prohibits concentrations of fixed income investments of more than 10% with any one issuer other than the U.S. Government. As of December 31, 2016, the FPPF fixed income portfolio had the following ratings:

	<u>December 31, 2016</u>
U.S. Treasury	\$ 41,379,591
U.S. Agency	21,493,148
AAA	105,384,811
AA	60,137,167
A	56,017,661
BBB	27,971,781
BB	14,731,362
B	950,410
Below B	2,138,424
Committed cash	6,577,572
	<u>\$ 336,781,927</u>

NOTE 2. CASH AND INVESTMENTS (continued)

Interest rate risk - Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. In accordance with the investment policy, the Board of Trustees provides each of the FPPF's investment managers with a set of investment guidelines. These guidelines specify the following:

- The return objective for the Domestic Core Fixed Income Portfolio, if actively managed, is to exceed by 0.75% per year the return of the Lehman Brothers Aggregate Bond Index.
- The return objective for the Domestic Core Fixed Income Portfolio, if passively managed, is to approximate the return of the Lehman Brothers Aggregate Bond Index.
- The risk objective of the Domestic Fixed Income Portfolio shall be defined in terms of standard deviation of returns. The annual standard deviation of returns for the FPPF's domestic fixed income portfolio, if actively managed, is not expected to exceed 1.3 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.
- The risk objective of the Domestic Fixed Income Portfolio shall be defined in terms of standard deviation of returns. The annual standard deviation of returns for the FPPF's domestic fixed income portfolio, if passively managed, is not expected to exceed 1.2 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.

As of December 31, 2016, the FPPF fixed income portfolio had the following investment maturities:

	December 31, 2016
Less than 1 year	\$ (54,660,993)
1 - 3 years	49,226,030
3 - 5 years	102,257,892
5 - 7 years	137,671,592
7 - 10 years	21,215,446
10 - 20 years	46,167,483
20 - 30 years	34,380,810
Over 30 years	523,667
	<u>\$ 336,781,927</u>

The FPPF's exposure to foreign currency risk as of December 31, 2016 was as follows:

Investment	Currency	2016
Cash and cash equivalents	European Union Euro	\$ 353,408
Limited partnerships	European Union Euro	12,916,808
		<u>\$ 13,270,216</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy in accordance with GASB No. 72 that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

NOTE 2. CASH AND INVESTMENTS (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the FPPF has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table discloses the FPPF's assets fair value measurements by level as of December 31, 2016:

	Fair Value at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Bond Funds	\$ 99,179,309	\$ —	\$ 99,179,309	\$ —
Short-term investments	68,468,986	68,468,986	—	—
	<u>167,648,295</u>	<u>68,468,986</u>	<u>99,179,309</u>	<u>—</u>
Domestic equities				
Information Technology	73,699,510	73,699,510	—	—
Financial services	58,759,810	58,759,810	—	—
Consumer spending	55,043,330	55,043,330	—	—
Manufacturing	54,663,472	54,663,472	—	—
Commercial services	53,432,677	53,432,677	—	—
Healthcare	41,102,689	41,102,689	—	—
Oil and gas	16,443,206	16,443,206	—	—
Real estate	13,066,478	13,066,478	—	—
Other	239,034	239,034	—	—
	<u>366,450,206</u>	<u>366,450,206</u>	<u>—</u>	<u>—</u>
Real Estate				
Real estate equities	61,247,881	61,247,881	—	—
Real estate limited partnerships	56,678,660	—	—	56,678,660
	<u>117,926,541</u>	<u>61,247,881</u>	<u>—</u>	<u>56,678,660</u>
International equities	58,701,963	58,701,963	—	—
Private equity funds	3,814,727	—	—	3,814,727
	<u>714,541,732</u>	<u>554,869,036</u>	<u>99,179,309</u>	<u>60,493,387</u>
Investments measured at NAV				
International equity funds	316,698,450			
Commingled fixed income fund	169,133,632			
Private equity funds	72,275,988			
Real estate limited partnerships	8,908,759			
	<u>567,016,829</u>			
Total investments measured at fair value	<u>\$ 1,281,558,561</u>			

NOTE 2. CASH AND INVESTMENTS (continued)

The valuation method for investments measured at NAV practical equivalent is presented as follows:

Investments measured at NAV	Fair Value at December 31, 2016	Redemption Frequency	Required Redemption Notice
International equity funds	\$ 316,698,450	Daily	1 day
Commingled fixed income fund	169,133,632	Daily	1 day
Private equity funds	72,275,988	Not redeemable	Not redeemable
Real estate limited partnerships	8,908,759	Quarterly	45 days
	<u>\$ 567,016,829</u>		

For Level 3 investments, the investment managers within each investment class determine the fair value of the underlying investments of the collective fund or limited partnership then allocate fair value to the FPPF based on the percentage of the FPPF's ownership percentage. In some instances, due to timing of reports from each manager, the fair value of the FPPF's investments is adjusted by the incoming and outgoing cash flows for each fund. Investments in private equity are not eligible for redemption. Upon termination of partnership agreement, the FPPF will receive its original investments plus or minus any unrealized gains or losses at the time of liquidation.

International equity funds - International equity funds include three investments with fund managers who focus on international equities. These funds focus on active on separate areas of the international market, including emerging markets equity, international developed value equity, and international developed growth equity, respectively; they follow the specified index as described in their respective agreements. The three funds report fair value at NAV as a practical equivalent. All three investments allow for daily redemptions with a one-day written notice. One investment has a maximum of 10 days before the redemption proceeds can be received.

Commingled fixed income fund - Commingled fixed income fund consists of a single investment that focuses on fixed income securities. The fund manager has the ability to invest in a variety of industry spaces, such as government and corporate bonds, and across a multitude of countries, both developed and emerging market, as outlined in the investment guidelines. The investment agreement allows daily redemptions with a one-day written notice. There is no restriction period related to redemption payments.

Private equity funds - Private equity funds consist of investments in limited partnerships. The partnerships qualify as investment companies under the GASB 72 guidance and are valued at NAV. The investment managers within each investment class determine the NAV of the underlying investments of the limited partnership then allocate the NAV to the FPPF based on the percentage of the FPPF's ownership percentage. Investments in these private equity funds are not eligible for redemption. Upon termination of partnership agreement, the FPPF will receive its original investments plus or minus any unrealized gains or losses at the time of liquidation.

Private real estate fund - The private real estate fund consists of a real estate fund that generally invests in residential, office, retail, and industrial real estate. NAV is used in the measurement of the fair value of this investment. There are quarterly redemptions that require a 45-day written notice, depending on the fund. There are no lockup periods on these investments.

NOTE 2. CASH AND INVESTMENTS (continued)

Money-weighted rate of return - For the years ended December 31, 2016, the annual money-weighted rate of return on the FPPF's investments, net of related investment expenses, was 7.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Unfunded commitments - As of December 31, 2016, the FPPF has unfunded capital commitments to private equities and real estate limited partnerships totaling \$99.0 million.

Securities Lending

The FPPF is authorized to enter into securities lending transactions under Texas State Statutes Section 2256.0015. The FPPF has a securities lending agreement with the Custodian under which FPPF-owned investments are lent to one or more approved borrowers for a fee. The Custodian, as lending agent, is responsible for collecting required collateral in the form of cash, securities issued or guaranteed by the U.S. Government or its agencies, or irrevocable letters of credit issued by banks independent of the borrowers. The lending agent is authorized to enter into securities lending transactions of U.S. and non-U.S. securities in accordance with the terms of a securities lending authorization agreement.

The lending agent has indemnified the FPPF harmless from any losses, damages, costs or expenses the FPPF may incur if the lending agent is unable to recover borrowed securities or distributions made during the term of the loans with respect to those securities as a result of the lending agent's failure to make a reasonable determinations of the creditworthiness of a borrower, demand adequate and appropriate collateral on a timely basis or to perform its duties under the agreement with the FPPF. The agreement states that collateral must have a market value equal to no less than 100% of the market value of the borrowed securities.

Each business day, the lending agent and the FPPF determine the market value of the collateral and the borrowed securities. The FPPF's security lending policy requires investment grade securities. Cash collateral received from the borrower is subsequently reinvested in a securities lending collateral investment pool. As of December 31, 2016, the FPPF's securities lending obligation exceeded the fair value of the underlying securities.

The following table summarizes the fair value measurements of lent securities, cash collateral received, and the fair value of the reinvested cash collateral as of December 31, 2016:

2016		
Fair Value of Underlying Securities	Collateral Received	Collateral investment Value
\$ 80,070,729	\$ 82,219,120	\$ 82,623,373

As of December 31, 2016, the FPPF also holds securities collateral that cannot be pledged or sold absent a borrower's default totaling \$5,690,844. The securities collateral consists of U.S. Treasury Bills, U.S. Treasury Notes, and U.S. Treasury Bonds. There were no losses from securities lending transactions during the year ended December 31, 2016 resulting from a default of a borrower or the lending agent.

NOTE 3. PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. A receivable for property taxes is recognized and recorded at the levy date. The adjusted assessed value for the roll as of January 1, 2016, upon which the 2017 levy was based, was \$33,438,185,535.

Taxes are due by January 31 following the October 1 levy date. During the fiscal year, 98.4% of the current tax levy (October 2016) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, county-wide appraisal districts and certain exemptions from taxation, such as intangible personal property, household goods and family-owned automobiles.

The appraisal of property within the City is the responsibility of the El Paso Central Appraisal District. The El Paso Central Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may require more frequent reviews of appraised values at its own expense. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the City limits. However, if the adopted tax rate for operations exceeds the effective operating rate as calculated pursuant to the property tax code for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than 8%.

Through a contractual arrangement, the City of El Paso bills and collects property taxes for several other governmental entities as well as the City. The City is permitted by Article 11, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the City Charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at \$1.85 per \$100 assessed valuation. The tax rate to finance general governmental purposes, other than the payment of principal and interest on general obligation long-term debt, for the year ended August 31, 2017, was \$0.486 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$1.364 per \$100 assessed valuation and could levy \$835,954,638 in additional taxes from the assessed valuation of \$33,438,185,535 before the legislative limit is reached.

The current total tax rate is \$0.760 per \$100 assessed valuation, of which \$0.486 is used for general governmental purposes and \$0.274 is used for debt service on long-term obligations.

Property taxes that are measurable and available are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded net of estimated uncollectible amounts, as deferred inflows of resources. Such deferred inflows of resources are recognized as revenue in the fiscal year in which they become available.

NOTE 3. PROPERTY TAXES (continued)

The balance of delinquent property taxes receivable and property tax assessments included in deferred inflows at August 31, 2017, is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Property Taxes Receivable	\$ 10,212,492	\$ 5,166,247
Less Allowance for Uncollectibles	<u>(4,310,605)</u>	<u>(2,164,515)</u>
Net Property Taxes Receivable	<u>5,901,887</u>	<u>3,001,732</u>
Deferred Ad Valorem Taxes	\$ 5,207,229	\$ 2,583,478
Net Property Tax Recognized-60 Days	<u>\$ 694,658</u>	<u>\$ 418,254</u>

NOTE 4. RECEIVABLES

Receivables as of year-end for the City's individual major funds and the non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities							
	General Fund	Community Development Block Grants Fund	Debt Service	Capital Projects	Non-major Governmental Funds	Internal Service Funds	Total
Property Taxes	\$ 10,212,492	\$ —	\$ 5,166,247	\$ —	\$ —	\$ —	\$ 15,378,739
Sales Taxes	14,310,958	—	—	568,172	1,480,714	—	16,359,844
Trade	4,670,969	—	1,008,237	1,723,246	1,150,072	9,353	8,561,877
Interest	1,254	169,622	978	2,392	135,558	568	310,372
Due from Other Government Agencies	203,299	1,766,422	—	1,969,235	5,478,094	191,534	9,608,584
Notes receivable - economic development	1,900,000	—	—	—	—	—	1,900,000
Notes receivable - low income housing loans	—	54,120,185	—	—	1,964,737	—	56,084,921
Other	9,107,731	—	—	—	2,811,435	—	11,919,167
Allowance for doubtful accounts	(6,560,641)	—	(2,164,515)	—	—	—	(8,725,156)
Receivables, net of allowances	\$ 33,846,062	\$ 56,056,229	\$ 4,010,947	\$ 4,263,045	\$ 13,020,610	\$ 201,455	\$ 111,398,348

Business-type Activities						
	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Agency	Total
Sales Taxes	\$ —	\$ —	\$ 6,742,237	\$ —	\$ 600	\$ 6,742,837
Trade	5,788,812	3,308,212	2,790,133	—	—	11,887,156
Interest	1,030	—	—	143	—	1,173
Due from Other Government Agencies	3,684,310	153,864	17,105,981	—	—	20,944,155
Allowance for doubtful accounts	(2,804,130)	(324,939)	—	—	—	(3,129,069)
Receivables, net of allowances	\$ 6,670,022	\$ 3,137,137	\$ 26,638,351	\$ 143	\$ 600	\$ 36,446,253

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017 for the government-wide financial statements was as follows:

	Balance August 31, 2016	Transfers	Increases	Decreases	Balance August 31, 2017
Governmental Activities: ¹					
Land	\$ 175,636,324	\$ —	\$ 6,753,760 ⁽²⁾	\$ —	\$ 182,390,084
Buildings not in use	1,633,000	—	—	—	1,633,000
Construction in progress	195,213,619	(56,299,210)	52,556,475	—	191,470,884
Total capital assets not being depreciated	<u>372,482,943</u>	<u>(56,299,210)</u>	<u>59,310,235</u>	<u>—</u>	<u>375,493,968</u>
Capital assets being depreciated					
Buildings	420,915,917	7,401,095	—	—	428,317,012
Improvements other than buildings	32,714,761	7,360,499	—	—	40,075,260
Vehicles and major equipment	155,992,859	1,952,403	8,619,062	(1,255,176)	165,309,148
Data processing equipment and software	50,671,290	696,329	866,679	—	52,234,298
Other capital assets	8,002,831	125,572	112,557	—	8,240,960
Infrastructure	940,653,201	40,775,595	—	—	981,428,796
Total capital assets, being depreciated	<u>1,608,950,859</u>	<u>58,311,493</u>	<u>9,598,298</u>	<u>(1,255,176)</u>	<u>1,675,605,474</u>
Less accumulated depreciation for:					
Buildings	181,869,998	—	13,441,158	—	195,311,156
Improvements other than buildings	20,352,271	—	867,746	—	21,220,017
Vehicles and major equipment	112,645,935	—	10,727,776	(1,242,773)	122,130,938
Data processing equipment and software	44,980,184	—	2,885,377	—	47,865,561
Other capital assets	4,407,682	—	833,070	—	5,240,752
Infrastructure	568,795,340	—	15,070,844	—	583,866,184
Total accumulated depreciation	<u>933,051,410</u>	<u>—</u>	<u>43,825,971</u>	<u>(1,242,773)</u>	<u>975,634,608</u>
Total capital assets, being depreciated, net	<u>675,899,449</u>	<u>58,311,493</u>	<u>(34,227,673)</u>	<u>(12,403)</u>	<u>699,970,866</u>
Governmental activities capital assets, net	<u>\$ 1,048,382,392</u>	<u>\$ 2,012,283</u>	<u>\$ 25,082,562</u>	<u>\$ (12,403)</u>	<u>\$ 1,075,464,834</u>

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

General government	\$ 4,485,452
Public Safety	7,139,226
Public Works	19,375,080
Public Health	1,914,355
Parks	3,115,246
Library	1,191,563
Culture and Recreation	4,106,093
Community and Economic Development	2,390,668
Total Depreciation Expense-Governmental Activities	<u>43,717,683</u>
Internal Service Funds	108,288
Depreciation Expense	<u>\$ 43,825,971</u>

¹ The capital assets of Internal Service Funds are included in governmental activities. In fiscal year 2017, Internal Service Funds net capital additions and deletions were \$53,869 resulting in a total cost of \$2,262,816. Depreciation expense of \$108,288 resulted in an ending accumulated depreciation balance of \$1,916,935, resulting in a net book value of \$345,881.

NOTE 5. CAPITAL ASSETS (continued)

² Acquisition of land during fiscal year 2017 includes the property located at 101 El Paso Street, that has been conveyed to the City by the developers of the Camino Real Hotel as part of a Chapter 380 agreement. The economic incentive package provides that the developer has the right to renovate the hotel as the Convention Center Hotel, and in five years when the economic incentives related to this capital project expire, the ownership of the land will revert to the developer. Future improvements and structures located on the land will remain property of the developer.

The City also acquired land located at 102 West Mills Avenue as part of a Chapter 380 agreement. Under the agreement, the developer has the right to construct the Hotel Sancho Panza. The agreement also provides a put option for the developer to purchase the land within one year from the hotel the opening.

	Balance August 31, 2016	Transfers	Increases	Decreases	Balance August 31, 2017
Business-type activities:					
El Paso International Airport					
Capital assets not being depreciated:					
Land	\$ 1,381,099	\$ —	\$ —	\$ —	\$ 1,381,099
Artwork	979,637	—	—	—	979,637
Construction in progress	12,440,841	(10,457,957)	18,146,124	—	20,129,008
Total capital assets not being depreciated	14,801,577	(10,457,957)	18,146,124	—	22,489,744
Capital assets being depreciated:					
Buildings	179,040,334	6,056,357	—	(1,327,168)	183,769,523
Improvements other than buildings	316,418,901	3,485,440	—	—	319,904,341
Vehicles and major equipment	19,117,216	916,160	855,846	(47,221)	20,842,001
Total capital assets being depreciated	514,576,451	10,457,957	855,846	(1,374,389)	524,515,865
Less accumulated depreciation for:					
Buildings	80,695,732	—	6,074,506	(387,092)	86,383,146
Improvements other than buildings	171,521,456	—	11,787,780	—	183,309,236
Vehicles and major equipment	15,531,912	—	1,588,415	(47,221)	17,073,106
Total accumulated depreciation	267,749,100	—	19,450,701	(434,313)	286,765,488
Total capital assets, being depreciated, net	246,827,351	10,457,957	(18,594,855)	(940,076)	237,750,377
El Paso International Airport capital assets, net	\$ 261,628,928	\$ —	\$ (448,731)	\$ (940,076)	\$ 260,240,121
Environmental Services					
Capital assets not being depreciated:					
Land	\$ 6,887,813	\$ —	\$ —	\$ —	\$ 6,887,813
Vehicles not in service	192,190	—	—	—	192,190
Construction in progress	504,122	(1,238,322)	7,265,778	—	6,531,578
Total capital assets not being depreciated	7,584,125	(1,238,322)	7,265,778	—	13,611,581
Capital assets being depreciated:					
Buildings	6,555,447	73,128	—	—	6,628,575
Improvements other than buildings	31,489,850	558,796	—	—	32,048,646
Vehicles and major equipment	85,741,487	(2,164,161)	8,601,918	(2,777,723)	89,401,521
Other assets	105,128	—	771,616	—	876,744
Total capital assets being depreciated	123,891,912	(1,532,237)	9,373,534	(2,777,723)	128,955,486
Less accumulated depreciation for:					
Buildings	1,093,351	—	137,093	—	1,230,444
Improvements other than buildings	25,927,740	(48,171)	245,744	—	26,125,313
Vehicles, major equipment and other assets	61,121,672	(710,105)	7,299,134	(2,777,723)	64,932,978

NOTE 5. CAPITAL ASSETS (continued)

	Balance August 31, 2016	Transfers	Increases	Decreases	Balance August 31, 2017
Total accumulated depreciation	88,142,763	(758,276)	7,681,971	(2,777,723)	92,288,735
Total capital assets, being depreciated, net	35,749,149	(773,961)	1,691,563	—	36,666,751
Environmental services capital assets, net	\$ 43,333,274	\$ (2,012,283)	\$ 8,957,341	\$ —	\$ 50,278,332
Mass Transit					
Capital assets not being depreciated:					
Land	\$ 11,871,902	\$ 103,505	\$ —	\$ —	\$ 11,975,407
Construction in progress	48,625,751	(40,016,229)	15,158,387	—	23,767,909
Total capital assets not being depreciated	60,497,653	(39,912,724)	15,158,387	—	35,743,316
Capital assets being depreciated:					
Buildings	62,462,684	26,076,684	—	—	88,539,368
Improvements other than buildings	50,121,314	7,835,601	—	—	57,956,915
Vehicles and major equipment	112,586,026	6,000,439	2,048,564	(2,900,672)	117,734,357
Total capital assets being depreciated	225,170,024	39,912,724	2,048,564	(2,900,672)	264,230,640
Less accumulated depreciation for:					
Buildings	23,520,723	—	2,808,278	—	26,329,001
Improvements other than buildings	28,569,937	—	2,902,452	—	31,472,389
Vehicles and major equipment	67,599,705	—	8,446,167	(2,900,672)	73,145,200
Total accumulated depreciation	119,690,365	—	14,156,897	(2,900,672)	130,946,590
Total capital assets, being depreciated, net	105,479,659	39,912,724	(12,108,333)	—	133,284,050
Mass Transit capital assets, net	\$ 165,977,312	\$ —	\$ 3,050,054	\$ —	\$ 169,027,366
International Bridges					
Capital assets not being depreciated:					
Land	\$ 2,469,531	\$ —	\$ —	\$ —	\$ 2,469,531
Construction in progress	91,357	—	8,493	—	99,850
Total capital assets not being depreciated	2,560,888	—	8,493	—	2,569,381
Capital assets being depreciated:					
Improvements other than buildings	24,586,964	—	—	—	24,586,964
Vehicles and major equipment	6,678,409	—	201,189	—	6,879,598
Total capital assets being depreciated	31,265,373	—	201,189	—	31,466,562
Less accumulated depreciation for:					
Improvements other than buildings	10,393,950	—	469,953	—	10,863,903
Vehicles and major equipment	5,115,046	—	726,143	—	5,841,189
Total accumulated depreciation	15,508,996	—	1,196,096	—	16,705,092
Total capital assets, being depreciated, net	15,756,377	—	(994,907)	—	14,761,470
International Bridges capital assets, net	\$ 18,317,265	\$ —	\$ (986,414)	\$ —	\$ 17,330,851
Tax Office					
Capital Assets being depreciated:					
Equipment	\$ —	\$ —	\$ 71,565	\$ —	\$ 71,565
Improvements other than buildings	32,500	—	—	—	32,500
Total capital assets being depreciated	32,500	—	71,565	—	104,065
Less accumulated depreciation for:					
Equipment	—	—	14,313	—	14,313
Improvements other than buildings	3,377	—	5,065	—	8,442
Total accumulated depreciation	3,377	—	19,378	—	22,755
Tax Office capital assets, net	\$ 29,123	\$ —	\$ 52,187	\$ —	\$ 81,310

NOTE 5. CAPITAL ASSETS (continued)

	Balance August 31, 2016	Transfers	Increases	Decreases	Balance August 31, 2017
All business-type activities:					
Capital assets not being depreciated:					
Land	\$ 22,610,345	\$ 103,505	\$ —	\$ —	\$ 22,713,850
Artwork	979,637	—	—	—	979,637
Vehicles not in service	192,190	—	—	—	192,190
Construction in progress	61,662,071	(51,712,508)	40,578,783	—	50,528,345
Total capital assets not being depreciated	<u>85,444,243</u>	<u>(51,609,003)</u>	<u>40,578,783</u>	<u>—</u>	<u>74,414,023</u>
Capital assets being depreciated:					
Buildings	248,058,466	32,206,169	—	(1,327,167)	278,937,468
Improvements other than buildings	422,649,527	11,879,837	—	—	434,529,364
Vehicles and major equipment	224,123,139	4,752,438	11,779,079	(5,725,615)	234,929,041
Other assets	105,128	—	771,617	—	876,745
Total capital assets being depreciated	<u>894,936,260</u>	<u>48,838,444</u>	<u>12,550,696</u>	<u>(7,052,782)</u>	<u>949,272,618</u>
Less accumulated depreciation for:					
Buildings	105,309,806	—	9,019,880	(387,092)	113,942,594
Improvements other than buildings	236,416,461	(48,171)	15,410,992	—	251,779,282
Vehicles and major equipment	149,368,336	(710,105)	18,074,171	(5,725,617)	161,006,785
Total accumulated depreciation	<u>491,094,603</u>	<u>(758,276)</u>	<u>42,505,043</u>	<u>(6,112,709)</u>	<u>526,728,661</u>
Total capital assets, being depreciated, net	<u>403,841,657</u>	<u>49,596,720</u>	<u>(29,954,347)</u>	<u>(940,073)</u>	<u>422,543,957</u>
All business-type activities capital assets, net	<u>\$ 489,285,900</u>	<u>\$ (2,012,283)</u>	<u>\$ 10,624,436</u>	<u>\$ (940,073)</u>	<u>\$ 496,957,980</u>

Depreciation expense was charged to business-type activities as follows:

International airport operations	\$ 19,450,701
Solid waste operations	7,681,971
Mass transit operations	14,156,897
International bridges operations	1,196,096
Tax office operations	19,378
Total	<u>\$ 42,505,043</u>

Construction Commitments

As of August 31, 2017:

	Remaining Commitment	Fund Equity and Other Sources Available
Governmental funds	\$ 91,657,933	\$ 282,340,002
Proprietary funds	49,492,431	18,301,228
Total	<u>\$ 141,150,364</u>	<u>\$ 300,641,230</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Receivables and Payables

Inter-fund receivable and payable balances at August 31, 2017, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	El Paso International Airport	808,651 (1)
	Environmental Services	1,291,863 (1)
	Mass Transit	1,047,479 (1)
	International Bridges	253,352 (1)
	Nongrants	3,000,000 (3)
	Mass Transit	27,522,553 (4)
	Nongrants	Other Federal Grants
Nongrants	State Grants	924,841 (4)
	Public Health	994,727 (4)
	Mass Transit	7,000,000 (4)
El Paso International Airport	Mass Transit	5,000,000 (4)
Environmental Services	Mass Transit	3,000,000 (4)
Mass Transit	Capital Projects	2,107,710 (2)
Public Health Waiver Program	Nongrants	1,252,782 (4)
Total		<u>56,694,570</u>

- (1) IT projects allocation - VOIP - hardware
- (2) Unspent proceeds from issuance of debt
- (3) 380 Agreement funding
- (4) Loans to/from other funds

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES (continued)

B. Transfers

Transfers are made as required by the annual budget resolution or subsequent City Council action. Interfund transfers made during the year were as follows:

Transfer out:	Transfer in:						Total
	Governmental Activities			Non-major Governmental Funds	Business-type Activities		
	General Fund	Debt Service	Capital Projects		Environmental Services	Internal Service Funds	
Governmental Activities:							
General Fund	\$ —	\$ —	\$ 1,260,130 (4)	\$ 7,578,412 (4)	\$ —	\$ 465,086 (4)	\$ 9,303,627
CDBG	—	—	—	2,000,763 (4)	—	—	2,000,763
Debt Service	125,930 (4)	—	—	—	—	—	125,930
Capital Projects	335,210 (4)	5,097,978 (4)	—	64 (4)	—	—	5,433,251
Non-major Governmental Funds	209,543 (4)	—	70,862 (4)	—	4,984,650 (3)	—	5,265,055
Total Governmental Activities	670,683	5,097,978	1,330,992	9,579,239	4,984,650	465,086	22,128,626
Business-type Activities:							
Environmental Services	2,413,448 (2)	—	—	2,847,987 (4)	—	—	5,261,435
International Bridges	12,069,141 (1)	—	—	—	—	—	12,069,141
Total Business-type Activities	14,482,589	—	—	2,847,987	—	—	17,330,576
Total	\$15,153,272	\$ 5,097,978	\$ 1,330,992	\$ 12,427,226	\$ 4,984,650	\$ 465,086	\$39,459,202

(1) Operating transfers to General Fund

\$ 12,069,141

(2) Cost recovery for street usage

2,413,448

(3) Environmental Fee

4,984,650

(4) Other transfers:

Annual radio system transfer from County

125,930

Transfer for Debt Service

5,097,978

Transfer of EZ program from CDBG to Nonmajor Funds

2,000,763

Animal Shelter subsidy

6,512,516

Transfer of Animal Shelter from Enterprise to Nonmajor

574,567

CVB Reimbursement for Energy Efficiency Program

253,485

Transfer for DDC Debt Service

486,319

Transfer costs for City Wellness Clinics

465,086

Transfer from Council discretionary funds

152,939

To fund Projects for the Council Districts

1,458,624

380 Agreements Transfers

2,283,164

TRZ subsidy transfer

275,893

Other Transfers

304,700

\$ 39,459,202

NOTE 7. OPERATING LEASES

The City, as lessee, leases buildings, office space, and equipment under various lease agreements. Generally, these lease agreements provide for cancellation in the event the City Council does not appropriate funding in subsequent fiscal years. Therefore, the City is not obligated beyond each fiscal year. Management expects the leases to continue. These leases are treated as operating leases for accounting purposes. Operating lease expenditures for the year ended August 31, 2017 is \$1,341,395 for business-type activity and \$3,152,058 for general government, for a total of \$4,493,453. Additionally, the City, as lessor, leases certain buildings and equipment under various monthly lease agreements, which are cancelable.

A substantial portion of the airport terminal building and other areas are leased to third parties through operating leases. The majority of these include certified passenger airline leases, commercial and noncommercial aviation ground leases, industrial site leases, auto rental concession leases and food and beverage concession leases. These leases are for varying periods and require the payment of minimum annual rentals. Leases with concessionaires also require payment of percentage rents based on sales in excess of stipulated amounts. Rental income in connection with these operating leases and various other monthly rental agreements for the year ended August 31, 2017, was \$16,017,760 including percentage contingent rents of \$2,811,790.

The following is a schedule of airport revenue from future minimum rentals on non-cancelable operating leases as of August 31, 2017:

<u>Year Ending</u>	
2018	\$ 11,367,564
2019	9,301,137
2020	8,942,755
2021	8,544,064
2022	7,468,957
2023 - 2027	27,280,659
2028 - 2032	17,881,674
2033 - 2037	10,739,486
2038 - 2042	6,885,317
2043 - 2047	5,911,981
2048 - 2052	5,037,261
2053 - 2057	3,939,971
2058 - 2062	1,956,206
2063 - 2066	309,707
Total	<u><u>\$ 125,566,739</u></u>

Historical costs of these leased assets and related accumulated depreciation were \$178,267,507 and \$88,979,637, respectively, as of August 31, 2017.

NOTE 8. LONG-TERM OBLIGATIONS**A. General Obligation Debt – Capital Projects Funding**

The Capital Projects Fund is used to account for the acquisition and construction of general government capital assets. Capital projects are funded primarily by the issuance of general obligation debt, other tax supported debt and intergovernmental revenues.

General obligation debt, which includes general obligation bonds, certificates of obligation and contractual obligations, is collateralized by the full faith and credit of the City and is reported as an obligation in the Statements of Net Position, Governmental and Business-type Activities. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies and is required by ordinance to create, from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. The tax rate to finance the payment of principal and interest on general obligation long-term debt for the year ended August 31, 2017 was \$.274 per \$100 assessed valuation.

The City Charter states that all indebtedness of the City that is supported by property tax shall not exceed ten percent of the total assessed valuation of the City's tax rolls. Ten percent of the fiscal year 2017 total assessed valuation base equals approximately \$3,721,234,565. The City's legal debt margin was \$2,494,572,202. General obligation debt sold to fund assets of proprietary funds is reported as an obligation of those proprietary funds, although they are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the proprietary funds to meet the debt service requirements.

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

B. Notes Payable

On August 22, 2017, the City issued \$3,500,000 in Tax Notes, Series 2017. The Tax Notes, Series 2017 were issued to fund the Vehicles Replacement Program, which will replace police cars, firetrucks, vehicles for public safety and health, and other City vehicles and equipment. The Notes have a maturity date of August 31, 2024.

To fund an efficient lighting program, the City has received loans from the State Conservations Office (SECO) to reduce utility costs and maximize efficiency. The principal and interest payments due annually for the State Energy Conservation Office (SECO) loans, and the 2017 Tax Notes for vehicle replacement are presented below.

Year Ending August 31,	Governmental Activities	
	Principal	Interest
2018	\$ 2,160,838	\$ 255,374
2019	2,211,099	207,315
2020	1,617,412	163,954
2021	1,650,130	131,730
2022	1,683,306	98,854
2023-2025	3,725,947	119,019
	<u>\$ 13,048,732</u>	<u>\$ 976,246</u>

NOTE 8. LONG-TERM OBLIGATIONS (continued)

C. Long-term Debt

The following summarizes significant facts about general obligation bonds, certificates of obligation, revenue bonds, notes payable, and capital lease obligations:

	Interest Rates at Issue date	August 31, 2017	Amount
Governmental activities	3.00 - 7.25%	3.00 - 7.25%	\$ 1,230,972,067
Business-type activities	3.00 -5.30%	3.625 - 5.00%	130,226,625
			<u>\$ 1,361,198,692</u>

D. Defeased Bonds

In fiscal year 2016, the City issued refunding bonds to advance refund certain general obligation and certificates of obligation bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in the amount necessary for the final payment of the refunded obligations. The funds are held in the escrow fund, which is irrevocably pledged to the payment of the principal and interest on the refunded obligations. The obligation below is remaining to maturity.

Refunded Bonds	Escrow Maturity	Balance
Certificates of Obligation		
Series 2009	8/15/2019	\$ 41,086,944

E. Bonds Authorized and Unissued

On August 31, 2017, there were \$224,274,672 authorized and unissued bonds as part of the 2012 Quality of Life Bonds. In addition, there were \$114,244,739 authorized and unissued bonds for planned street projects.

F. Bonded Debt Requirements (General Obligation Bonds and Certificate of Obligation Bonds)

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 49,002,505	\$ 54,429,781	5,152,495	\$ 5,243,045	\$ 54,155,000	\$ 59,672,826
2019	41,056,674	52,286,801	5,448,326	5,043,892	46,505,000	57,330,693
2020	42,292,887	50,489,088	5,132,113	4,822,468	47,425,000	55,311,556
2021	46,384,019	48,595,036	5,180,981	4,610,656	51,565,000	53,205,692
2022	45,398,755	46,442,065	5,221,245	4,398,456	50,620,000	50,840,521
2023-2027	258,530,027	197,158,678	25,739,973	18,562,635	284,270,000	215,721,312
2028-2032	312,951,156	126,363,478	24,888,844	12,564,950	337,840,000	138,928,428
2033-2037	205,473,392	55,488,848	27,426,608	6,216,206	232,900,000	61,705,054
2038-2042	135,033,960	16,168,378	10,386,040	840,741	145,420,000	17,009,119
Total	<u>\$ 1,136,123,375</u>	<u>\$ 647,422,153</u>	<u>\$ 114,576,625</u>	<u>\$ 62,303,049</u>	<u>\$ 1,250,700,000</u>	<u>\$ 709,725,201</u>

NOTE 8. LONG-TERM OBLIGATIONS (continued)**G. Debt Service Requirements: Revenue Bond Requirements**

Year Ending August 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 565,000	\$ 3,761,052	\$ 710,000	\$ 736,225	\$ 1,275,000	\$ 4,497,277
2019	645,000	3,738,176	735,000	713,150	1,380,000	4,451,326
2020	665,000	3,710,273	760,000	687,425	1,425,000	4,397,698
2021	650,000	3,681,569	790,000	657,025	1,440,000	4,338,594
2022	670,000	3,647,719	820,000	625,425	1,490,000	4,273,144
2023-2027	11,020,000	16,220,108	4,670,000	2,562,850	15,690,000	18,782,958
2028-2032	11,395,000	10,755,114	5,950,000	1,285,138	17,345,000	12,040,252
2033-2037	19,200,000	8,655,995	1,215,000	63,788	20,415,000	8,719,783
2038-2042	13,380,000	2,796,145	—	—	13,380,000	2,796,145
2043-2047	2,495,000	144,088	—	—	2,495,000	144,088
Total	\$ 60,685,000	\$ 57,110,239	\$ 15,650,000	\$ 7,331,026	\$ 76,335,000	\$ 64,441,265

H. Capital Leases

Capital leases are presented annually below:

	Year Ending August 31,	Governmental- type Activities
2018		\$ 5,920,831
2019		5,163,572
2020		3,490,692
2021		2,920,661
2022		2,699,205
Thereafter		2,255,714
Total minimum lease payments		\$ 22,450,675
Less: amounts representing interest		(1,335,716)
Present value of minimum lease payments		\$ 21,114,959

NOTE 8. LONG-TERM OBLIGATIONS (continued)**I. Governmental Activities****Long-Term Obligations and Amounts Due Within One Year**

	Balance August 31, 2016	Additions	Reductions	Balance August 31, 2017	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 738,454,156	\$ —	\$ 21,727,294	\$ 716,726,862	\$ 34,054,659
Certificates of Obligation	435,085,290	—	15,688,779	419,396,513	14,947,846
Special Revenue Bonds	60,995,000	150,000	460,000	60,685,000	565,000
Add: Unamortized Premium	108,053,091	—	10,528,442	97,524,649	9,331,263
Total Bonds	<u>1,342,587,537</u>	<u>150,000</u>	<u>48,404,515</u>	<u>1,294,333,024</u>	<u>58,898,768</u>
Notes Payable	11,200,282	3,500,000	1,651,550	13,048,732	2,160,838
Capital Lease Obligation	26,404,782	—	5,289,821	21,114,961	5,471,006
Chapter 380 Agreement Obligations	—	30,364,727	3,000,000	27,364,727	—
Compensated Absences	50,029,021	10,083,496	17,263	60,095,254	18,028,576
Accrued Health Claims	15,816,426	34,296,371	34,079,733	16,033,064	4,778,696
Net Pension Liability	477,952,558	39,453,347	—	517,405,905	32,095,473
Other Post Employment Benefits	72,334,341	7,688,874	3,552,165	76,471,050	—
Claims and Judgments	500,000	—	—	500,000	—
Total Other Obligations	<u>654,237,410</u>	<u>125,386,815</u>	<u>47,590,532</u>	<u>732,033,693</u>	<u>62,534,589</u>
Governmental Activities Long-term Liabilities	<u>\$ 1,996,824,947</u>	<u>\$ 125,536,815</u>	<u>\$ 95,995,047</u>	<u>\$ 2,026,366,717</u>	<u>\$ 121,433,357</u>

The General Fund is used to liquidate the liability for Compensated Absences, Net Pension Liability, and net Other Post-employment Benefits obligations for all governmental activities.

NOTE 8. LONG-TERM OBLIGATIONS (continued)**Business-type Activities:****Long-Term Obligations and Amounts Due Within One Year**

	Balance August 31, 2016	Additions	Reductions	Balance August 31, 2017	Due Within One Year
EI Paso International Airport:					
Revenue Bonds	\$ 16,330,000	\$ —	\$ 680,000	\$ 15,650,000	\$ 710,000
Certificates of Obligation Tax and Revenue	40,000,000	—	1,155,000	38,845,000	1,170,000
Add: Unamortized Premium	27,964	—	1,645	26,319	1,645
Less: Unamortized Discount	(68,920)	—	(4,745)	(64,175)	(4,701)
Total Bonds Payable	56,289,044	—	1,831,900	54,457,144	1,876,944
Compensated Absences	2,766,528	—	195,556	2,570,972	2,005,358
Net Pension Liability	9,925,656	1,402,507	—	11,328,163	1,030,579
Other Post Employment Benefits	4,896,567	305,674	—	5,202,241	—
Total EI Paso International Airport	73,877,795	1,708,181	2,027,456	73,558,520	4,912,881
Environmental Services:					
Certificates of Obligation	4,785,000	—	110,000	4,675,000	115,000
General Obligation	14,995,844	—	1,177,707	13,818,137	1,210,341
Add: Unamortized Premium	1,493,426	—	201,073	1,292,353	185,692
Total Bonds Payable	21,274,270	—	1,488,780	19,785,490	1,511,033
Landfill Closure and Post-Closure	20,022,418	828,866	—	20,851,284	1,042,564
Delta Transfer Station Post-Closure	123,876	1,610	—	125,486	—
Compensated Absences	1,160,062	182,142	85,762	1,256,442	980,025
Net Pension Liability	14,884,993	2,103,267	—	16,988,260	1,545,868
Other Post Employment Benefits	6,664,719	382,613	146,252	6,901,079	—
Total Environmental Services	64,130,338	3,498,498	1,720,794	65,908,041	5,079,490
Mass Transit:					
Certificates of Obligation	53,959,710	—	1,356,222	52,603,488	1,502,154
Add: Unamortized Premium	3,111,310	—	219,213	2,892,097	208,951
Total Bonds/Notes Payable	57,071,020	—	1,575,435	55,495,585	1,711,105
Compensated Absences	2,126,019	—	268,967	1,857,052	1,448,502
Claims and Judgments	467,845	—	103,158	364,687	—
Net Pension Liability	26,880,037	3,798,180	—	30,678,217	2,791,489
Other Post Employment Benefits	10,199,529	437,181	—	10,636,710	—
Total Mass Transit	96,744,450	4,235,361	1,947,560	99,032,251	5,951,096
International Bridges:					
General Obligation	5,750,000	—	1,115,000	4,635,000	1,155,000
Add: Unamortized Premium	418,228	—	133,323	284,905	104,907
Total Bonds Payable	6,168,228	—	1,248,323	4,919,905	1,259,907
Compensated Absences	235,937	—	21,653	214,284	167,141
Net Pension Liability	1,844,202	260,588	—	2,104,790	190,698
Other Post Employment Benefits	1,097,754	142,836	—	1,240,589	—
Total International Bridges	9,346,121	403,424	1,269,976	8,479,568	1,617,746
Tax Office:					
Compensated Absences	177,989	—	43,549	134,440	104,863
Business-type Activities Long-term Liabilities	\$ 244,276,693	\$ 1,450,446	\$ 6,906,183	\$ 247,112,820	\$ 17,666,076

NOTE 8. LONG-TERM OBLIGATIONS (continued)

The allocation of current portion is based on the same percentages used to distribute the Net Pension Liability.

Net Pension Liability - Due within one year allocation

	Current Contribution
CEPF:	
Contributions by the City	\$ 25,327,071
Less: EPWU portion	5,040,087
Total City contributions	<u>20,286,984</u>
Enterprise Funds:	
International Airport	1,030,579
Environmental Services	1,545,868
Mass Transit	2,791,489
International Bridges	190,698
Total Enterprise Funds	<u>5,558,634</u>
Governmental Funds	14,728,350
Fire and Police Pension	17,367,123
Total Governmental - Current	<u><u>\$ 32,095,473</u></u>

J. Long-Term-Debt Outstanding

	Issue Date	Maturity Date	Amount	Interest Rates Range	August 31, 2016	Current Issuance	Reductions	August 31, 2017
Certificates of Obligation								
SERIES 2007	5/1/2007	8/15/1932	\$ 35,000,000	4.000 to 5.000%	\$ 1,250,000	\$ —	\$ 1,250,000	\$ —
SERIES 2009	1/15/2009	8/15/2019	\$ 57,615,000	3.000 to 5.500%	6,740,000	—	2,450,000	4,290,000
SERIES 2009A	9/15/2009	8/15/2019	\$ 27,210,000	4.000 to 5.000%	6,560,000	—	2,080,000	4,480,000
SERIES 2009B Taxable BAB	9/15/2009	8/31/2034	\$ 45,740,000	4.781 to 6.163%	45,740,000	—	—	45,740,000
SERIES 2009C Taxable BAB	9/15/2009	8/31/1934	\$ 3,230,000	6.163 to 6.163%	3,230,000	—	—	3,230,000
SERIES 2010B Taxable BAB	11/1/2010	8/31/2036	\$ 74,340,000	3.220 to 6.7000%	71,810,000	—	2,585,000	69,225,000
SERIES 2011	9/1/2011	8/15/2032	\$ 32,775,000	3.500 to 5.000%	31,440,000	—	1,390,000	30,050,000
SERIES 2012	11/20/2012	8/15/2038	\$ 58,730,000	3 to 4%	55,145,000	—	3,694,999	51,450,001
SERIES 2013	10/17/2013	8/15/2039	\$ 65,395,000	1.000 to 5.000%	65,395,000	—	2,115,000	63,280,000
SERIES 2014 - (AIRPORT)	4/30/2014	8/15/2038	\$ 40,000,000	1.375 to 5.000%	40,000,000	—	1,155,000	38,845,000
SERIES 2014A	8/26/2014	8/15/2040	\$ 64,605,000	4.000 to 5.000%	64,605,000	—	1,590,000	63,015,000
SERIES 2015 - Combination Tax & Revenue	8/17/2015	8/31/2041	\$ 57,710,000	4.000 to 5.000%	57,710,000	—	—	57,710,000
SERIES 2016	6/30/2016	8/31/2042	\$ 84,205,000	4.000 to 5.000%	84,205,000	—	—	84,205,000
Total Certificates of Obligation Bonds					<u>\$ 533,830,000</u>	<u>\$ —</u>	<u>\$ 18,309,999</u>	<u>\$ 515,520,001</u>

NOTE 8. LONG-TERM OBLIGATIONS (continued)

	Issue Date	Maturity Date	Amount	Interest Rates Range	August 31, 2016	Current Issuance	Reductions	August 31, 2017
General Obligations								
SERIES 2007 REF BONDS	2/15/2007	8/15/2032	\$ 95,190,000	4.000 to 5.000%	805,000	—	805,000	—
SERIES 2007A	5/1/2007	8/15/2032	\$ 40,000,000	4.000 to 5.000%	1,390,000	—	1,390,000	—
SERIES 2007 PENSION BONDS	6/15/2007	8/15/2035	\$ 101,240,000	5.512 to 6.018%	86,730,000	—	2,575,000	84,155,000
SERIES 2008	2/15/2008	8/15/2033	\$ 56,455,000	3.500 to 5.000%	1,810,000	—	1,810,000	—
SERIES 2011 REFUNDING BONDS	9/1/2011	8/15/2021	\$ 5,860,000	2.000 to 3.000%	3,740,000	—	705,000	3,035,000
SERIES 2012 REFUNDING BONDS	11/20/2012	8/15/2028	\$ 20,710,000	2.000 to 4.000%	18,340,000	—	1,240,000	17,100,000
SERIES 2013 REFUNDING BONDS	9/30/2013	8/15/2028	\$ 24,285,000	1.250 to 5.000%	17,020,000	—	1,855,000	15,165,000
SERIES 2014 PENSION BONDS	1/16/2014	8/15/2034	\$ 110,610,000	0.622 to 5.177%	102,425,000	—	4,150,000	98,275,000
SERIES 2014 REFUNDING & IMP BONDS	5/20/2014	8/15/2039	\$ 88,515,000	3.375 to 5.000%	66,165,000	—	7,895,001	58,269,999
SERIES 2014A REFUNDING BONDS	8/26/2014	8/15/2031	\$ 49,360,000	2.000 to 5.000%	47,795,000	—	1,595,000	46,200,000
SERIES 2015 - REFUNDING & IMPROVEMENT	8/17/2015	8/31/2041	\$ 116,415,000	3.905 to 5.000%	116,415,000	—	—	116,415,000
SERIES 2016 - REFUNDING	6/15/2016	8/15/2034	\$ 121,260,000	3.500 to 5.000%	121,260,000	—	—	121,260,000
SERIES 2016	6/30/2016	8/31/2042	\$ 175,305,000	4.000 to 5.000%	175,305,000	—	—	175,305,000
Total General Obligation Bonds					759,200,000	—	24,020,001	735,179,999
Total Tax Supported Debt					\$ 1,293,030,000	\$ —	\$ 42,330,000	\$ 1,250,700,000
Notes Payable								
State Energy Conservation Office-09-00219-4-039-0	8/31/2010	8/31/2019	\$ 5,000,000	3.000%	1,823,114	—	589,635	1,233,479
State Energy Conservation Office-CLS0008	11/30/2012	8/31/2022	\$ 2,824,000	2.000%	1,754,576	—	280,958	1,473,618
State Energy Conservation Office - CL244	10/25/2013	8/31/2025	\$ 7,622,592	2.000%	7622592	—	780,957	6,841,635
Tax Notes, Series 2017	8/22/2017	8/31/2024	\$ 3,500,000	1.940%	—	3,500,000	—	3,500,000
Total Notes Payable					\$ 11,200,282	\$ 3,500,000	\$ 1,651,550	\$ 13,048,732
Capital Lease Obligations								
Banc of America Public-Capital Corp.	10/31/2011	6/1/2022	\$ 13,586,998.6	2.560%	7,084,325	—	1,735,783	5,348,542
Compass Mortgage Corp.-Loan 1	12/1/2012	9/1/2019	\$ 5,025,000	2.460%	2,007,002	—	878,343	1,128,659
Compass Mortgage Corp.-Loan 2 (#26)	9/1/2013	3/1/2020	\$ 5,020,000	2.050%	2,859,299	—	746,645	2,112,654
Motorola (IT)	11/1/2012	9/1/2022	\$ 20,063,362	2.26%	14,454,156	—	1,929,050	12,525,106
Total Loans					\$ 26,404,782	\$ —	\$ 5,289,821	\$ 21,114,961
Revenue Bonds								
RB 2011 - El Paso International Airport	6/1/2011	8/15/2033	\$ 16,330,000	3.250 to 5.000%	\$ 16,330,000	\$ —	\$ 680,000	\$ 15,650,000
Special Revenue Bond (Thunder Canyon PID #1)								
PID Revenue Bond	4/15/2007	8/15/2020	\$ 400,000	4.79%	150,000	—	35,000	115,000
Special Revenue Bonds (Downtown Ballpark Venue Project)								
Special Revenue Bonds, Series 2013A Partially Refunded	8/29/2013	8/15/2038	\$ 45,125,000	6.780 to 7.250%	27,670,000	—	—	27,670,000
Special Revenue Bonds, Taxable Series 2013B	8/29/2013	8/15/2043	\$ 15,660,000	7.25%	15,660,000	—	—	15,660,000
Special Revenue Bonds, Series 2016	6/29/2016	8/15/2043	\$ 17,665,000	2.000 to 5.000%	17,665,000	—	425,000	17,240,000
Total Ballpark Revenue Bonds					60,995,000	—	425,000	60,570,000
Total Special Revenue Bonds					\$ 61,145,000	\$ —	\$ 460,000	\$ 60,685,000

NOTE 8. LONG-TERM OBLIGATIONS (continued)**K. Camino Real Hotel**

During the fiscal year the City entered into a Chapter 380 agreement with a developer for the renovation of the Camino Real Hotel in downtown El Paso. Under such agreement, the City will lease to the developer the property located at 101 South El Paso Street, El Paso, TX. Through the Chapter 380 incentives and City grants, the City will pay the developer a total not to exceed \$30,364,727. To fund the project, the City will issue Certificates of Obligation in the near future. The City plans to participate in the State's Convention Center Hotel Program ("SCCHP"), which will provide approximately \$24,364,727 in State Hotel Occupancy Tax (HOT) funds to the City for repayment of the debt. The City will also provide a maximum of \$6,000,000 in Redevelopment Grants. On the closing date, the first grant award totaling \$3,000,000 was paid to the developer. The remainder is due in future years. The City has recorded this as a deferred outflow and obligation.

L. Solid Waste Landfill Closure and Post-closure Care Cost

The City owns and operates two landfills located in the East (Clint) and Northeast (McCombs) areas of the City of El Paso. Closure and post-closure care of the landfills are subject to the requirements of Subtitle D of the Resource Conservation and Recovery Act (P.L. 94/580) and Sections 330.250-256 of Title 30 of the *Texas Administrative Code* administered by the Texas Commission on Environmental Quality (TCEQ), formerly the Texas Natural Resource Conservation Commission (TNRCC). These regulations require the City to place a final cover on each landfill when it ceases to accept waste and to perform certain maintenance and monitoring functions for 30 years after the closure of each landfill.

During fiscal year 2017, the City hired independent consultants to prepare a revised estimate of the total closure and post-closure costs for the landfills. The estimated total closure and post-closure costs is approximately \$77 million at August 31, 2017. The recognized portion of the total liability, approximately \$21 million, is computed based on the percentage of landfill capacity used, approximately 30.94%, as of August 31, 2017. The estimated total current cost of closure and post-closure care remaining to be recognized is \$4.8 million.

Clint Landfill (TCEQ Permit 1482) – The City closed this facility in fiscal year 2010. Closure and post-closure costs are estimated at \$11.9 million. Approximately \$8.6 million has been expended, resulting in the recorded liability of \$3.3 million.

Clint Landfill (TCEQ Permit 2284) – This landfill is currently accepting solid waste and capacity used is 33.68% at August 31, 2017. Closure and post-closure costs are estimated at \$21 million. The estimated closure and post-closure cost liability of \$7 million is included in the recorded liability.

McCombs Landfill (TCEQ Permit 729A) – This landfill is currently accepting solid waste and capacity used is 23.60% at August 31, 2017. Closure and post-closure costs are estimated at \$44 million. The estimated closure and post-closure cost liability of \$10.4 million is included in the recorded liability.

Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Department of Environmental Services, an enterprise fund and part of the City will meet closure and post-closure care financial requirements.

Sections 330.280-286 of Title 30 of the Texas Administrative Code requires landfill owners to demonstrate financial assurance that they will have sufficient financial resources to satisfy closure and

NOTE 8. LONG-TERM OBLIGATIONS (continued)

post-closure care expenses at such time as these become payable. The regulations provide various means by which a municipality may demonstrate financial assurance. For the year ended August 31, 2017, the City met all of the financial tests required by the TCEQ and will demonstrate financial assurance to the TCEQ by way of the City’s most recent bond rating and/or financial ratios computed using 2017 audited financial statements.

The City owns and operates a transfer process facility for solid waste near Delta Street in El Paso (Delta Transfer Station – TCEQ Permit 728). Beginning in March 2000, Section 330.282 of Title 30, the *Texas Administrative Code*, administered by the TCEQ, required “a detailed written cost estimate, in current dollars, showing the cost of hiring a third party to close the process facility by cleaning up the litter and debris from the site and the equipment, hauling the litter and debris to an approved landfill and to render the facility closed by dismantling vital operational parts and locking up the facility.” At August 31, 2017, the estimated total cost of closure of the Delta Transfer Station is \$125,486 and is recognized as a liability in these financial statements.

NOTE 9. FUND EQUITY

Fund balance components of Governmental Funds are as follows:

	General Fund	CDBG	Debt Service	Capital Projects	Non-major Governmental Funds
Fund balances:					
Non-spendable					
Inventory and Prepaids	\$ 3,798,045	\$ —	\$ —	\$ —	\$ 170,824
Restricted					
Cash reserve	18,370,749	—	—	—	—
Debt Service	—	—	6,985,660	—	—
Municipal Court	—	—	—	—	3,886,051
Capital Projects	—	—	—	282,340,002	558,593
PEG	—	—	—	—	5,122,356
Civic Center	—	—	—	—	3,237,756
Public Works	—	—	—	—	162,140
Library	—	—	—	—	881,333
Police	—	—	—	—	3,635,130
Economic Development	—	—	—	—	6,722,120
PID #1	—	—	—	—	28,421
Public Health	—	—	—	—	10,567,072
Committed					
Parks	—	—	—	—	4,016,779
Economic Development	—	—	—	—	3,334,559
Mayor and Council	—	—	—	—	262,606
Museums	—	—	—	—	236,537
Animal Services	—	—	—	—	2,332,045
Fire	—	—	—	—	78,967
Police	—	—	—	—	1,892,302
Environmental Fee	—	—	—	—	2,332,772
Unassigned	22,651,640	(368,368)	—	—	(1,575,301)
Total fund balances	<u>\$ 44,820,434</u>	<u>\$ (368,368)</u>	<u>\$ 6,985,660</u>	<u>\$ 282,340,002</u>	<u>\$ 47,883,062</u>

NOTE 9. FUND EQUITY (continued)**El Paso International Airport**

The Airport has various assets that are restricted for specific use in accordance with an agreement with the United States Government entered into in 1950 whereby 1,907 acres of land were donated to the Airport. Any revenues derived from the sale, lease or other use of this land must be utilized for the development, improvement, operation and maintenance of the Airport subject to the approval of the Federal Aviation Administration. Earnings from invested funds may be used for the purposes previously described. Under this agreement, advances to other Airport funds for development and improvement of Airport facilities are permitted, subject to approval from the Federal Aviation Administration.

Business-type Activities

The balances of the restricted net position accounts in the enterprise funds are as follows:

Restricted by Federal Aviation Administration:	
Restricted for customer facility charge:	
El Paso International Airport	\$ 15,150,337
Restricted for passenger facilities:	
El Paso International Airport	3,150,891
Restricted for debt service	1,633,000
Total Restricted Net Position	<u>\$ 19,934,228</u>

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

A. Internal Service Funds

Provisions under various types of risk are presented below.

Internal Service Funds account for certain self-insured activities. These include Workers' Compensation, Group Health and Unemployment Compensation. The premiums are recognized as revenues in the Internal Service Funds and as expenditures or expenses in the governmental and proprietary fund types, as appropriate. Accruals for unpaid claims and claims incurred but not reported are reflected in the accompanying proprietary funds balance sheet as Claims and Judgments.

This provision is based upon City experience, including recoveries, since the inception of the insurance programs and represents the loss and an allocated loss expense. The total estimated claims payable at August 31, 2017, is \$16,033,064. There is no accrual required for unemployment compensation claims. The total claims liability reported in the Internal Service Funds at August 31, 2017, is based on

NOTE 10. RISK MANAGEMENT (continued)

the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. No settlements in excess of insurance coverage were made in any of the prior three fiscal years.

Changes in the Funds' claims liability amount in fiscal 2017 and 2016 were:

	Workers' Compensation	Group Health	Unemployment Compensation	Total
Claims Liability at August 31, 2015	\$ 12,637,547	\$ 3,499,399	\$ —	\$ 16,136,946
Incurred Claims	2,298,096	31,774,953	186,809	34,259,858
Payment on Claims	(2,660,913)	(31,732,656)	(186,809)	(34,580,378)
Claims Liability at August 31, 2016	12,274,730	3,541,696	—	15,816,426
Incurred Claims	2,220,836	31,791,702	283,833	34,296,371
Payment on Claims	(2,108,277)	(31,687,623)	(283,833)	(34,079,733)
Claims Liability at August 31, 2017	<u>\$ 12,387,289</u>	<u>\$ 3,645,775</u>	<u>\$ —</u>	<u>\$ 16,033,064</u>

B. General Liability Insurance

The City is self-insured for general, police officers and certain automobile liability, with the exception of the Mass Transit Department's fleet of vehicles, liability for the Airport, certain automobile liability and certain other catastrophic liability for which the City is insured. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City continues to carry commercial fidelity bonds for elected officials and for management.

C. Property and Casualty Insurance

Property, casualty, boiler and machinery insurance is provided by a commercial carrier.

D. Workers' Compensation Insurance

The City self-insures against workers' compensation claims.

NOTE 10. RISK MANAGEMENT (continued)**E. Group Health and Life Insurance**

The City maintains a group health insurance plan for active and retired employees and their eligible dependents through a self-insured plan of benefits. Aetna Inc. administers the plan. Reinsurance coverage limits the annual liability. Contributions to the fund are provided by both the City and participating Employees. A commercial carrier provides the group life insurance plan. Costs are recorded in the fund from which the employees' compensation is paid.

F. Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

NOTE 11. COMMITMENTS AND CONTINGENCIES**A. Litigation and Claims**

Claims and lawsuits against the City that are deemed as probable are estimated at an exposure range between \$500,000 and \$3,300,000. The City has accrued approximately \$865 thousand as of August 31, 2017 related to probable classified lawsuits.

B. Grants

The City has received Federal and State financial assistance in the form of grants and entitlements that are subject to review and audit by the granting agencies. Such audits could result in requests for reimbursement by the granting agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of City management, such disallowed costs, if any, will not be significant.

C. Other Bond Issues

On April 15, 2007, the City issued \$400,000 in Public Improvement District #1 special assessment revenue bonds. This bond is not a general obligation of the City and does not give rise to a charge against the general credit or taxing powers of the City. At August 31, 2017, the outstanding liability of these bonds is \$115,000.

NOTE 12. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The City sponsors and administers an informal single-employer defined benefit healthcare plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents unless the retiree is eligible for group health benefits coverage through another employer. The State of Texas has the authority to

NOTE 12. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

establish and amend the requirements of this statute. The City does not issue standalone financial statements of the healthcare plan but all required information is presented in this report.

Funding Policy: The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage is the same as the coverage provided to active City employees. Retirees pay premiums ranging from \$101.38 per month to \$2,200.86 per month depending on the coverage elected. The City’s adopted budget policy maintains that retirees must pay 45% of the cost of premiums and the City will fund the remaining 55%. Retirees are responsible for the full cost of coverage for their dependents who participate in the plan. The cost of retiree health care benefits is recognized on a pay-as-you-go financing method and is recorded as an expense in the Internal Service Self-Insurance Fund as liabilities are incurred. There were 834 retirees covered under this plan at August 31, 2017. Dependent coverage was provided for 179 of the retirees. Total benefits paid by the City for retirees during the fiscal year were \$9,939,924. Retirees contributed \$4,681,165 or 47% of the total current year cost.

Annual OPEB Cost and Net OPEB Obligation: The City’s annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 11,405,479
Interest on net OPEB obligation	4,023,412
Adjustment to annual required contribution	(5,488,967)
Annual OPEB cost	<u>9,939,924</u>
Total annual employer contribution (pay-as-you-go)	<u>4,681,165</u>
Increase in net OPEB obligation	5,258,759
Net OPEB Obligation - August 31, 2016	95,192,911
Net OPEB Obligation - August 31, 2017	<u><u>\$ 100,451,670</u></u>

The components of the annual required contribution (ARC) calculation reflecting a 30-year amortization period is as follows:

Normal cost	\$ 4,668,248
Amortization cost	6,737,231
Annual required contribution (ARC)	<u><u>\$ 11,405,479</u></u>

NOTE 12. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of August 31 is as follows:

Fiscal Year Ended August 31	Contributed OPEB Cost	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost	Net OPEB Obligation
2017	\$ 4,681,165	\$ 9,939,924	47.1%	9.9%	\$ 100,451,670
2016	4,156,177	9,939,924	41.8%	10.4%	95,192,911
2015	4,324,748	13,722,836	31.5%	15.3%	89,409,164

Funded Status and Funding Progress: The plan is self-funded, on a pay-as-you-go basis. The actuarial accrued liability for benefits was \$109,742,010, as of September 1, 2015, the most recent actuarial valuation date. The unfunded actuarial accrued liability (UAAL) remained \$109,742,010. The covered payroll was \$156,336,028 and the ratio of the UAAL to the covered payroll was 68%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based on the City’s rate of return on investments for 2015, and an annual healthcare cost trend rate of 5.9% for 2015 and then reduced by decrements of one-half percent annually to an ultimate rate of 3.9% after sixty years. Both rates included a 2.3% inflation assumption. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at August 31, 2016, was thirty years.

NOTE 13. PENSION PLANS

The employees of City of El Paso and EPWU participate in one of two single-employer defined benefit pension plans: the City Employees’ Pension Fund (CEPF) and the Firemen and Policemen’s Pension Funds (FPPF), which consists of separate divisions for firemen (FPPF-Firemen Division) and policemen (FPPF-

NOTE 13. PENSION PLANS (continued)

Policemen Division). Separate boards of trustees administer these pension plans as described in Note 1 (CEPF Board and FPPF Board, respectively).

The CEPF was established in accordance with authority granted by Chapter 2.64 of the El Paso City Code and is a component unit (fiduciary fund type) of the City. The FPPF was established in accordance with authority granted by Article 6243b of *Vernon's Annotated Texas Statutes* and is a component unit (fiduciary fund type) of the City. Each pension plan issues stand-alone financial statements that may be obtained from the respective funds' administrative offices.

The total for the City's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense is as follows:

	CEPF	FPPF		Total
		Firemen	Policemen	
Net pension Liability	\$ 222,668,655	\$ 172,030,405	\$ 228,117,336	622,816,396
Deferred outflows of resources				
Contributions	25,327,071	7,488,480	9,878,642	42,694,193
Change in Experience	1,789,449	4,861,579	—	6,651,028
Investment Earnings	33,507,665	33,955,492	48,200,549	115,663,706
Change in Assumptions	31,692,945	5,832,408	—	37,525,353
Deferred inflows of resources				
Change in Experience	19,171,396	—	5,169,233	24,340,629
Change in Assumptions	—	—	17,628,091	17,628,091
Pension Expense	\$ 32,595,276	\$ 31,243,160	\$ 35,958,585	\$ 99,797,021

The CEPF amounts include an allocated portion for the City (80.1%) and EPWU (19.9%).

A. Membership

Membership of each plan as of the measurement date consisted of the following:

	August 31, 2017	December 31, 2016	
	CEPF	FPPF-Firemen Division	FPPF-Policemen Division
Retirees and beneficiaries receiving benefits	2,863	900	1,036
Terminated plan members entitled to but not yet receiving benefits	141	4	15
Active plan members	4,217	776	1,028
Total	<u>7,221</u>	<u>1,680</u>	<u>2,079</u>

NOTE 13. PENSION PLANS (continued)**B. City Employees' Pension Fund****1. Plan Description**

Substantially all full-time employees of the City are eligible to participate in the retirement plan, except for uniformed firefighters and police officers who are covered under separate plans. Non-employer contributions are limited to participating employees of the CEPF.

The designated purpose of the CEPF is to provide retirement, death, and disability benefits to participants or their beneficiaries. The CEPF is administered by the CEPF Board, which is comprised of two citizens designated by the Mayor who are not officers or employees of the City, four elected City employees, a retiree, and two district representatives. The CEPF Board contracts with an independent pension custodian, investment managers, a pension consultant and an actuary to assist in managing the CEPF.

The City is the only contributing employer. The CEPF pays direct administrative costs. The City provides indirect administrative support such as office space, utilities, and payroll processing at no charge to the CEPF. The CEPF reimburses the City for various direct costs of processing pension checks, such as postage and supplies.

The CEPF is not required to maintain any legally required reserves.

Participation is mandatory for classified employees (except permanent part-time employees). For non-classified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the CEPF.

Members who were first participants prior to September 1, 2011, accrue benefits based on Tier I provisions as follows:

- Participants who leave the Plan before completion of five years of service receive a refund of their contributions. Participants leaving the Plan with more than five years but less than 10 years of service may receive a refund of their contributions plus interest at 5.5% compounded annually. Participants become fully vested after reaching 40 years of age and ten years of service or 45 years of age and seven years of service. Normal retirement is the earlier of: (i) 55 years of age with ten years of service, or (ii) 60 years of age with seven years of service or (iii) 30 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, or 2.5% of the average monthly base salary received by the employee during the year immediately prior to retirement, or 2.5% of the monthly base salary pay for the month immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus 0.2083 of 1% of such average for each additional completed or fractional part of a month of service.

NOTE 13. PENSION PLANS (continued)

Members who were first participants on or after September 1, 2011, accrue benefits based on Tier II provisions as follows:

- Participants who leave the Plan before completion of seven years of service receive a refund of their contributions. Participants leaving the Plan with more than seven years but less than 10 years of service may receive a refund of their contributions plus interest at 3% compounded annually. Participants become fully vested after reaching 45 years of age and seven years of service. Normal retirement is the earlier of: (i) 60 years of age with seven years of service, or (ii) 35 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.25% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, multiplied by the number of completed years of service, plus .1875 of 1% of such average for each additional completed or fractional part of a month of service, limited to 90% of the three-year average final pay.

2. Basis of Accounting

The accounting policies of the CEPF have been established to conform to GAAP for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The CEPF is accounted for on an economic resources measurement focus using the accrual basis of accounting.

The preparation of financial statements in conformity with GAAP requires the CEPF's management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

3. Method Used to Value Investments

Investments are stated at fair value in the accompanying statement of fiduciary net position. The fair value of marketable investments, including U.S. government securities, corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at statements of fiduciary net position dates. The fair value of investments in bank collective investment funds, commingled funds, real estate investment funds and private equity limited partnerships are determined by the investment managers based on the fair values of the underlying securities in the funds. In general, the fair value of the underlying securities held in the real estate investment funds are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter. In general, the fair value of the underlying securities held in the private equity limited partnerships are based on ASC 820 - *Fair Value Measurements and Disclosures*, and limited partnership financial statements are audited by independent certified public accountants. Bank collective investment funds are governed by Section 9.18 of Regulation 9 issued by the Office of Comptroller of the Currency and by other applicable regulations as defined by the Mellon Bank, N.A. Employee Benefit Collective Investment Fund Plan.

NOTE 13. PENSION PLANS (continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation (depreciation) in fair value of investments reflected in the accompanying statements of changes in fiduciary net position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. The change in net unrealized gains or losses on investments represents the change in the difference between the cost and fair value of investments at the beginning versus the end of the fiscal year.

4. Concentration of Investments

The following table presents the fair value of investments that represent 5% or more of the CEPF's net position available for benefits at August 31, 2017. These investments were in bank collective investment and commingled funds, which consist of diversified portfolios of investments as described above, and none of these investments consist of any one company holding 5% or more of the total investment.

August 31, 2017	Shares/ Par Value	Fair Value
EB MCM Daily Valued International Specialized Investment Fund		
Mellon Capital Management Corporation	135,488	\$ 60,090,017
EB MCM Daily Valued Stock Index Fund		
Mellon Capital Management Corporation	18,995	\$ 66,081,007
EB MCM Daily Valued Dynamic U.S. Equity Fund		
Mellon Capital Management Corporation	187,489	\$ 50,171,937
Allianz Structed Alpha 1000 Plus LLC		
Allianz Structed Alpha 1000 Plus LLC	57,584,830	\$ 57,584,830

5. Contributions Required and Contributions Made

Contribution rates for the CEPF are based upon local statutes and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial accrued liability (using entry-age-normal cost method) over thirty years. As of the most recent actuarial valuation, the contribution rate was 23.00% of annual covered payroll.

Contributions for the year ended August 31, 2017, were made as follows:

	Amount	Stated Percentage of Covered
Employer Contributions	\$ 25,327,071	10.81%
Employee Contributions	15,154,341	12.19%
	<u>\$ 40,481,412</u>	<u>23%</u>

NOTE 13. PENSION PLANS (continued)**6. Securities Lending Transactions**

The CEPF enters into securities lending transactions with broker/dealers for which fees are paid to the Fund and are recognized as revenue during the periods in which they were loaned. The Board may legally and contractually authorize the use of the Fund's securities for lending transactions. The securities involved in the lending transactions continue to be recorded at fair value in the accompanying financial statements. Parameters are established by the Fund's investment guidelines for securities lending transactions. These guidelines require that all securities lending occur with specified broker/dealers and that securities lending transactions be collateralized using U.S. issuer securities at 102% and non-U.S. issuer securities at 105% of the fair value of the securities loaned. U.S. issuer securities used as collateral are marked to market on a daily basis to evaluate whether the collateralization requirements of the fair value of investments is always maintained. The Fund may not pledge or sell the collateral securities except on default of the borrower and therefore are not recorded as assets in the accompanying financial statements. Because of this, the Fund administration believes there is some minimal credit risk associated with securities lending transactions. There is no loss indemnification provided to the Fund by the investment managers or broker/dealers.

7. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the August 31, 2016 rolled forward to August 31, 2017, actuarial valuation, the entry age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), projected salary increases of 3.50%, which includes an inflation rate of 3.50% and no costs of living increases. The remaining amortization period at August 31, 2016, was 20 years using a level percent, open basis, amortization period. The mortality assumption was based on the RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 tables for Disabled Lives backed off to 2006. Retirement, disability, and termination rates were adjusted to reflect experience.

NOTE 13. PENSION PLANS (continued)**7. Actuarial Methods and Assumptions (continued)**

The long-term expected rate of return on pension fund investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the CEPF's target asset allocation as of August 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	1.69%
Domestic equity	9.41%
International equity	7.84%
Real estate	6.46%
Alternatives	7.39%

8. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

The City's net pension liability as of August 31, 2017 was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016 rolled forward to August 31, 2017.

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the respective fiscal years ended, are as follows for the City Employees' Pension Plan in total and as apportioned to the City and EPWU, as determined by the City at August 31, 2017:

NOTE 13. PENSION PLANS (continued)

Changes in Net Pension Liability - City of El Paso

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 09/01/16	\$ 895,443,777	\$ 700,388,169	\$ 195,055,608
Changes for the year:			
Service Cost	23,021,764		23,021,764
Interest on total pension liability	66,845,529	—	66,845,529
Difference between expected and actual return	(22,728,241)	—	(22,728,241)
Changes in assumptions	37,572,898		37,572,898
Benefit Payments	(54,383,629)	(54,383,629)	—
Employer contributions	—	23,370,111	(23,370,111)
Plan Member contributions	—	14,886,249	(14,886,249)
Net investment income	—	40,260,073	(40,260,073)
Administrative expense	—	(1,417,530)	1,417,530
Net Changes	50,328,321	22,715,274	27,613,047
Balances as of 8/31/17	\$ 945,772,098	\$ 723,103,443	\$ 222,668,655

Changes in Net Pension Liability - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 09/01/16	\$ 717,250,466	\$ 561,010,923	\$ 156,239,543
Changes for the year:			
Service Cost	18,440,433	—	18,440,433
Interest on total pension liability	53,543,269	—	53,543,269
Difference between expected and actual return	(18,205,321)	—	(18,205,321)
Changes in assumptions	30,095,891		30,095,891
Benefit Payments	(43,561,287)	(43,561,287)	—
Employer contributions	—	18,719,459	(18,719,459)
Plan Member contributions	—	11,923,885	(11,923,885)
Net investment income	—	32,248,318	(32,248,318)
Administrative expense	—	(1,135,442)	1,135,442
Net Changes	40,312,985	18,194,933	22,118,052
Balances as of 8/31/17	\$ 757,563,451	\$ 579,205,856	\$ 178,357,595

NOTE 13. PENSION PLANS (continued)

Changes in Net Pension Liability - EPWU			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 09/01/16	\$ 178,193,312	\$ 139,377,246	\$ 38,816,066
Changes for the year:			
Service Cost	4,581,331	—	4,581,331
Interest on total pension liability	13,302,260	—	13,302,260
Difference between expected and actual return	(4,522,920)	—	(4,522,920)
Changes in assumptions	7,477,007		7,477,007
Benefit Payments	(10,822,342)	(10,822,342)	—
Employer contributions	—	4,650,652	(4,650,652)
Plan Member contributions	—	2,962,364	(2,962,364)
Net investment income	—	8,011,755	(8,011,755)
Administrative expense	—	(282,087)	282,087
Net Changes	10,015,336	4,520,342	5,494,994
Balances as of 8/31/17	<u>\$ 188,208,648</u>	<u>\$ 143,897,588</u>	<u>\$ 44,311,060</u>

Sensitivity to Interest Rate Changes: The following presents the resulting net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 334,907,282	\$ 222,668,655	\$ 128,639,579

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended August 31, 2017, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$26,108,816 for the City and \$6,486,460 for EPWU, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the City Employees' Pension Plan in total and as apportioned to the City and EPWU, as determined by the City at August 31, 2017:

NOTE 13. PENSION PLANS (continued)

City Employees' Pension Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 1,789,449	\$ 19,171,396
Difference between expected and actual investment earnings on plan investments	33,507,665	—
Change in Assumptions for Pensions	31,692,945	—
Contributions subsequent to the measurement date	25,327,071	—
Total City Employees' Pension Plan	<u>\$ 92,317,130</u>	<u>\$ 19,171,396</u>

City	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 1,433,349	\$ 15,356,288
Difference between expected and actual investment earnings on plan investments	26,839,640	—
Change in Assumptions for Pensions	25,386,049	—
Contributions subsequent to the measurement date	18,857,276	—
Total City	<u>\$ 72,516,313</u>	<u>\$ 15,356,288</u>

EPWU	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 356,100	\$ 3,815,108
Difference between expected and actual investment earnings on plan investments	6,668,025	—
Change in Assumptions for Pensions	6,306,896	—
Contributions subsequent to the measurement date	6,469,795	—
Total EPWU	<u>\$ 19,800,817</u>	<u>\$ 3,815,108</u>

An amount of \$25.3 million reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2017.

Other amounts reported as deferred outflows and inflows of resources to the plan will be recognized in pension expense as follows:

Ending August 31	
2018	\$ 8,079,779
2019	7,934,690
2020	19,107,929
2021	4,647,708
2022	2,323,108
Thereafter	906,009
Total	<u>\$ 42,999,223</u>

C. Firemen and Policemen’s Pension Fund

1. Plan Description

The designated purpose of the FPPF is to provide retirement, death and disability benefits to participants or their beneficiaries.

NOTE 13. PENSION PLANS (continued)**1. Plan Description (continued)**

The FPPF is a defined benefit pension plan covering uniformed firefighters and police officers employed by the City of El Paso. Non-employer contributions are limited to participating employees. The City of El Paso is the only participating employer. The City's contributions to the FPPF are limited to 18.50% of compensation as provided by the City Charter. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of the legal funding limitations.

The FPPF – Firemen Division is a defined benefit, contributory retirement plan covering uniformed employees of the Fire Department. Participants are required to contribute 15.28% of their compensation to the FPPF.

The FPPF – Policemen Division is a defined benefit, contributory retirement plan covering uniformed employees of the Police Department. Participants are required to contribute 13.89% of their compensation to the FPPF.

Under both divisions, membership is mandatory and effective upon commencement of the probationary period. Participant contributions are not refunded if a participant terminates with less than five years of service and all benefits under the FPPF are terminated. Participant contributions (without interest) are refunded upon request if a participant terminates with five or more years of service but less than twenty years of service. All benefits under the FPPF are terminated if contributions are refunded.

Upon completion of ten or more years of service, a participant may terminate his service for reasons other than disability or death and receive a pension commencing at age fifty or immediately upon date of termination of service if at least fifty years of age at the time of termination. The pension benefit is equal to 2.75% times final compensation, times the number of years of service, not to exceed twenty-eight years. Normal retirement occurs when employees reach age forty-five and have twenty years of service. Retirement benefits are computed based upon 2.75% of the participant's final compensation times the number of years of service, not to exceed 77% of a participant's final compensation. A reduced pension benefit is permitted with twenty years of service and before age forty-five. The pension benefit is equal to 2.75% times final compensation times the number of years of service, not to exceed twenty-eight, multiplied by the appropriate actuarial reduction factor.

Final compensation is based upon the participant's highest wages in any calendar month within the 12 months preceding retirement excluding overtime pay. Except for disability pensions, a participant's final rank must have been held for at least six months in order to use the monthly pay at the higher rank. A surviving spouse receives 100% of the retiree's pension subject to certain provisions. A participant may receive disability benefits resulting from a total and permanent disability from an injury in the line of duty or any injury not due to the member's own fault. The disability benefit is equal to 2.75% of final compensation times the number of years of service, not to exceed twenty-eight years, with a minimum benefit of 50% of final compensation. Cost-of-living adjustments are granted to individuals retiring after March 23, 1980, subject to applicable waiting periods, except for deferred retirees. Participants who are fifty years old and have twenty and one-half years of service may elect the Back Deferred Retirement Option Program (Back DROP). The

NOTE 13. PENSION PLANS (continued)**1. Plan Description (continued)**

Back DROP benefit is a lump sum payment and a reduced monthly benefit. The Back DROP period must be at least six months and not more than thirty-six months.

The FPPF is maintained under the provisions of Article 6243b of Vernon's Annotated Texas Statutes. All current FPPF provisions are set forth in the City of El Paso Firemen and Policemen's Pension Fund Plan Document as Restated Effective July 1, 2007. Benefit provisions, contribution obligations and funding policy of the Fund are established and amended in accordance with authority granted by Article 6243b of Vernon's Annotated Texas Statutes. The costs of administering the Fund are paid out of the Fund's assets. The complete Plan Document containing benefit and vesting provision in their entirety is available at the Pension office.

2. Basis of accounting

The accounting policies of the Fund have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting.

3. Valuation of investments

Investments are stated at fair value in the accompanying statements of fiduciary net position. The fair value of marketable investments is determined by the latest bid price, closing exchange price at year end, institutional bid evaluation or net asset value (NAV) as considered appropriate for each investment type by the Custodian. The estimated fair value of alternative investments is based on the most recent valuations provided by the external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Third - party investment managers administer substantially all marketable securities of the Fund. Gains and losses resulting from securities transactions are recorded in investment income.

Purchases and sales of securities are recorded on a trade - date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex - dividend date.

Net change in fair value of investments reflected in the accompanying statements of changes in fiduciary net position available for benefits represents the net realized and unrealized gains or losses on investments, which equals the difference between the cost and the market value of investments at the beginning versus the end of the year, plus or minus gains or losses realized during the year.

NOTE 13. PENSION PLANS (continued)**4. Contributions Required and Contributions Made**

Funding policies providing for periodic employer contributions are determined by City Charter, and employee contributions as established by the Board of Trustees and a vote of active participants in accordance with Article 6243b (Act) of Vernon's Annotated Texas Statutes.

Actuarial valuations are prepared biennially for the Fund.

In the event, based upon the results of the actuarial valuations, a qualified actuary determines that the total contribution rate is insufficient to amortize an unfunded actuarial accrued liability, the City's governing body may increase its contribution rate.

Based upon the results of the actuarial evaluations, if present contribution requirements are insufficient to accumulate sufficient assets to amortize the unfunded actuarial accrued liability, the FPPF's Board of Trustees, after approval by secret ballot of the rank and file policemen or firemen, could increase participant contributions or decrease participant benefits to maintain the actuarial integrity of the system. The City's contribution is determined by a formula set forth in the City Charter.

Employer contributions for the year ended August 31, 2017 were \$11,295,350 and \$14,486,842 for the Firemen and Policemen Divisions, respectively.

5. Securities Lending Transactions

The Fund is authorized to enter into securities lending transactions under Texas State Statutes Section 2256.0015. The Fund has a securities lending agreement with its custodian under which Fund owned investments are lent to one or more borrowers for a fee. The lending agent is responsible for collecting required collateral in the form of U.S. dollar cash, securities issued or guaranteed by the United States Government or its agencies or instrumentalities, or irrevocable letters of credit issued by banks independent of the borrowers.

The lending agent is authorized to enter into securities lending transactions of U.S. and non-U.S. securities in accordance with the terms of a securities lending authorization agreement. The lending agent is authorized to lend the Fund's securities to one or more borrowers, as appropriate, but limited to only central approved borrowers.

The lending agent has indemnified the Fund harmless from any losses, damages, costs or expenses the Fund may incur if the lending agent is unable to recover borrowed securities or distributions made during the term of the loans with respect to those securities as a result of the lending agent's failure to make a reasonable determinations of the creditworthiness of a borrower, demand adequate and appropriate collateral on a timely basis or to perform its duties under the agreement with the Fund. The agreement states that collateral must have a market value equal to no less than 100% of the market value of the borrowed securities.

Each business day, the lending agent and the Fund determine the market value of the collateral and the borrowed securities. If on any business day the market value of all the collateral is less than the required value, the lending agent will demand from the borrower, additional collateral so

NOTE 13. PENSION PLANS (continued)

5. Securities Lending Transactions(continued)

that the market value of the additional collateral, when added to the market value of the collateral previously delivered to the lending agent equal the required value. If on any business day the market value of all the collateral is greater than the required value, the lending agent will, upon request from the borrower, redeliver the borrower such amount of collateral selected by the borrower so that the market value of all collateral equals the required value. The Fund’s security lending policy requires investment grade securities. Cash collateral received from the borrower is subsequently reinvested in a securities lending collateral investment pool. As of December 31, 2016, the Fund’s securities lending obligation exceeded the fair value of the underlying securities resulting in no credit risk for the Fund.

The following tables summarize the fair value measurements of lent securities, cash collateral received, and the fair value of the reinvested cash collateral as of December 31, 2016:

Fair Value of Underlying Securities	2016	
	Collateral Received	Collateral Investment Value
\$ 80,070,729	\$ 82,219,120	\$ 82,623,373

6. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the January 1, 2016 actuarial values were based on the results of an experience study for the six-year period ending December 31, 2015. For the January 1, 2016 actuarial valuations used in the determination of the total pension liability at December 31, 2015, the measurement date, the entry age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), projected salary increases of 3% , which includes an inflation rate of 3%. A 3% cost of living adjustment is provided at age 60 or on the fifth anniversary of the pension

NOTE 13. PENSION PLANS (continued)**6. Actuarial Methods and Assumptions (continued)**

commencement. Mortality rates were based on the RP-2014 employee tables with Blue Collar adjustment projected to be 2030 using scale BB. Mortality rates for the disabled participants are based on the RP-2014 Tables for Disable Lives.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

	Long-term Expected Real Rate of Return	Target Allocation
Equities		
Large cap domestic	6.07%	19.25%
Small cap domestic	6.11%	8.25%
International developed	6.41%	22.50%
Emerging markets	7.69%	5.00%
Real estate	4.00%	10.00%
Private equity	6.50%	10.00%
Fixed Income		
Domestic core	1.88%	20.00%
Bank loans	2.50%	5.00%

7. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

NOTE 13. PENSION PLANS (continued)

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended August 31, 2017 were as follows:

Firemen Division			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of August 31, 2016	\$ 667,792,887	\$ 505,209,625	\$ 162,583,262
Changes for the year:			
Service cost	12,311,426	—	12,311,426
Interest (on the total pension liability)	51,423,417	—	51,423,417
Difference between expected and actual experience	—	—	—
Contributions by the City	—	11,295,350	(11,295,350)
Contributions by the firefighters	—	9,183,060	(9,183,060)
Net investment income	—	34,732,553	(34,732,553)
Benefit payments	(33,152,701)	(33,152,701)	—
Administrative expenses	—	(923,263)	923,263
Assumption changes	—	—	—
Other	—	—	—
Net Changes	30,582,142	21,134,999	9,447,143
Amounts as of August 31, 2017	\$ 698,375,029	\$ 526,344,624	\$ 172,030,405

Policemen Division			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of August 31, 2016	\$ 952,670,741	\$ 740,006,100	\$ 212,664,641
Changes for the year:			
Service cost	17,694,637	—	17,694,637
Interest (on the total pension liability)	73,399,505	—	73,399,505
Difference between expected and actual experience	—	—	—
Contributions by the City	—	14,486,842	(14,486,842)
Contributions by the police	—	11,081,648	(11,081,648)
Net investment income	—	50,933,392	(50,933,392)
Benefit payments	(46,549,983)	(46,549,983)	—
Administrative expenses	—	(860,435)	860,435
Assumption changes	—	—	—
Other	—	—	—
Net changes	44,544,159	29,091,464	15,452,695
Amounts as of August 31, 2017	\$ 997,214,900	\$ 769,097,564	\$ 228,117,336

Sensitivity to Interest Rate Changes: The following presents the resulting net pension liability calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

NOTE 13. PENSION PLANS (continued)

Firemen Division		
1% Decrease (6.75%)	Current Single Rate Assumption (7.75%)	1% Increase (8.75%)
\$ 270,920,309	\$ 172,030,405	\$ 91,926,789

Policemen Division		
1% Decrease (6.75%)	Current Single Rate Assumption (7.75%)	1% Increase (8.75%)
\$ 371,317,396	\$ 228,117,336	\$ 112,240,965

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan

For the year ended August 31, 2017, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$31,243,160 for firemen's and \$35,958,585 for policemen's, and reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Firemen Division		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 7,488,480	\$ —
Net difference between projected and actual earnings on pension plan investments	33,955,492	—
Change in Assumptions	5,832,408	—
Differences between expected and actual experience	4,861,579	—
	<u>\$ 52,137,959</u>	<u>\$ —</u>

Policemen Division		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 9,878,642	\$ —
Net difference between projected and actual earnings on pension plan investments	48,200,549	—
Changes in assumptions	—	17,628,091
Differences between expected and actual experience	—	5,169,233
	<u>\$ 58,079,191</u>	<u>\$ 22,797,324</u>

\$17,367,122 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2017.

NOTE 13. PENSION PLANS (continued)

Other amounts reported as deferred outflows or deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending August 31	Policemen Division	Firemen Division
2018	\$ 11,589,754	\$ 14,394,955
2019	11,589,756	14,394,953
2020	6,280,100	10,739,590
2021	(4,056,385)	2,896,478
2022	—	2,117,621
Thereafter	—	105,882
	<u>\$ 25,403,225</u>	<u>\$ 44,649,479</u>

NOTE 14. TAX ABATEMENTS

The City of El Paso provides 380, 351 and 312 incentive agreement opportunities for projects for new or expanding businesses. Consideration for financial incentives is given if any business or commercial development project substantially enhances economic health of the City, if results create a net increase or retention of quality jobs, adds to the tax base, improves or enhances economic welfare of residents or businesses of the city, or demonstrates the potential to generate revenues to the City which outweigh costs associated with incentives. Projects must demonstrate public purpose, economic benefit, increase private capital investment in the community, or encourage development in targeted city locations, businesses or clusters that enhance the City’s economy.

Businesses must provide solid evidence of financial stability and capacity to complete the project, must be in compliance with all local, state and federal laws and must be current on all city taxes and any other obligation to the City of El Paso.

A. City of El Paso Incentives Policy, Guidelines and Criteria

1. Qualification Criteria

Projects are required to meet qualifying standards in at least one of four (4) categories detailed in the 2015 City of El Paso Incentives Policy - Guidelines and Criteria in order to be eligible for incentives:

- Category 1: Related to Quality Jobs to be eligible for a 40% grant.
- Category 2: Related to Business Type - Target Industry Cluster to be eligible for a grant up to 50%.
- Category 3: Related to Capital Intensive Projects. Guidelines in the policy for specified percentage of jobs above the Median County Wage and specified ranges of Capital Investment, companies may be eligible for grants ranging between 50% to 70%
- Category 4: Related to Retail Development / Destination Retail / Retail Distribution Center to be eligible for up to a 100% rebate on the city’s portion of property taxes (incremental to base year value) and or up to 100% rebate on the city’s portion of sales taxes.

NOTE 14. TAX ABATEMENTS (continued)**2. Bonus Incentives**

Additionally, up to a 50% rebate may also be available to those companies that meet at least one of the qualifying policy-specific criteria detailed in the 2015 City of El Paso Incentives Policy - Guidelines and Criteria related to company location, corporate headquarter operations and minimum personnel employed, research and development, employment of veterans, collaboration or business partnerships with higher education institutions or technical institutions, and wages.

3. Economic Development Incentives

Upon completion of an economic impact analysis, the Economic & International Development Department will consider and recommend projects for incentives. The incentive of choice is the Chapter 380 Agreement. However, the City reserves the right to use any other source (City, State, Federal, Foundation, etc.) in the award of incentives. Generally, tax abatements/rebates and Chapter 380 agreements will not be used simultaneously unless the revenue stream from which the Chapter 380 agreement is paid and derived from sources other than property tax. Agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salary levels being met and shall contain recapture clauses in the event that such conditions are not met. In most cases, incentives will be limited to 50% of the calculated direct, indirect, and induced benefit (excluding any bonus incentives earned) unless extraordinary benefit can be shown. All incentive packages will be limited to 100% of the real property taxes actually collected in any given year unless approved by specific council action. Final percentages of all grants are at the sole discretion of the City Council.

4. Ineligible and Restricted Areas or Uses:

Projects that have been issued a building permit, including any conditional permits or projects that do not meet the Wage Requirements, except as specified in City's Incentive Policy Qualification Criteria are not eligible for incentives.

B. Incentive Programs Available

Incentives are available for projects that demonstrate the potential to generate revenues which outweigh costs associated with incentives through Infill Development (380 and 312) Incentive Agreements, El Paso "Strategic" Agreements, El Paso Multi-Family Agreements, and Transit Oriented Development Incentive Agreements, which was adopted by City Council, replacing the El Paso Sustainable City Centers Incentives (SCCI) Policy, on May 30, 2017. While several SCCI Agreements remain active, no future funding will be available through SCCI Agreements. Incentives are considered on a case-by-case basis and approved at the discretion of the City Council.

1. Infill Development Incentive (380 and 312) Agreements

Effective May 30th, 2017, The City Council repealed and replaced the original Infill Development Policy. The purpose of the City's Infill Development Incentive Policy is to provide financial incentives to develop vacant and underutilized properties within the City limits, in accordance with Title 20 of the City Code. The City Council adopted a revised Infill Development Incentive Policy to promote infill development through Construction Materials Sales Tax Rebates, Property Tax Rebates, Lien Waivers, and Building Construction Fee Rebates for eligible projects meeting specific criteria.

NOTE 14. TAX ABATEMENTS (continued)

Chapter 312 components are usually attached to a Chapter 380 agreement. The Applicant/Property Owner of the taxable property must file an Application for Infill Development Incentives with the City of El Paso, Economic & International Development Department.

Eligibility Criteria

To be eligible for incentives under this policy, the property must meet the definition for infill development per Section 20.02.471 of the City Code, the property must be located within the jurisdiction limits of the City and the property must meet the location criteria, as per Subsection 20.10.280(B) of the City Code and must adhere to the criteria listed under the Program Policy. Any project proposing development activity defined in Subsection 20.10.280(K) of the City Code shall not be eligible for incentives contained herein.

Program Policy

Project consideration includes the potential impact of the reinvestment project on the immediate and surrounding area. The proposed infill development project must meet the mandatory design and no less than three (3) of the selective design requirements specified in Subsection 20.10.280 of the City Code. In addition projects will also be evaluated on criteria specified in the City of El Paso Infill Incentive Policy "Impact Fund" related to minimum investment and construction/rehabilitation of Brownfield or Greyfield development.

The project must show the potential to generate revenues to the City that outweigh costs associated with incentives through the retention or increase in jobs, adding to tax base, additional rental housing units, or proof of improvement of the economic welfare for residents or businesses. The applicant/property owner must prove they neither caused nor contributed to the present blighted condition, must prove financial stability to complete the project, must be in compliance with all local, state and federal laws, and must be current on taxes and obligations to the City. The project must not include the demolition of properties with an historic overlay. Brownfield and Greyfield projects are subject to a minimum \$200,000 investment.

Supplemental Benefits**Lien Waivers**

Available in conjunction with receipt of a direct finance incentive contract, the Applicant/Property Owner receives release of liens which are attached to properties as the result of condemnation, demolition, sanitation, or other city-imposed non-property tax liens, excluding Community Development or other federally-funded liens. Release of liens would only be allowed in consideration for the Applicant's investment in construction/rehabilitation of eligible facilities and waived only upon the sale of the property to a new owner, and confirmation that the Applicant/Property Owner did not contribute to the liens being attached to the property.

Exclusions

Proposed development for any existing project, not meeting zoning standards, any greenfield development, additions to existing structures on lots restricted to single family residential use, that does not increase the density, or structures that encroach into required setbacks built without permits shall not be eligible for incentives.

NOTE 14. TAX ABATEMENTS (continued)

- **Infill 380 Agreements:**

The City of El Paso is authorized to provide sales tax rebate benefits in accordance with Chapter 380 of the Texas Local Government Code, allowing the City to make loans or grants of public funds for the purposes of promoting local economic development and stimulating business and commercial activity within the City of El Paso.

The Sales Tax Rebate Program (for Construction Materials) is an economic development tool designed to provide incentives for the new construction or renovation of Commercial, Industrial, Retail and Multi-Family facilities that are considered infill development. A 100% rebate of the City's (1%) portion of sales tax used on materials and labor that has been remitted to the City's general fund, for construction is available for investments on eligible properties that are equal or greater than the CAD value of the property.

A Chapter 380 rebate contract will be executed if the City concludes that such development will advance the City's revitalization strategy for future growth and results in the creation of additional jobs in the City, the value of such benefits to the City outweighing the amount of the rebate the City will provide under the agreement.

The Applicant/Property Owner's eligibility for any payment is contingent upon satisfying the requirements of the agreement and demonstrating they have not incurred any delinquent taxes by providing certified city tax certificates for each parcel of property owned in the City of El Paso. A rebate package must be submitted no more than once a year during the term of the contract along with documentation of qualified expenditures incurred in the construction of the development and the applicant has paid or caused to be paid all the City's local sales and use taxes associated with the qualified expenditures.

- **Infill 312 Agreements**

The City of El Paso is authorized to provide property tax rebates in accordance with the State of Texas Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code. This Infill Development Incentive Policy was adopted as a supplemental policy to provide financial incentives to develop vacant and underutilized properties within the City limits, in accordance with the standards established within Title 20 of the City Code, through property tax rebates for eligible projects meeting certain criteria.

The purpose and intent of this program is to serve as an economic development tool to assist and encourage certain types of real and personal property investments. Applicants must meet all of the general and qualifying criteria in the City's Incentive Policy, and provide "added value" to a property in which the minimum property value is established by the provision in that policy. The tax abatement will be a percentage based upon the increased value of the Real Property over the value in the base year. When eligible entities have submitted evidence that all requirements have been met, the City will notify the Central Appraisal District and the tax abatement will be applied.

Applicant/ Property Owners are required to comply with procedural guidelines. The submittal of a detailed site development plan is required in accordance with Title 20 of the City Code to be reviewed by the City's Planning Division. Consideration will be given by the City Manager or designee. When authorized by City Council, the City may enter into a Chapter 380 and/or Chapter 312 agreement. A pre-submission conference will be required for projects receiving incentives

NOTE 14. TAX ABATEMENTS (continued)

through the Planning and Inspections Department to review proposed development and provide proper instruction for permitting of the project.

If a project is not completed as specified, or if the terms of the agreement are not met, the City has the right to cancel or amend the incentive agreement, recapture any rebated or exempted taxes, and assess penalty payments for the amounts previously secured by City liens against the property.

With the exception of one, all Infill agreements have received a Chapter 312 tax abatement component attached to their Chapter 380 Agreement.

2. El Paso Strategic Agreements

A portion of the City’s 380 agreement portfolio is dedicated specifically to the strategic advancement of developments which will induce the investment of private resources in productive business enterprises designed to provide employment and training to residents and economically disadvantaged individuals. This portion of the portfolio contains incentives that will contribute to the achievement of City plans for development and revitalization of specific areas and target industries. “Strategic” agreements serve to improve the visual impression of the community, stabilize and expand El Paso’s tax base, and create innovative recreational, educational and cultural opportunities. Applicants must meet all of the general and qualifying criteria in the City’s Incentive Policy Guidelines and Criteria. Approved incentives may include a rebate of a percentage of personal and real property taxes and/or a rebate of a percentage of City’s 1% sales and use tax revenues.

With a few exceptions, the majority of Strategic Agreements are for the purpose of job retention, expansion, and additional job creation. Exception Agreements approved have included Multi-Family Unit Project (New Smart Code Development), Development on Blighted Lot, Target Industry, and Training and Health Care Development.

Additional Incentives

There are a select number of commercial businesses that have been selected to receive additional incentives:

Chapter 351 Hotel Occupancy Tax (H.O.T.) Rebates:

Chapter 351 of the Texas Tax Code states that revenue from the municipal hotel occupancy tax may be used to promote tourism and the convention and hotel industry within defined parameters. Use is limited to the acquisition of sites for the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention centers facilities or visitor information centers, or both; Furnishings of facilities personnel, and material for the registration of convention delegates or registrants and advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity.

Impact Fund Chapter 380 Agreements:

The City of El Paso Economic Development Incentive Policy Impact Fund (“Impact Fund”) was adopted for the purpose of creating, attracting and retaining high wage jobs in El Paso, focusing on targeted industry clusters that make a measurable difference in achieving economic growth and development, wage growth, and expanding the tax base within the City of El Paso. Promoting commercial investment in the renovation, restoration, and rehabilitation of properties and new

NOTE 14. TAX ABATEMENTS (continued)

development and construction utilizing the design guidelines described within Plan El Paso, the City of El Paso’s Comprehensive Plan within the downtown 2015 Plan area (adopted by City Council on October 31, 2006 and incorporated into the Comprehensive Plan pursuant to the provisions of Section 213.002 of the Texas Local Government Code).

Objectives

Impact Fund

The objectives of the Impact Fund are to dedicate 75% of the annual fund to assist the Medical Center of the Americas (MCA) Foundation and other key stakeholders to create one or more life sciences campuses.

The remaining portion of the fund (25%) is reserved for allocation to support entrepreneurship and innovation economic development strategies to create and assist technology-based and/or high growth, scalable businesses; or serve as a “deal closing fund” to assist those companies that will make significant investments in capital and human resources, where some incentives are important to a location or expansion decision, or promote commercial investment in the renovation, restoration, and rehabilitation and new development and new construction in Downtown El Paso, or create a workforce in El Paso that will meet the needs of target industries.

Approved in 2010, Impact Fund resources are derived from an incremental increase (0.75%) in the El Paso Electric Company franchise fee paid to the City of El Paso and projects are considered on a case-by-case basis with approval by City Council. Projects which do not leverage proceeds from this fund with other non-city resources will not be given consideration.

Sustainable City Centers Objectives (Repealed May 30, 2017):

The Sustainable City Centers (SCCI) Fund was repealed on May 30, 2017 and replaced with the Transit Oriented Development Incentive Policy. SCCI was a separate funding source intended to supplement downtown construction projects eligible for property tax rebates and other grants and subsidies approved by the City Development Department. SCCI Funds made available for projects under this policy were limited to those funds stemming from the City’s Community Adjustment and Investment Program Fund and utilized before Impact Funds are utilized for such projects. Several SCCI Agreements remain active. However, no future funding will be available through SCCI Agreements.

Medical Center of the Americas

The City of El Paso considers the economic growth and development of the Medical Center of the Americas (MCA) campuses as the top priority for funding. The City has designated a significant portion of the Annual Impact Fund allocation for use in one or more of the following manners so long as the activity to be funded has a nexus to an economic development purpose:

- Creation of a “research and technology commercialization institute” will be housed in the MCA Foundation research facility.
- Acquisition by the City of real property, in and around the MCA area, ensures land availability as the health sciences/research center expands.
- Attract life sciences companies to the MCA area and/or expansion within the MCA area.

NOTE 14. TAX ABATEMENTS (continued)

- Projects which propose to fund or engage in collaborative research with local institutions of higher education; specifically those collaborations that will assist UTEP to increase biomedical research capacity to accelerate its progress toward achieving Tier One status and Texas Tech Paul Foster School of Medicine to realize its goal of becoming an independent health sciences university.

Quality Jobs and Investment Grants

Other projects may be considered on a case by case basis depending on funding availability upon a completion of an economic impact analysis.

Qualifying Employment Projects

Grant agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salaries levels being met and may contain recapture clauses in the event that such conditions are not met. Generally, grants are available for up to five years. However, projects which exhibit extraordinary benefit may be eligible for grants up to 10 years. All grants are subject to fund availability. All qualifying projects will be evaluated on criteria specified in the City of El Paso Economic Development Incentive Policy “Impact Fund”, executed on August 27th 2013. Grants will be awarded at the sole discretion of City Council and the yearly grant amount will be calculated by a simple formula, multiplying the yearly payroll and investment by 0.0025.

Downtown Construction Projects

A grant, subsidy, or property tax rebate of up to 100% of the City’s incremental ad valorem property taxes over the base year for a period of up to ten (10) years may be granted to a property owner if the proposed renovation or new construction project meets requirements specified in the City of El Paso Economic Development Incentive Policy “Impact Fund”, executed on August 27, 2013.

Workforce Creation

A grant or subsidy may be provided for a period up to five (5) years to an organization that engages in a workforce creation project that provides training, leading to a Bachelor’s Degree, Associates Degree, and/or Licensed Certification in one of the Targeted Industries and/or in the field of education with a focus on science, math, or bilingual education if the applicant meets the standards specified in the City of El Paso Economic Development Incentive Policy “Impact Fund”, executed on August 27, 2013.

Entrepreneurship and Innovation Development

At their discretion, City Council may set aside a specific annual allocation from the Impact Fund or choose to fund other activities in support of development of Target Industry Clusters for uses which include, but are not limited to, business incubation or acceleration in target industries, proof of concept activities, technology testing and evaluation centers. The Applicant is required to provide their organizational structure, business and /or operational plan showing transition to commercialization and self-sufficient operation creating qualifying jobs in the local market, technological and business background of executives and other key personnel, performance metrics relating to jobs, wages and capital investment, scientific and market validity of technology. Priority will be given to projects in the areas of clean technology (including alternative energy) and life sciences.

NOTE 14. TAX ABATEMENTS (continued)

3. Multi-Family 380 Agreements:

Purpose

This policy is to establish a short-term city-wide multi-family housing needs incentive policy and accompanying Chapter 380 grant program that promotes and stimulates business activity, resulting in immediate construction of large-scale multi-family housing developments, alleviating the critical housing needs of the City related to Fort Bliss expansion. In order to be eligible for incentives, businesses or individuals must be current on all city taxes or any other obligation to the City. Incentives are not transferable without the expressed written consent of the City of El Paso.

Eligibility

An applicant who constructs one or more new multi-family housing development projects each consisting of at least 150 housing units, which are located within the City limits, shall be eligible for annual reimbursement grants in an amount not to exceed the total value of the City's portion of the incremental ad valorem property tax revenue assessed against the subject property above the set base year per development for a 5 year period during the term of the Chapter 380 agreement. If project is qualified as infill development as defined by Section 21.70.010, El Paso City Code, then the minimum construction requirement will be reduced to 10 multi-family housing units.

Further, Applicant's reimbursement eligibility is subject to additional requirements specified in the Multi-Family Housing Needs Incentive Policy and Chapter 380 Grant Program, pursuant to Chapter 380, Texas Local Government Code which include minimum construction requirements, site development plans, no property tax delinquency, permits, separate agreements required and documentation required.

4. Transit Oriented Development Incentive Policy 380 Agreements

The purpose of this policy is to encourage the growth and development of sustainable city centers and to spur economic development in the selected locations to improve the quality of life for El Paso residents while reducing the City's carbon footprint.

The success of the Rapid Transit System (RTS) and the Streetcar Project will rely on the quality of urban spaces that surround the transit stations, corridors and stops and the nature of development within the defined incentive areas. It is the policy of the City to provide incentives within designated Transit-Oriented Development (TOD) Incentive Areas to improve mobility and travel choices, support downtown revitalization, and stimulate investment in established neighborhoods. TOD is a design and development strategy that links higher-density, walkable neighborhoods to transit stations and corridors. It strengthens the urban fabric that surrounds public transportation with a mix of daily uses, including housing, retail and office that is safe, interesting and convenient for pedestrians.

Eligibility

The project must be located within TOD incentive areas. Applicants requesting incentives for new construction and rehabilitation projects shall comply with the mandatory design requirements and no less than three (3) of the selective design requirements identified in Subsection 20.10.280(C) of the City Code. The construction and/or rehabilitation project must be for mixed use. The project must be in compliance with all local, state and federal laws.

NOTE 14. TAX ABATEMENTS (continued)**Exclusions**

Properties with industrial uses will not qualify for incentives. If the project does not meet all of the eligibility criteria in this policy, the project may be eligible for incentives through the Infill Development Incentive Policy if all eligibility criteria and program policies are met.

Program Policy

Project consideration includes the potential impact of project on the immediate and surrounding area. To be considered for incentives under this policy, the proposed infill development project must comply with the mandatory design requirements and no less than three (3) of the selective design requirements as identified in Subsection 20.10.280 (C) of the City Code. In addition, proposed projects must adhere to policy-specific criteria detailed in the City of El Paso Transit Oriented Development Incentive Policy, executed on May 30, 2017. Economic development incentives will be considered on a project-by-project basis at the discretion of the City Manager or his designee, and City Council.

Incentive approval for applicants applying for ad valorem property tax rebate incentives for properties located within Tax Incremental Reinvestment Zone (TIRZ) boundaries and Transportation Reinvestment Zone (TRZ) boundaries will only be eligible for real ad valorem property tax rebates incentives upon the approval of the respective TIRZ and TRZ board of directors' and the City Council.

Upon review of the application, if the base zoning density and dimensional standards are not met, the applicant may request reductions in accordance with Section 20.10.280 of the City Code. Such requests must be filed with the Planning Division prior to consideration as part of the TOD Incentive Policy.

Applicant/ Property Owners are required to comply with procedural guidelines. The application shall require the submittal of a detailed site development plan in accordance with Title 20 of the City Code to be reviewed by the City's Planning Division. Consideration will be given by the City Manager or designee. When authorized by City Council, the City may enter in to a Chapter 380 and/or Chapter 312 agreement. A pre-submission conference will be required for projects receiving incentives through the Planning and Inspections Department to review proposed development and provide proper instruction for permitting of the project.

If a project is not completed as specified, or if the terms of the agreement are not met, the City has the right to cancel or amend the incentive agreement, recapture any rebated or exempted taxes, and assess penalty payments for the amounts previously secured by City liens against the property.

Direct Financial Incentives

- **Building and Planning Permit Fee Rebate.** For Properties located in the Downtown 2015 Plan Area, up to 100% of certain planning, land development and building construction fees will be waived based on the fee schedule established in City Ordinance 017725. For properties located outside the Downtown 2015 Plan Area, up to \$10,000 of certain planning, land development and building construction fees will be rebated based on the fee schedule established in City Ordinance 018581.
- **Construction Materials Sales Tax Rebate.** The Applicant/Property Owner may be eligible for a 100% rebate of the City's portion of sales tax used on materials and labor purchased and associated with the incentivized project.

NOTE 14. TAX ABATEMENTS (continued)

- **Property Tax Rebate.** An approved project may have the City’s portion of the project’s ad valorem property taxes rebated. All qualifying projects receive a 100% rebate on the City’s incremental property tax for years 1-4, 90% rebate on the City’s incremental property tax for years 5-7, 75% rebate on the City’s incremental property tax for years 8-10, 50% rebate on the City’s incremental property tax for years 11-13, and a 25% rebate on the city’s incremental property tax for years 14-15.
- **Retail Sales and Use Tax Rebate.** An approved project may have the City’s portion of the project’s sales and use taxes rebated. Qualifying projects receive a 100% rebate for year 1, a 75% rebate for year 2, a 50% rebate for year 3 and a 25% rebate for years 4-5.

Supplemental Benefits

- **Lien Waivers.** Available in conjunction with receipt of a direct finance incentive contract, the Applicant/Property Owner receives a release of liens which are attached to properties as the result of condemnation, demolition, sanitation, or other city-imposed non-property tax liens, excluding Community Development or other federally-funded liens. Release of liens would only be allowed in consideration for the Applicant’s investment in construction/rehabilitation of eligible facilities and waived only upon the sale of the property to a new owner, and confirmation that the Applicant/Property Owner did not contribute to the liens being attached to the property.

<u>Tax Abatement Programs</u>	<u>Amount of Taxes Abated FY2017</u>
380 Agreements	
Property Tax Rebates	\$ 158,798
Redevelopment Grant	3,000,000
Mixed Beverage City Tax Incentive	3,039
City Sales & Use Tax Incentive	14,595
City Hotel Occupancy Tax Rebate	221,230
Parking Incentive	100,000
Event Room Block Rate Incentive	84,000
Impact Funds 380 Agreements	2,850,921
Multi-Family 380 Agreements	
Property Taxes Rebate	987,401
Sustainable City Center Incentives	
Construction Sales & Use Tax Rebate	100,205
Property Tax Rebate	53,064
Infill Development Incentive Agreements	
Construction Sales & Use Tax Rebate	11,884
	\$ 7,585,137

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

A summary by fund where expenditures exceed appropriations at the legal level of budgetary control follows. The schedule includes only funds with annually adopted budgets. Capital project and grants are budgeted on a project basis, which may cross fiscal years. Expenditures exceeding appropriations are generally funded through revenue sources in excess of the budget.

Self Insurance	\$	1,394,182
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NOTE 16. IMPLEMENTATION OF FUTURE GASB STANDARDS

The Governmental Accounting Standards Board (“GASB”) has issued the following new statements to be implemented in future years.

Statement 75: Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

GASB Statement 75: *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, was issued June 2015. This Statement replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit plan administered through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments).
- Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer’s proportionate share for the collective OPEB liability for all employers participating in the plan.
- Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees.

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. This standard becomes effective for the City in fiscal year 2018.

Statement 85: Omnibus 2017

This statement addresses issues identified during the implementation and application of certain GASB standards. Some of the topics included in this statement pertain to blending component units, goodwill, fair value measurement and application, and post-employment benefits (OPEB). The City of El Paso will implement this standard in fiscal year 2018.

Statement 86: Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for

NOTE 16. IMPLEMENTATION OF FUTURE GASB STANDARDS (continued)

prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The application of this statement becomes effective for the City in fiscal year 2018.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2018, which is the date the financial statements were available to be issued. There were no subsequent events identified by management, which would require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF EL PASO, TEXAS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
General Fund
For the Year Ended August 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	% of Budget
	Original	Final			
Resources (inflows):					
Property taxes	159,792,428	159,792,428	158,844,476	(947,952)	99.41%
Penalties and Interest-Delinquent taxes	181,114	181,114	1,289,169	1,108,055	711.80%
Sales taxes	89,998,184	89,998,184	87,704,730	(2,293,454)	97.45%
Franchise fees	53,985,339	53,985,339	53,599,045	(386,294)	99.28%
Licenses and permits	12,956,767	12,956,767	14,939,427	1,982,660	115.30%
Fines and forfeitures	10,841,457	10,841,457	7,760,033	(3,081,424)	71.58%
Charges for services	36,015,530	36,520,924	37,485,337	964,413	102.64%
Intergovernmental revenues	469,169	469,169	452,977	(16,192)	96.55%
County Participation	400,871	400,871	469,169	68,298	117.04%
Rents and other	1,633,125	1,633,125	1,536,669	(96,456)	94.09%
Interest	25,000	25,000	286,712	261,712	1,146.85%
Transfers In	15,657,871	15,657,871	15,153,272	(504,599)	96.78%
Amounts available for appropriation from current year resources	381,956,855	382,462,249	379,521,014	(2,941,233)	99.23%
Charges to appropriations (outflows):					
General Government:					
Mayor and Council	1,250,720	1,250,720	1,224,664	26,056	97.92%
City Manager	1,352,512	1,362,512	1,291,223	71,289	94.77%
Office of Management and Budget	933,240	923,240	873,203	50,037	94.58%
Internal Audit	685,089	685,089	628,456	56,633	91.73%
Public Information	297,849	297,849	414,647	(116,798)	139.21%
Municipal Clerk	2,263,925	2,268,493	2,404,700	(136,207)	106.00%
Financial Services	4,261,382	4,261,382	4,066,996	194,386	95.44%
Information Technology	12,313,203	12,313,203	11,325,106	988,097	91.98%
City Attorney	4,018,024	4,018,024	3,414,884	603,140	84.99%
Human Resources	2,089,065	2,089,065	2,063,136	25,929	98.76%
Public Safety and Community Services:					
Police Department	123,030,759	123,030,759	123,383,596	(352,837)	100.29%
Fire Department	101,467,223	101,467,223	102,440,761	(973,538)	100.96%
Municipal Court	3,232,870	3,228,303	3,023,666	204,637	93.66%
Public Health	6,216,945	6,186,700	5,936,208	250,492	95.95%
Library	9,317,703	9,317,703	8,951,913	365,790	96.07%
Parks Department	22,204,028	22,218,248	22,459,200	(240,952)	101.08%
Transportation and Public Works:					
Facilities Maintenance	22,189,448	22,185,978	22,381,186	(195,208)	100.88%
Engineering	5,534,612	5,534,612	5,261,990	272,622	95.07%
Street Department	13,789,092	14,075,985	13,958,796	117,189	99.17%
Development and Tourism:					
City Development:					
Business Center	6,489,377	6,491,977	6,209,749	282,228	95.65%
Building Permits Inspection-Commercial	1,119,314	1,116,714	1,018,505	98,209	91.21%
Economic Development Administration	1,840,395	1,870,640	1,712,958	157,682	91.57%
Community and human development	593,777	593,777	60,800	532,977	10.24%
Culture and recreation:					
Art Museum	1,167,576	1,060,076	990,844	69,232	93.47%
History Museum	638,188	673,188	557,911	115,277	82.88%
Archeology Museum	255,921	270,421	206,146	64,275	76.23%
Cultural Affairs	385,475	443,475	430,390	13,085	97.05%
Zoo	4,604,901	4,604,901	4,415,046	189,855	95.88%
Nondepartmental:					
Non Departmental	28,414,242	28,621,992	28,177,819	444,173	98.45%
Total charges to appropriations	381,956,855	382,462,249	379,284,499	3,177,750	99.17%
Increase in fund balance:	—	—	236,513	236,517	
Fund balance, September 1	44,583,921	44,583,921	44,583,921	—	
Fund balance, August 31	44,583,921	44,583,921	44,820,434	236,517	

CITY OF EL PASO, TEXAS
Required Supplementary Information
Schedule of Funding Progress
August 31, 2017
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
Other Post-employment Benefits:						
9/1/2015	—	109,742	109,742	—	\$ 156,336	68%
9/1/2013	—	153,319	153,319	—	\$ 226,485	68%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability of \$109,742 at September 1, 2015. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 68%.

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

CITY OF EL PASO, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
El Paso City Employees' Pension Fund
Last Three Years

	Measurement Year		
	2016	2015	2014
Total pension liability:			
Service cost	23,021,764	22,243,250	20,691,396
Interest (on the Total Pension Liability)	66,845,529	64,244,529	61,812,817
Changes of benefit terms	—	—	—
Difference between expected and actual experience	(22,728,241)	—	4,691,256
Change in assumptions	37,572,898	—	—
Benefit payments, including refunds of plan member contributions	(54,383,629)	(50,673,642)	(52,477,539)
Net change in total pension liability	50,328,321	35,814,137	34,717,930
Total pension liability - beginning	895,443,777	859,629,640	824,911,710
Total pension liability - ending (a)	945,772,098	895,443,777	859,629,640
Plan fiduciary net position:			
Employer Contributions	23,370,111	22,916,913	21,739,159
Plan member contributions	14,886,249	14,595,935	13,985,989
Net investment income	40,260,073	(17,872,916)	107,540,221
Benefit payments, including refunds of plan member contributions	(54,383,629)	(50,788,937)	(52,477,539)
Administrative expense	(1,417,530)	(1,355,351)	(1,295,311)
Net change in plan fiduciary net position	22,715,274	(32,504,356)	89,492,519
Plan fiduciary net position - beginning	700,388,169	732,892,525	643,400,006
Plan fiduciary net position - ending (b)	723,103,443	700,388,169	732,892,525
Net pension liability - ending (a) - (b)	222,668,655	195,055,608	126,737,115
Plan fiduciary net position as a percentage of total pension liability	76.46%	78.22%	85.26%
Covered payroll	156,336,028	158,990,084	153,613,608
Net pension liability as a percentage of covered payroll	142.43%	122.68%	82.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date.

CITY OF EL PASO, TEXAS
Schedule of Contributions
El Paso City Employees' Pension Fund
Last Three Fiscal Years

	2017	2016	2015
Statutorily determined contribution	25,327,071	23,370,111	22,916,913
Contribution in relation of the statutorily determined contribution	25,327,071	23,370,111	22,916,913
Contribution deficiency (excess)	—	—	—
Covered payroll	161,026,109	156,336,028	138,735,093
Contributions as a percentage of covered payroll	15.73%	14.70%	16.52%

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of August 31.

Notes: The amounts listed above are the actual employer contributions since the actuarially determined contributions were not determined City and Member contribution rates are established by ordinance.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	20 years
Asset Valuation Method	Plan invested assets are reported at fair value
Inflation	3.50%
Salary Increases	3.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the CEPF plan of benefits. Last updated for the 2011 valuation.
Mortality	Mortality rates for active and non-disabled participants are based on the RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 Tables for Disabled Lives backed off to 2006. Retirement, disability, and termination rates were adjusted to reflect experience.

Other Information:

Notes: There were no benefit changes during the year

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (August 31).

City of El Paso, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
El Paso Firemen's Pension Fund
Last Three Years

	Measurement Year		
	2016	2015	2014
Total pension liability:			
Service cost	\$ 12,311,426	13,242,130	13,064,315
Interest (on the Total Pension Liability)	51,423,417	48,111,236	45,884,434
Difference between expected and actual experience	—	6,786,957	—
Change in assumptions	—	8,142,272	—
Benefit payments, including refunds of employee contributions	(33,152,701)	(31,487,924)	(29,886,861)
Net change in total pension liability	30,582,142	44,794,671	29,061,888
Total pension liability - beginning	667,792,887	622,998,216	593,936,328
Total pension liability - ending (a)	<u>\$ 698,375,029</u>	<u>\$ 667,792,887</u>	<u>\$ 622,998,216</u>
Plan fiduciary net position:			
Contributions - employer	\$ 11,295,350	\$ 10,785,306	\$ 10,853,759
Contributions - employee	9,183,060	9,133,372	8,749,488
Net investment income	34,732,553	397,347	20,616,237
Change in experience	—	—	—
Change in assumption	—	—	—
Benefit payments, including refunds of employee contributions	(33,152,701)	(31,487,924)	(29,886,861)
Administrative expense	(923,263)	(842,964)	—
Net change in plan fiduciary net position	21,134,999	(12,014,863)	10,332,623
Plan fiduciary net position - beginning	505,209,625	517,224,488	506,891,865
Plan fiduciary net position - ending (b)	526,344,624	505,209,625	517,224,488
Net pension liability - ending (a) - (b)	<u>\$ 172,030,405</u>	<u>\$ 162,583,262</u>	<u>\$ 105,773,728</u>
Plan fiduciary net position as a percentage of total pension liability	75.37%	75.10%	83.02%
Covered payroll	\$ 60,098,560	\$ 54,605,415	\$ 53,872,177
Net pension liability as a percentage of covered payroll	286.25%	297.74%	196.34%

Other information:

The assumed payroll growth rate was changed to 3.00% to reflect revised inflation expectations.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date.

CITY OF EL PASO, TEXAS
Schedule of Contributions
El Paso Firemen’s Pension Fund
Last Three Years

	Year Ended December 31,		
	2016	2015	2014
Statutorily determined contribution	\$ 10,785,306	\$ 10,355,443	10,853,759
Contribution in relation of the statutorily determined contribution	10,785,306	10,355,443	10,853,759
Contribution deficiency (excess)	—	—	—
Covered payroll	\$ 54,605,415	\$ 58,305,369	\$ 53,872,177
Contributions as a percentage of covered payroll	19.75%	17.76%	20.15%

Notes to Schedule of Contributions

Valuation Date: 1/1/2016
Notes: City and member contribution rates are established by ordinance.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	The unfunded actuarial accrued liability is amortized over 26 years assuming current contribution rates continue.
Remaining Amortization Period	26 years
Asset Valuation Method	Adjusted market value, which phases in gains and losses (compared to the assumed investment return rate) over 5 years.
Inflation	3.50%
Salary Increases	3.00% plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.75%
Retirement Age	Base Plan - Retirement upon the completion of 20 or more years of vesting service and age 45 or more Second-Tier Plan - Retirement upon the completion of 25 or more years of vesting service and age 50 or more
Mortality	Mortality rates for active and non-disabled participants are based on the RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 Tables for Disabled Lives. Retirement, disability, and termination rates were adjusted to reflect experience.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City’s most recent fiscal year-end (August 31).

CITY OF EL PASO, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
El Paso Policemen's Pension Fund
Last Three Years

	Measurement Year		
	2016	2015	2014
Total pension liability:			
Service cost	\$ 17,694,637	\$ 17,514,129	18,126,576
Interest (on the Total Pension Liability)	73,399,505	72,525,801	68,900,266
Difference between expected and actual experience	—	(7,833,787)	—
Change in assumptions	—	(26,714,735)	—
Benefit payments, including refunds of employee contributions	(46,549,983)	(41,472,821)	(38,567,602)
Net change in total pension liability	44,544,159	14,018,587	48,459,240
Total pension liability - beginning	952,670,741	938,652,154	890,192,914
Total pension liability - ending (a)	\$ 997,214,900	\$ 952,670,741	\$ 938,652,154
Plan fiduciary net position:			
Contributions - employer	\$ 14,486,842	\$ 14,754,441	14,776,141
Contributions - employee	11,081,648	11,347,467	10,898,003
Net investment income	50,933,392	2,582,550	30,039,506
Benefit payments, including refunds of employee contributions	(46,549,983)	(41,472,821)	(38,567,602)
Administrative expense	(860,435)	(842,965)	—
Net change in plan fiduciary net position	29,091,464	(13,631,328)	17,146,048
Plan fiduciary net position - beginning	740,006,100	753,637,428	736,491,380
Plan fiduciary net position - ending (b)	769,097,564	740,006,100	753,637,428
Net pension liability - ending (a) - (b)	\$ 228,117,336	\$ 212,664,641	\$ 185,014,726
Plan fiduciary net position as a percentage of total pension liability	77.12%	78.46%	80.29%
Covered payroll	\$ 79,781,483	\$ 68,424,487	\$ 70,817,206
Net pension liability as a percentage of covered payroll	285.93%	310.80%	261.26%

Other information:

The assumed payroll growth rate was changed to 3.00% to reflect revised inflation expectations.
Overtime as a percentage of actual pay was adjusted to 10%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date.

Schedule of Contributions
El Paso Policemen's Pension Fund
Last Three Years

	Year Ended December 31,		
	2016	2015	2014
Statutorily determined contribution	\$ 14,754,441	\$ 14,280,604	14,776,141
Contribution in relation of the statutorily determined contribution	14,754,441	14,280,604	14,776,141
Contribution deficiency (excess)	—	—	—
Covered payroll	\$ 68,424,487	\$ 78,710,533	\$ 70,817,206
Contributions as a percentage of covered payroll	21.56%	18.14%	20.87%

Notes to Schedule of Contributions

Valuation Date: January 1, 2016
Notes: City and member contribution rates are established by ordinance.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	The unfunded actuarial accrued liability is amortized over 33 years assuming current contribution rates continue.
Remaining Amortization Period	33 years
Asset Valuation Method	Adjusted market value, which phases in gains and losses (compared to the assumed investment return rate) over 5 years.
Inflation	3.00%
Salary Increases	3.00% plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.75%
Retirement Age	Base Plan -Member retires at age 60 or later, the retirement income will be increased by 3% per year beginning on the date of retirement and then on each January 1 thereafter. If the retirement age is 58 through 59, the 3% annual increase will begin when the Member reaches age 60. Second-Tier Plan - Retirement upon the completion of 25 or more years of vesting service and age 50 or more
Mortality	RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 Tables for Disabled Lives backed off to 2006.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (August 31).

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**



SPECIAL REVENUE FUNDS



Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

FEDERAL GRANTS – This fund accounts for grants received by the City from Federal sources, excluding ARRA grants, including the Office of the President, Environmental Protection Agency, National Endowments for the Humanities and the U.S. Departments of Agriculture, Interior, Justice, Education and Transportation.

STATE GRANTS – This fund accounts for grants received by the City from various State of Texas Departments and Agencies including Texas Department of Transportation, Texas Historical Commission, Texas State Library and Archives, Texas Arts Council, Texas Commission on Environmental Quality and the Governor’s Office of Criminal Justice.

OTHER GRANTS – This fund accounts for grants received by the City which do not belong in one of the above funds. Granting entities are El Paso Community Foundation, Paso Del Norte Foundation and local school districts.

PUBLIC HEALTH GRANTS – This fund accounts for activities of the grants received by the City for public health services. Funding sources include grants from the Texas Department of Health and Human Services, participation by the County of El Paso, and fees charged for services provided.

PUBLIC HEALTH WAIVER PROGRAM - This fund accounts for Medicaid waiver funding which under the state program allows for improvement in the quality of health services and the reduction of care costs. The City uses the program receipts to expand preventive health services and collaborate with community partners.

DESTINATION EL PASO - This fund accounts for the destination marketing, venue and event management, and convention development for the City.

NON-GRANTS – This fund accounts for funds received that are restricted by the donor (in the case of donation), City Council action, or other legislation. Funds received include donations, hotel occupancy tax, proceeds from police enforcement activities, environmental fees, park fees, animal shelter fees, repayment of business rehab loans (local program), and blended component units.

City of El Paso, Texas
Combining Balance Sheet
Non-major Governmental Funds
August 31, 2017

	Special Revenue Funds							
	Federal Grants	State Grants	Other Grants	Public Health	Public Health Waiver Program	Destination El Paso	Non-grants	Total
ASSETS								
Cash and Cash Equivalents	—	—	139,119	—	115,420	204,925	—	459,465
Cash with Fiscal Agent	—	—	—	—	—	3,097,499	—	3,097,499
Investments	118,618	255,817	—	—	8,408,489	1,344,015	24,520,835	34,647,773
Receivables - Net of Allowances								
Taxes	—	—	—	—	—	1,022,679	458,035	1,480,714
Interest	—	—	—	1,079	—	—	134,479	135,558
Trade	94,253	5,163	—	7,912	—	258,233	784,511	1,150,072
Notes	—	—	—	—	—	—	1,964,737	1,964,737
Due From Other Government Agencies	1,019,398	1,088,241	9,360	2,274,161	—	—	1,086,934	5,478,094
Other	—	—	—	—	—	1,645,873	1,165,562	2,811,435
Due from Other Funds	—	—	—	—	1,252,782	—	11,410,180	12,662,962
Due from Component Unit	—	—	—	—	—	—	1,413,815	1,413,815
Prepaid items	—	—	—	—	—	93,217	18,763	111,980
Inventory	—	—	—	—	—	58,844	—	58,844
Total Assets	1,232,269	1,349,220	148,479	2,283,152	9,776,691	7,725,284	42,957,852	65,472,948
LIABILITIES								
Accounts Payable	186,724	72,313	35,501	173,847	42,053	1,992,640	2,968,373	5,471,451
Accrued Payroll	63,229	42,721	1,278	152,453	22,622	14,914	213,895	511,110
Due to Other Funds	2,490,612	924,841	—	994,727	—	—	4,252,782	8,662,962
Taxes Payable	—	—	—	—	—	—	9,326	9,326
Unearned Revenue	5,000	101,014	173,409	—	—	2,327,913	10,000	2,617,337
Due To Other Government Agencies	—	208,331	296	107,068	—	—	—	315,696
Other Payables	—	—	—	—	—	—	2,004	2,004
Total Liabilities	2,745,564	1,349,220	210,485	1,428,095	64,675	4,335,467	7,456,379	17,589,885
FUND BALANCES:								
Nonspendable	—	—	—	—	—	152,061	18,763	170,824
Restricted	—	—	—	855,057	9,712,016	3,237,756	20,996,142	34,800,972
Committed	—	—	—	—	—	—	14,486,568	14,486,568
Unassigned	(1,513,295)	—	(62,006)	—	—	—	—	(1,575,301)
Total Fund Balances	(1,513,295)	—	(62,006)	855,057	9,712,016	3,389,817	35,501,473	47,883,063
Total Liabilities and Fund Balances	1,232,269	1,349,220	148,479	2,283,152	9,776,691	7,725,284	42,957,852	65,472,948

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended August 31, 2017

	Special Revenue Funds						Non-grants	Total
	Federal Grants	State Grants	Other Grants	Public Health	Public Health Waiver Program	Destination El Paso		
REVENUES								
Property Taxes	—	—	—	—	—	—	3,603,475	3,603,475
Penalties & Interest-Delinquent Taxes	—	—	—	—	—	—	320	320
Hotel Occupancy Tax	—	—	—	—	—	6,689,744	3,008,830	9,698,574
Franchise Fees	—	—	—	—	—	—	4,696,359	4,696,359
Charges for Services	436,437	159,779	29,107	267,137	3,579,810	5,240,045	25,995,224	35,707,539
Fines and Forfeitures	—	—	—	—	—	—	1,653,755	1,653,755
Licenses and Permits	7,725	—	—	—	—	—	1,010,536	1,018,261
Ticket Sales	—	—	—	—	—	—	258,657	258,657
Intergovernmental Revenues	5,967,950	4,006,717	84,061	10,362,024	—	—	4,491,589	24,912,341
Interest	756	1,534	118	—	52,219	5,657	146,937	207,221
Rents and Other	—	616	35,651	989	—	5,395,683	1,564,981	6,997,920
Total revenues	6,412,868	4,168,646	148,937	10,630,150	3,632,029	17,331,129	46,430,663	88,754,422
EXPENDITURES								
General Government	—	43,960	—	—	—	—	782,194	826,154
Public Safety	5,180,068	3,180,233	—	—	242,183	—	5,834,807	14,437,291
Public Works	—	—	—	—	—	—	8,643,201	8,643,201
Public Health	—	—	—	11,556,367	1,552,162	—	—	13,108,529
Parks Department	—	25,448	—	—	—	—	1,761,735	1,787,183
Library	91,270	16,623	—	—	—	—	12,205	120,098
Non Departmental	—	—	—	—	—	—	1,602,511	1,602,511
Culture and Recreation	1,796	266,094	126,913	—	—	17,074,775	2,474,987	19,944,565
Economic Development	2,610,589	—	—	—	—	—	9,560,965	12,171,554
Animal Services	—	—	84,031	—	—	—	7,696,430	7,780,461
Community and Human Development	—	470,467	—	—	—	—	516,487	986,954
Debt Service:								
Principal	—	—	—	—	—	—	460,000	460,000
Interest Expense	—	—	—	—	—	—	3,857,392	3,857,392
Fiscal Fees	—	—	—	—	—	—	18,195	18,195
Capital Outlay	44,105	165,821	—	235,721	67,060	—	2,579,394	3,092,101
Total expenditures	7,927,828	4,168,646	210,943	11,792,088	1,861,405	17,074,775	45,800,503	88,836,188
Excess (Deficiency) of revenues over (under) expenditures	(1,514,960)	—	(62,006)	(1,161,938)	1,770,624	256,355	630,160	(81,766)
OTHER FINANCING SOURCES(USES):								
Transfers In	1,665	—	—	—	—	—	12,425,562	12,427,227
Transfers Out	—	—	—	—	—	(161,896)	(5,103,160)	(5,265,056)
Capital Contributions	—	—	—	—	—	—	546,603	546,603
Other sources (uses)	—	—	—	2,016,995	7,941,392	—	(2,963,151)	6,995,236
Total other financing sources (uses):	1,665	—	—	2,016,995	7,941,392	(161,896)	4,905,854	14,704,010
Net change in fund balances	(1,513,295)	—	(62,006)	855,057	9,712,016	94,459	5,536,013	14,622,244
Fund balances - beginning of year	—	—	—	—	—	3,295,358	29,965,460	33,260,819
Fund balances - end of year	<u>(1,513,295)</u>	<u>—</u>	<u>(62,006)</u>	<u>855,057</u>	<u>9,712,016</u>	<u>3,389,817</u>	<u>35,501,473</u>	<u>47,883,063</u>

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Non-major Funds
For the Year Ended August 31, 2017

Account Group	Federal Grants			State Grants			Other Grants		
	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative
Resources (inflows):									
Property Taxes	—	—	—	—	—	—	—	—	—
Penalties & Interest - Delinquent Taxes	—	—	—	—	—	—	—	—	—
Sales Taxes	—	—	—	—	—	—	—	—	—
Hotel Occupancy Tax	—	—	—	—	—	—	—	—	—
Franchise Fees	—	—	—	—	—	—	—	—	—
Charges for Services	—	436,437	436,437	—	159,779	159,779	—	29,107	29,107
Fines and Forfeitures	—	—	—	—	—	—	—	—	—
Licenses and Permits	—	7,725	7,725	—	—	—	—	—	—
Ticket Sales	—	—	—	—	—	—	—	—	—
Intergovernmental Revenues	4,065,329	5,967,950	1,902,621	1,484,790	4,006,717	2,521,927	—	84,061	84,061
Interest	—	756	756	—	1,534	1,534	—	118	118
Rents and Other	—	—	—	—	616	616	35,000	35,651	651
Capital Contributions	—	—	—	—	—	—	—	—	—
Transfers In	—	1,665	1,665	—	—	—	—	—	—
Intrafund Transfers	41,153	—	(41,153)	—	—	—	61,450	—	(61,450)
Other Sources (Uses)	—	—	—	—	—	—	—	—	—
Amounts available for appropriation from current year resources	4,106,482	6,414,532	2,308,050	1,484,790	4,168,646	2,683,856	96,450	148,937	52,487
Charges to appropriations (outflows):									
Personal Services	3,513,996	2,915,684	598,312	1,693,099	2,244,555	(551,456)	—	34,711	(34,711)
Contractual Services	580,698	2,070,287	(1,489,589)	190,846	756,016	(565,170)	71,050	88,760	(17,710)
Materials and Supplies	95,327	2,866,040	(2,770,713)	136,300	1,105,199	(968,899)	5,000	11,125	(6,125)
Operating Expenditures	128,691	244,676	(115,985)	58,108	76,769	(18,661)	20,000	26,848	(6,848)
Non-Operating Expenditures	—	—	—	26,500	493,660	(467,160)	400	—	400
Intergovernmental Expenditures	(212,230)	(212,965)	735	(620,064)	(673,374)	53,310	—	49,500	(49,500)
Capital Outlay	—	44,105	(44,105)	—	165,821	(165,821)	—	—	—
Other Uses	—	—	—	—	—	—	—	—	—
Total charges to appropriations	4,106,482	7,927,827	(3,821,345)	1,484,790	4,168,646	(2,683,856)	96,450	210,943	(114,493)
Increase (Decrease) in fund balance:	—	(1,513,295)	(1,513,295)	—	—	—	—	(62,006)	(62,006)
Fund balances - beginning of year	—	—	—	—	—	—	—	—	—
Fund balances - end of year	—	(1,513,295)	(1,513,295)	—	—	—	—	(62,006)	(62,006)

This budget and this schedule are prepared on a basis consistent with accounting principles generally accepted in the United States.

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Non-Major Funds
For the Year Ended August 31, 2017

Account Group	Public Health			Public Health Waiver Program			Destination El Paso		
	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative
Resources (inflows):									
Property Taxes	—	—	—	—	—	—	—	—	—
Penalties & Interest - Delinquent Taxes	—	—	—	—	—	—	—	—	—
Sales Taxes	—	—	—	—	—	—	—	—	—
Hotel Occupancy Tax	—	—	—	—	—	—	6,525,000	6,689,744	164,744
Franchise Fees	—	—	—	—	—	—	—	—	—
Charges for Services	386,006	267,137	(118,869)	1,048,538	3,579,810	2,531,272	3,875,000	5,240,095	1,365,095
Fines and Forfeitures	—	—	—	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—	—	—	—
Ticket Sales	—	—	—	—	—	—	—	—	—
Intergovernmental Revenues	10,577,820	10,362,024	(215,796)	—	—	—	—	(50)	(50)
Interest	—	—	—	—	52,219	52,219	—	5,657	5,657
Rents and Other	—	989	989	—	—	—	950,988	5,395,683	4,444,695
Capital Contributions	—	—	—	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—	—	—	—
Intrafund Transfers	—	—	—	—	—	—	—	—	—
Other Sources (Uses)	—	2,016,994	2,016,994	—	7,941,392	7,941,392	—	—	—
Amounts available for appropriation from current year resources	10,963,826	12,647,144	1,683,318	1,048,538	11,573,421	10,524,883	11,350,988	17,331,129	5,980,141
Charges to appropriations (outflows):									
Personal Services	8,283,597	8,564,190	(280,593)	153,312	1,139,164	(985,852)	716,106	6,717,440	(6,001,334)
Contractual Services	867,367	1,035,970	(168,603)	75,000	259,250	(184,250)	9,349,664	5,958,164	3,391,500
Materials and Supplies	503,230	677,778	(174,549)	297,000	117,379	179,621	28,729	2,215,532	(2,186,803)
Operating Expenditures	1,779,256	1,672,103	107,152	523,226	278,551	244,675	785,350	1,800,830	(1,015,480)
Non-Operating Expenditures	2,220	—	2,220	—	—	—	248,772	323,040	(74,268)
Intergovernmental Expenditures	(477,843)	(393,674)	(84,169)	—	—	—	—	59,769	(59,769)
Capital Outlay	6,000	235,721	(229,721)	—	67,060	(67,060)	—	—	—
Other Uses	—	—	—	—	—	—	222,367	161,896	60,471
Total charges to appropriations	10,963,826	11,792,088	(828,262)	1,048,538	1,861,404	(812,866)	11,350,988	17,236,670	(5,885,682)
Increase (Decrease) in fund balance:	—	855,057	855,057	—	9,712,016	9,712,016	—	94,459	94,459
Fund balances - beginning of year	—	—	—	—	—	—	—	3,295,358	—
Fund balances - end of year	—	855,057	855,057	—	9,712,016	9,712,016	—	3,389,817	94,459

This budget and this schedule are prepared on a basis consistent with accounting principles generally accepted in the United States.

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Non-Major Funds
For the Year Ended August 31, 2017

Account Group	Non-grants			Total Non-Major		
	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts	Actual Amounts	Variance with Budget (Positive) Negative
Resources (inflows):						
Property Taxes	3,646,973	3,603,475	(43,498)	3,646,973	3,603,475	(43,498)
Penalties & Interest - Delinquent Taxes	—	320	320	—	320	320
Sales Taxes	—	—	—	—	—	—
Hotel Occupancy Tax	—	3,008,830	3,008,830	6,525,000	9,698,574	3,173,574
Franchise Fees	5,008,521	4,696,359	(312,162)	5,008,521	4,696,359	(312,162)
Charges for Services	22,149,346	25,995,224	3,845,878	27,458,890	35,707,589	8,248,699
Fines and Forfeitures	1,926,790	1,653,755	(273,035)	1,926,790	1,653,755	(273,035)
Licenses and Permits	1,230,000	1,010,536	(219,464)	1,230,000	1,018,261	(211,739)
Ticket Sales	—	258,657	258,657	—	258,657	258,657
Intergovernmental Revenues	699,100	4,491,589	3,792,489	16,827,039	24,912,291	8,085,252
Interest	—	146,937	146,937	—	207,221	207,221
Rents and Other	981,141	1,564,981	583,840	1,967,129	6,997,919	5,030,790
Capital Contributions	—	546,603	546,603	—	546,603	546,603
Transfers In	10,920,467	12,425,562	1,505,095	10,920,467	12,427,226	1,506,759
Intrafund Transfers	3,861,712	—	(3,861,712)	3,964,315	—	(3,964,315)
Other Sources (Uses)	—	(2,963,151)	(2,963,151)	—	6,995,234	6,995,234
Amounts available for appropriation from current year resources	50,424,050	56,439,675	6,015,625	79,475,125	108,723,484	29,248,359
Charges to appropriations (outflows):						
Personal Services	12,296,147	12,358,004	(61,858)	26,656,257	33,973,748	(7,317,492)
Contractual Services	19,115,805	19,084,841	30,964	30,250,431	29,253,287	997,144
Materials and Supplies	3,349,570	2,849,134	500,436	4,415,155	9,842,187	(5,427,031)
Operating Expenditures	2,953,047	3,199,009	(245,961)	6,247,678	7,298,787	(1,051,109)
Non-Operating Expenditures	842,104	4,938,991	(4,096,887)	1,119,996	5,755,690	(4,635,694)
Intergovernmental Expenditures	192,500	791,130	(598,630)	(1,117,637)	(379,614)	(738,023)
Capital Outlay	2,113,257	2,579,394	(466,138)	2,119,257	3,092,101	(972,845)
Other Uses	9,561,621	5,103,160	4,458,461	9,783,988	5,265,055	4,518,933
Total charges to appropriations	50,424,050	50,903,663	(479,612)	79,475,125	94,101,242	(14,626,117)
Increase (Decrease) in fund balance:	—	5,536,013	5,536,012	—	14,622,242	14,622,242
Fund balances - beginning of year	—	29,965,460	—	—	33,260,819	—
Fund balances - end of year	—	35,501,473	5,536,012	—	47,883,063	14,622,242

This budget and this schedule are prepared on a basis consistent with accounting principles generally accepted in the United States.

DEBT SERVICE FUND



The Debt Service Fund is used to account for the accumulation of resources for and payment of general long- term debt principal, interest, arbitrage rebate and associated fiscal fees incurred. Revenue sources include ad-valorem property taxes.

City of El Paso, Texas
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended August 31, 2017

	Budgeted Amount		Actual Amounts	Variance with Final Budget Positive (Negative)
	Adopted	Final		
Resources (inflows):				
Property taxes	90,394,629	90,394,629	89,543,410	(851,219)
Penalties and Interest-Delinquent taxes	—	—	673,948	673,948
Parking meter revenue	1,208,750	1,208,750	1,208,750	—
Federal tax credit - Build America Bonds	2,090,850	2,090,850	2,058,173	(32,677)
Transfers from other funds	2,441,430	2,441,430	5,097,978	2,656,548
Interest	—	—	261,723	261,723
Amounts available for appropriation	96,135,659	96,135,659	98,843,981	2,708,323
Charges to appropriations (outflows):				
Debt service:				
Principal	37,417,006	37,417,006	37,416,071	935
Interest	58,520,723	58,520,723	58,295,778	224,945
Fiscal fees	72,000	72,000	23,130	48,870
Transfers to other funds	125,930	125,930	125,930	—
Total charges to appropriations	96,135,659	96,135,659	95,860,909	274,750
Increase in fund balance	—	—	2,983,072	2,983,072
Fund balance, Beginning of year	4,002,588	4,002,588	4,002,588	—
Fund balance, End of year	4,002,588	4,002,588	6,985,660	2,983,072

INTERNAL SERVICE FUNDS



Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other City departments and public units, on a cost reimbursement basis.

Supply and Support – This fund accounts for the Fleet Maintenance Department which operates the City motor pool and maintains/repairs City owned vehicles. Facility Maintenance activities to maintain City buildings are also included in this fund.

Self-Insurance – This fund accounts for the financing of health benefits, workers' compensation benefits and unemployment benefits for City employees.

City of El Paso, Texas
Combining Statement of Net Position
Internal Service Funds
August 31, 2017

	Supply and Support	Self Insurance	Total
ASSETS:			
Cash	309,135	4,068,707	4,377,842
Investments	1,278,966	16,824,610	18,103,576
Receivables - Net of Allowances			
Interest	—	568	568
Trade	6,444	2,909	9,353
Due from other Government Agencies	—	191,534	191,534
Inventory	958,337	—	958,337
Capital Assets:			
Buildings, Improvements & Equipment, Net	345,881	—	345,881
Total Assets	2,898,762	21,088,328	23,987,090
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	430,008	125,028	555,036
Difference in projected and actual earnings on pension investments	489,669	142,375	632,044
Difference in expected and actual pension experience	30,543	8,882	39,425
Change in Assumptions for Pensions	540,956	157,287	698,243
Total Deferred Outflows of Resources	1,491,176	433,572	1,924,748
Total Assets & Deferred Outflows of Resources	4,389,938	21,521,900	25,911,838
LIABILITIES:			
Accounts Payable	701,623	262,365	963,987
Accrued Payroll	81,367	218,000	299,367
Compensated Absences - Due within one year	59,588	11,891	71,479
Net Pension Liability - Due within one year	471,318	137,039	608,357
Compensated Absences - Due beyond one year	536,294	107,017	643,310
Other Post-employment Benefits	1,884,845	238,964	2,123,809
Net Pension Liability - Due beyond one year	3,335,555	969,837	4,305,391
Claims and Judgments	—	16,033,064	16,033,064
Total Liabilities	7,070,589	17,978,176	25,048,765
DEFERRED INFLOWS OF RESOURCES			
Difference in Actual and Expected Pension Experience	327,230	95,144	422,374
Total Deferred Inflows of Resources	327,230	95,144	422,374
NET POSITION (DEFICIT):			
Net investment in capital assets	345,881	—	345,881
Unrestricted	(3,353,762)	3,448,580	94,818
Total Net Position (Deficit)	(3,007,881)	3,448,580	440,699
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	4,389,938	21,521,900	25,911,838

City of El Paso, Texas
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Funds
For the Year Ended August 31, 2017

	Supply and Support	Self Insurance	Total
OPERATING REVENUES			
Sales to Departments	17,673,081	—	17,673,081
Premium Contributions	—	60,959,091	60,959,091
General Revenues	5,770	870,487	876,257
Total Operating Revenues	17,678,851	61,829,578	79,508,429
OPERATING EXPENSES:			
Personnel Services	5,262,213	2,243,946	7,506,159
Outside Contracts	129,662	3,415,488	3,545,150
Professional Services	—	1,190,815	1,190,815
Fuel and Lubricants	5,030,594	—	5,030,594
Materials and Supplies	4,798,966	20,890	4,819,856
Communications	1,173	250	1,423
Utilities	28,725	—	28,725
Operating Leases	7,373	5,407	12,780
Travel and Entertainment	3,221	2,022	5,243
Benefits Provided	2,184	55,684,376	55,686,560
Maintenance and Repairs	1,633,011	—	1,633,011
Other Operating Expenses	18,990	9,020	28,010
Depreciation	108,288	—	108,288
Total Operating Expenses	17,024,400	62,572,214	79,596,614
Operating Income (Loss)	654,451	(742,635)	(88,184)
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	2,431	103,813	106,244
Total Non-operating Revenues	2,431	103,813	106,244
Income (Loss)	656,882	(638,822)	18,060
Transfers in	—	465,086	465,086
Change in net position	656,882	(173,736)	483,146
Net Position (Deficit), Beginning of Year	(3,664,764)	3,622,317	(42,447)
Net Position (Deficit), End of Year	(3,007,881)	3,448,580	440,699

City of El Paso, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended August 31, 2017

	Supply and Support	Self Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	17,679,082	61,638,668	79,317,750
Payments to suppliers	(11,732,499)	(60,378,617)	(72,111,116)
Payments to employees	(5,016,315)	(2,001,157)	(7,017,472)
Net cash provided by (used in) operating activities	<u>930,267</u>	<u>(741,105)</u>	<u>189,162</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	—	465,086	465,086
Net cash provided by noncapital financing activities	<u>—</u>	<u>465,086</u>	<u>465,086</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(53,869)	—	(53,869)
Net cash used in capital and related financing activities	<u>(53,869)</u>	<u>—</u>	<u>(53,869)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(1,278,966)	(1,430,216)	(2,709,182)
Interest	2,431	103,813	106,244
Net cash used in investing activities	<u>(1,276,535)</u>	<u>(1,326,403)</u>	<u>(2,602,938)</u>
Net Decrease in cash and cash equivalents	(400,137)	(1,602,422)	(2,002,559)
Cash Balance - beginning of year	709,274	5,671,131	6,380,405
Cash Balance - end of year	<u>309,135</u>	<u>4,068,707</u>	<u>4,377,842</u>
Reconciliation of operating income(loss) to net cash provided (used in) operating activities:			
Operating income (loss)	654,451	(742,635)	(88,184)
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:			
Depreciation expense	108,288	—	108,288
Compensated absences	(17,262)	6,724	(10,538)
Other post employment benefits	124,059	—	124,059
Net pension liability	129,249	36,070	165,319
Change in assets and liabilities:			
Receivables, net	231	624	855
Inventories	(18,560)	—	(18,560)
Other assets	—	(295,347)	(295,347)
Accounts and other payables	(60,042)	(163,174)	(223,215)
Accrued expenses	9,852	416,633	426,485
Net cash provided (used in) operating activities	<u>930,267</u>	<u>(741,105)</u>	<u>189,162</u>

PENSION TRUST FUNDS



Pension Trust Funds are comprised of money intended to pay for pension benefits. This money is contributed by the employer and employee.

City of El Paso, Texas
Combining Statement of Fiduciary Net Position
Pension Trust Funds
August 31, 2017

	El Paso City Employees' Pension Fund	El Paso Firemen and Policemen's Pension Fund (As of December 31, 2016)		Total
		Firemen Division	Policemen Division	
Assets				
Cash and Cash Equivalents	10,597,586	6,646,915	9,738,519	26,983,020
Investments:				
Commingled funds	164,011,312	—	—	164,011,312
U.S. Government Securities	27,104,666	—	—	27,104,666
Absolute Return Investments	109,573,856	—	—	109,573,856
Corporate stocks	83,883,305	—	—	83,883,305
Bank Collective Investment Funds	176,342,988	—	—	176,342,988
Master Limited Partnerships	37,030,451	—	—	37,030,451
Private equities	57,103,830	30,857,424	45,233,291	133,194,545
Real estate investment funds	67,975,022	51,436,114	75,399,186	194,810,322
Fixed Income Securities	42,183,834	136,576,754	200,205,173	378,965,761
Domestic Equities	—	148,608,271	217,841,935	366,450,206
International Equities	—	152,237,890	223,162,523	375,400,413
Securities lending collateral	—	33,341,300	48,877,820	82,219,120
Receivables - Net of Allowances				
Commission Credits Receivable	128,931	—	—	128,931
Due from Brokers For Securities Sold	967,188	—	—	967,188
Employer Contributions	947,003	225,196	303,239	1,475,438
Employee Contributions	596,022	194,192	233,817	1,024,031
Accrued Interest and Dividends	620,705	—	—	620,705
Other Receivables	—	3,544	3,544	7,088
Prepaid Items	21,857	—	—	21,857
Capital Assets:				
Land	891,306	—	—	891,306
Buildings, Improvements & Equipment, Net	—	894,248	894,250	1,788,498
TOTAL ASSETS	779,979,862	561,021,848	821,893,297	2,162,895,007
LIABILITIES				
Accounts Payable	1,715,974	34,136,712	51,758,827	87,611,513
Accrued Expenses	835,801	540,512	761,878	2,138,191
Accrued Drawdown	855,764	—	—	855,764
Unearned Revenue - Commission Credits	128,931	—	—	128,931
TOTAL LIABILITIES	3,536,470	34,677,224	52,520,705	90,734,399
NET POSITION:				
Restricted for Pensions	<u>776,443,392</u>	<u>526,344,624</u>	<u>769,372,592</u>	<u>2,072,160,608</u>

City of El Paso, Texas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended August 31, 2017

	El Paso City Employees' Pension Fund	El Paso Firemen and Policemen's Pension Fund (As of December 31, 2016)		Total
		Firemen Division	Policemen Division	
ADDITIONS:				
Contributions:				
Employer	25,327,071	11,295,350	14,551,139	51,173,560
Employee	15,154,341	9,183,060	11,136,920	35,474,321
Total contributions	<u>40,481,412</u>	<u>20,478,410</u>	<u>25,688,059</u>	<u>86,647,881</u>
Investment income:				
Net increase in fair value	74,606,774	28,451,129	41,732,421	144,790,324
Interest	3,808,906	2,341,326	3,433,914	9,584,146
Dividends	2,582,152	5,881,020	8,627,062	17,090,234
Securities lending income	68,169	144,565	211,915	424,649
Securities lending fees	(22,691)	—	—	(22,691)
Investment adviser fees	(5,783,774)	(2,085,487)	(3,057,074)	(10,926,335)
Increase in commission credits receivable	2,206	—	—	2,206
Net investment income	<u>75,261,742</u>	<u>34,732,553</u>	<u>50,948,238</u>	<u>160,942,533</u>
Total additions	<u>115,743,154</u>	<u>55,210,963</u>	<u>76,636,297</u>	<u>247,590,414</u>
DEDUCTIONS				
Benefits paid to participants	57,972,792	32,304,561	44,870,659	135,148,012
Refunds of contributions	3,104,773	848,140	1,701,572	5,654,485
Administrative expenses	1,325,640	836,224	773,396	2,935,260
Depreciation and amortization expense	—	87,039	87,039	174,078
Total deductions	<u>62,403,205</u>	<u>34,075,964</u>	<u>47,432,666</u>	<u>143,911,835</u>
TRANSFERS				
Transfers in	—	(503,857)	(503,857)	(1,007,714)
Transfers out	—	503,857	503,857	1,007,714
Total transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net position	53,339,949	21,134,999	29,203,631	103,678,579
Net position - beginning of the year	723,103,443	505,209,625	740,168,961	1,968,482,029
Net position - end of the year	<u><u>776,443,392</u></u>	<u><u>526,344,624</u></u>	<u><u>769,372,592</u></u>	<u><u>2,072,160,608</u></u>

FIDUCIARY FUNDS



Fiduciary Funds are used to account for assets held by a government unit in a trustee capacity or as an agent for private organizations or other governmental units.

Agency Fund – This fund is used to account for the funds the City collects for property taxes for other taxing entities, including the Camino Real Regional Mobility Authority (CRRMA).

City of El Paso, Texas
Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended August 31, 2017

	August 31, 2016	Debits	Credits	August 31, 2017
ASSETS:				
Cash and Cash Equivalents	404,945,168	249,891,586	363,794,984	291,041,770
Investments	76,383,600	—	76,383,600	—
Uncollected Property Taxes	60,835,907	6,187,417	—	67,023,324
Due from Other Funds	305,723	—	305,723	—
TOTAL ASSETS	542,470,398	256,079,003	440,484,307	358,065,094
LIABILITIES:				
Prepaid Property Taxes	1,611,314	2,060,256	2,975,696	2,526,754
Accounts Payable	252,601	2,709,864	30,148,129	27,690,866
Amount Available for Bond Payments	23,152	23,152	—	—
Payable to Other Entities	477,261,271	1,056,372,855	837,471,425	258,359,841
Property Taxes Subject to Refund	2,486,153	950,269	1,261,116	2,797,000
Uncollected Taxes	60,835,907	—	5,854,726	66,690,633
TOTAL LIABILITIES	542,470,398	1,062,116,396	877,711,092	358,065,094

**STATISTICAL SECTION
(unaudited)**



City of El Paso, Texas
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015(a)	2016	2017
Governmental activities										
Net investment in capital assets	139,689,930	132,325,231	140,704,047	124,744,895	161,946,395	256,626,166	313,232,741	126,063,774	186,813,209	158,948,296
Restricted	78,827,437	84,571,971	83,730,583	117,560,807	107,951,138	132,098,108	82,008,353	93,862,608	127,478,301	181,218,370
Unrestricted	(144,660,748)	(156,747,519)	(180,064,182)	(193,238,211)	(202,129,390)	(351,017,445)	(347,047,270)	(509,631,709)	(609,526,733)	(660,546,184)
Total governmental activities net position/(deficit)	\$ 73,856,619	\$ 60,149,683	\$ 44,370,448	\$ 49,067,491	\$ 67,768,143	\$ 37,706,829	\$ 48,193,824	\$ 289,705,327	\$ 295,235,223	\$ (320,379,518)
Business-type activities										
Net investment in capital assets	\$264,968,805	\$286,906,206	\$291,226,434	\$287,678,085	\$289,979,525	\$300,679,446	\$297,504,141	\$345,990,881	\$346,918,484	360,989,685
Restricted	20,104,437	24,591,100	28,676,014	33,666,670	19,986,644	27,759,687	23,752,147	23,067,473	26,658,122	19,934,227
Unrestricted	11,078,287	10,275,656	10,856,022	26,158,692	40,065,572	21,102,379	47,006,875	(44,450,522)	(38,504,913)	(46,820,387)
Total business-type activities net position	\$296,151,529	\$321,772,962	\$330,758,470	\$347,503,447	\$350,031,741	\$349,541,512	\$368,263,163	\$324,607,832	\$335,071,693	\$ 334,103,526
Primary government										
Net investment in capital assets	\$404,658,735	\$419,231,437	\$431,930,481	\$412,422,980	\$451,925,920	\$557,305,612	\$610,736,882	\$472,054,655	\$533,731,693	\$ 519,937,981
Restricted	98,931,874	109,163,071	112,406,597	151,227,477	127,937,782	159,857,795	105,760,500	116,930,081	154,136,423	201,152,598
Unrestricted	(133,582,461)	(146,471,863)	(169,208,160)	(167,079,519)	(162,063,818)	(329,915,066)	(300,040,395)	(554,082,231)	(648,031,646)	(707,366,571)
Total governmental activities net position	\$370,008,148	\$381,922,645	\$375,128,918	\$396,570,938	\$417,799,884	\$387,248,341	\$416,456,987	\$ 34,902,505	\$ 39,836,470	\$ 13,724,008

Note: (a) Beginning amounts for 2015 were restated as per GASB 68

City of El Paso, Texas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 43,886,275	\$ 41,473,314	\$ 43,627,560	\$ 40,876,977	\$ 40,717,526	\$ 52,386,415	\$ 62,586,251	\$ 39,517,748	\$ 93,447,706	\$ 59,192,090
Public safety	227,056,341	217,780,949	224,675,396	225,797,408	227,950,308	230,540,514	240,271,043	244,856,205	241,548,165	278,648,815
Public works	68,682,326	65,613,445	67,167,981	66,517,227	59,307,180	60,476,968	66,741,177	76,506,248	67,038,656	76,780,581
Public health	25,260,921	20,208,520	23,264,777	22,132,789	19,127,638	19,863,591	20,161,640	20,341,813	21,849,467	33,794,360
Parks	21,845,479	23,005,417	23,981,208	14,893,992	16,251,520	16,999,787	15,109,574	25,309,878	26,477,652	31,298,298
Library	10,345,730	9,860,118	9,588,320	12,407,171	12,348,089	16,317,216	10,381,664	10,870,393	10,888,401	12,420,754
Culture & recreation	16,395,281	19,155,478	23,421,037	24,845,626	24,926,399	25,930,803	23,862,903	23,330,274	32,079,547	33,397,565
Community & economic development	15,634,017	17,795,711	26,577,089	34,084,029	33,619,047	30,273,623	31,759,109	32,531,231	34,224,066	37,843,697
Interest on long-term debt	28,832,902	29,403,379	37,327,656	41,210,972	41,685,223	41,666,450	39,051,177	51,314,447	36,191,595	55,962,214
Total governmental activities expenses	457,939,272	444,296,331	479,631,024	482,766,191	475,932,930	494,455,367	509,924,538	524,578,237	563,745,255	619,338,374
Business-type activities:										
International airport operations	38,326,755	36,407,172	34,238,930	36,311,679	36,821,483	38,154,216	41,909,639	43,740,554	50,650,315	53,963,454
Industrial park and other operations	4,644,735	4,932,225	6,963,049	5,927,445	6,621,290	5,910,054	5,817,711	5,817,711	1,576,761	—
International bridges operations	3,928,808	30,284,090	4,169,933	4,559,555	4,518,896	5,297,146	5,789,058	6,988,024	8,508,327	10,002,271
Solid waste disposal operations	34,250,866	53,319,405	31,820,528	37,255,384	45,178,718	47,272,262	51,592,641	45,596,671	51,150,988	45,701,064
Tax Office	—	—	—	—	—	—	—	—	1,931,979	2,015,098
Mass transit operations	50,063,983	5,384,440	61,976,839	63,542,737	63,648,603	66,577,511	72,710,783	81,173,227	80,975,092	80,848,329
Total business-type activities expenses	131,215,147	130,327,332	139,169,279	147,596,800	156,788,990	163,211,189	177,819,832	183,316,187	194,793,462	192,530,216
Total primary government expenses	\$ 589,154,419	\$ 574,623,663	\$ 618,800,303	\$ 630,362,991	\$ 632,721,920	\$ 657,666,556	\$ 687,744,370	\$ 707,894,424	\$ 758,538,717	\$ 811,868,590
Program Revenues										
Governmental activities:										
General government	4,998,092	5,058,943	18,742,796	4,656,824	2,781,189	5,195,513	7,655,501	11,023,551	20,771,995	36,978,957
Public safety	9,849,732	28,596,961	23,181,322	27,117,960	29,076,320	31,812,571	35,921,557	32,250,982	31,069,511	20,496,087
Public works	20,296,636	11,833,895	20,742,690	15,095,949	14,448,143	4,531,381	27,158,182	31,475,932	26,872,475	8,223,634
Public health	4,509,889	4,873,005	1,816,579	5,201,141	4,407,176	4,540,292	7,600,458	10,847,368	6,617,347	18,352,936
Parks	4,794,272	3,559,049	2,204,995	4,079,600	3,824,281	4,114,816	3,898,080	5,720,725	3,885,593	4,431,003
Library	401,564	316,818	218,735	432,440	477,592	324,113	646,544	300,159	372,557	491,142
Culture and recreation	1,189,897	1,258,747	—	6,711,987	6,979,407	7,541,864	7,207,628	8,515,991	9,876,118	13,141,095
Community and economic development	8,988,255	5,310,286	3,633,827	2,850,308	2,700,812	12,529,231	13,214,619	31,385,413	24,670,968	18,918,679
Operating grants and contributions	35,994,679	45,550,140	56,433,774	66,901,773	69,209,583	35,534,615	38,742,739	24,911,878	33,822,176	38,597,485
Capital grants and contributions	1,795,839	1,167,076	6,317,325	7,368,422	4,946,190	3,494,059	9,154,786	2,186,539	7,168,957	2,950,231
Total governmental activities program revenues	\$ 92,818,855	\$ 107,524,920	\$ 133,292,043	\$ 140,416,404	\$ 138,850,693	\$ 109,618,455	\$ 151,200,094	\$ 158,618,538	\$ 165,127,697	\$ 162,581,249
Business-type activities:										
Charges for services:										
International airport operations	28,547,013	25,639,495	26,783,137	26,190,812	27,941,875	27,746,314	24,768,076	28,228,439	35,998,919	46,671,121
Industrial park and other operations	6,724,676	8,211,856	8,124,439	8,518,450	8,093,614	8,538,610	8,804,354	8,804,354	5,102,322	—
International bridges operations	16,677,381	41,310,894	16,124,924	16,475,270	16,151,847	17,586,579	19,943,142	21,584,262	22,338,527	21,731,391
Solid waste disposal operations	41,703,614	8,671,828	44,790,906	50,528,757	53,660,619	53,281,620	41,031,352	48,964,695	52,182,776	48,094,965
Mass transit operations	8,366,568	14,926,788	8,478,720	9,298,950	9,700,359	13,221,294	11,671,466	12,795,418	12,313,314	9,253,342
Tax Office	—	—	—	—	—	—	—	—	—	1,843,339
Operating grants and contributions	12,680,418	11,381,386	11,174,750	11,021,695	18,322,774	11,299,304	11,630,000	179,089	16,430,744	11,606,771
Capital grants and contributions	17,793,068	31,705,810	19,772,814	24,671,357	6,806,671	13,098,327	50,084,474	25,183,118	16,137,628	17,942,703
Total business-type activities program revenues	132,492,738	141,848,057	135,249,690	146,705,291	140,677,759	144,772,048	167,932,864	145,739,375	160,504,230	157,143,632
Total primary government activities program revenues	\$ 225,311,593	\$ 249,372,977	\$ 268,541,733	\$ 287,121,695	\$ 279,528,452	\$ 254,390,503	\$ 319,132,958	\$ 304,357,913	\$ 325,631,927	\$ 319,724,881

City of El Paso, Texas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/ Revenue										
Governmental activities	\$(365,120,417)	\$(336,771,411)	\$(346,338,981)	\$(342,349,787)	\$(337,082,237)	\$(384,836,912)	\$(358,724,444)	\$(365,959,699)	\$(398,617,558)	\$(456,757,128)
Business-type activities	1,277,591	11,520,725	(3,919,589)	(891,509)	(16,111,231)	(18,439,141)	(9,886,968)	(37,576,812)	(34,289,232)	(35,386,584)
Total primary government net expense	\$(363,842,826)	\$(325,250,686)	\$(350,258,570)	\$(343,241,296)	\$(353,193,468)	\$(403,276,053)	\$(368,611,412)	\$(403,536,511)	\$(432,906,790)	\$(492,143,712)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Ad valorem taxes	\$ 177,326,938	\$ 183,557,317	\$ 188,616,415	\$ 197,181,922	\$ 206,164,170	\$ 209,615,842	\$ 218,557,549	\$ 225,042,726	\$ 237,442,459	\$ 254,897,464
Sales taxes	77,682,351	74,537,354	77,797,143	82,895,661	83,803,598	87,643,312	92,434,728	97,088,308	100,080,666	87,704,730
Hotel Occupancy Tax	—	—	—	—	—	—	—	—	—	13,415,214
Franchise taxes	42,324,317	43,282,691	41,643,400	47,708,179	47,603,858	46,453,413	46,322,667	54,402,456	55,986,614	58,295,404
Gain on disposal of capital assets	1,986,385	596,134	1,048,337	474,204	65,589	221,931	1,027,322	1,753,589	91,638	28,103
BABS Tax Credit	—	—	—	—	—	—	—	—	—	2,058,173
Transfers	22,215,213	19,406,603	20,758,814	18,534,404	17,873,183	18,946,862	10,924,171	5,831,028	(1,164,070)	12,345,926
Investment earnings (loss)	3,627,149	1,684,376	695,637	252,460	272,491	(509,496)	(54,998)	1,495,386	650,355	2,867,819
Total Governmental activities	325,162,353	323,064,475	330,559,746	347,046,830	355,782,889	362,371,864	369,211,439	385,613,493	393,087,662	431,612,834
Business-type activities:										
Taxes										
Ad valorem taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,099,835	\$ 3,894,131
Sales taxes	33,524,434	32,541,098	33,388,336	35,812,504	36,294,778	37,476,151	38,836,869	40,533,736	41,236,405	42,098,342
Investment earnings (loss)	2,513,155	953,273	261,553	236,058	278,386	(203,818)	314,154	96,962	276,231	511,087
Gain on disposal of capital assets	172,619	12,940	14,022	122,328	(60,456)	162,858	151,070	3,256	(23,448)	31,858
BABS Tax Credit	—	—	—	—	—	—	230,697	240,551	—	228,925
Transfers	(22,215,213)	(19,406,603)	(20,758,814)	(18,534,404)	(17,873,183)	(18,946,862)	(10,924,171)	(5,831,028)	1,164,070	(12,345,926)
Total business-type activities	13,994,995	14,100,708	12,905,097	17,636,486	18,639,525	18,488,329	28,608,619	35,043,477	44,753,093	34,418,417
Total primary government	\$ 339,157,348	\$ 337,165,183	\$ 343,464,843	\$ 364,683,316	\$ 374,422,414	\$ 380,860,193	\$ 397,820,058	\$ 420,656,970	\$ 437,840,755	\$ 466,031,251
Change in Net Position/(Deficit)										
Governmental activities	\$ (39,958,064)	\$ (13,706,936)	\$ (15,779,235)	\$ 4,697,043	\$ 18,700,652	\$ (22,465,048)	\$ 10,486,995	\$ 19,653,794	\$ (5,529,896)	\$ (25,144,294)
Business-type activities	15,272,586	25,621,433	8,985,508	16,744,977	2,528,294	49,188	18,721,651	(2,533,335)	10,463,861	(968,167)
Total change in net position/(deficit)-Primary Government	\$ (24,685,478)	\$ 11,914,497	\$ (6,793,727)	\$ 21,442,020	\$ 21,228,946	\$ (22,415,860)	\$ 29,208,646	\$ 17,120,459	\$ 4,933,965	\$ (26,112,461)

City of El Paso, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ —	\$ —	\$ —	\$ 2,878,463	\$ 3,355,895	\$ 3,533,759	\$ 6,820,046	\$ 4,027,347	\$ 3,887,550	\$ 3,798,045
Restricted	—	—	—	16,000,000	16,000,000	16,000,000	17,417,752	17,506,277	18,008,119	18,370,749
Committed	—	—	—	1,000,000	1,000,000	1,000,000	—	—	—	—
Assigned	—	—	—	1,206,409	1,206,000	800,000	—	—	—	—
Unassigned	—	—	—	21,248,272	20,697,776	15,921,724	9,151,599	21,410,712	22,688,252	22,651,640
Reserved	19,015,895	18,454,550	18,336,184	—	—	—	—	—	—	—
Unreserved	19,098,542	19,765,158	22,303,546	—	—	—	—	—	—	—
Total General fund	\$ 38,114,437	\$ 38,219,708	\$ 40,639,730	\$ 42,333,144	\$ 42,259,671	\$ 37,255,483	\$ 33,389,397	\$ 42,944,336	\$ 44,583,921	\$ 44,820,434
All Other Governmental Funds										
Nonspendable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 72,445	\$ 106,226	\$ 40,574	\$ 90,954	\$ 170,824
Restricted	—	—	—	41,991,410	29,970,681	70,264,588	26,729,601	98,880,854	364,762,511	324,126,634
Committed	—	—	—	9,624,521	7,099,623	5,688,662	6,613,756	10,480,770	13,232,672	14,486,568
Assigned	—	—	—	—	—	—	139,529	—	—	—
Unassigned	—	—	—	(78,314)	(658,491)	(12,417,997)	(953,786)	(447,167)	—	(1,943,669)
Reserved	2,951,617	5,500,901	5,108,698	—	—	—	—	—	—	—
Unreserved, reported in:										
Special Revenue funds	18,244,091	18,278,330	20,568,032	—	—	—	—	—	—	—
Debt service funds	2,528,122	210,206	220,285	—	—	—	—	—	—	—
Capital projects funds (Deficit)	8,910,475	(1,923,167)	14,202,947	—	—	—	—	—	—	—
Total other governmental funds	\$ 32,634,305	\$ 22,066,270	\$ 40,099,962	\$ 51,537,617	\$ 36,411,813	\$ 63,607,698	\$ 32,635,326	\$ 108,955,031	\$ 378,086,137	\$ 336,840,357

Note: The City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

City of El Paso, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Property Taxes	\$ 179,171,076	\$ 181,827,479	\$ 189,413,013	\$ 195,692,297	\$ 204,475,315	\$ 209,276,561	\$ 218,889,826	\$ 226,873,791	\$ 238,672,585	\$ 253,954,797
Sales Taxes	77,682,351	74,537,354	77,797,143	82,895,661	83,803,598	87,643,312	92,434,728	97,088,308	100,080,666	87,704,730
Hotel Occupancy Tax	—	—	—	—	—	—	—	—	—	13,415,214
Franchise Fees	40,726,042	43,847,569	41,045,692	48,792,624	47,488,491	46,560,200	46,877,907	54,402,456	55,986,614	58,295,404
Charges for Services	35,024,809	27,350,326	35,598,930	32,707,594	35,460,588	44,209,204	70,677,344	75,194,030	83,049,680	79,822,423
Fines and Forfeits	14,913,358	15,495,022	13,331,211	14,488,102	13,693,850	14,502,151	12,922,883	12,749,773	12,412,161	9,413,787
Licenses and Permits	12,397,740	11,142,329	14,070,414	13,385,089	12,480,350	11,885,386	12,284,615	13,031,581	14,022,575	15,957,687
Intergovernmental Revenues	35,616,877	44,789,387	62,282,226	71,946,473	71,351,964	36,160,807	45,885,381	40,915,113	40,521,964	38,519,710
County Participation	2,173,641	1,927,829	468,873	438,658	522,500	448,013	2,012,144	630,388	469,169	469,169
Interest	3,556,642	1,524,590	695,637	252,460	279,383	(509,496)	(54,998)	76,262	650,355	2,867,819
Rents and Other	4,185,507	3,637,303	4,172,020	4,962,315	2,365,059	12,828,158	2,910,185	5,123,475	4,387,685	9,188,925
Ticket sales	—	—	—	—	—	—	246,048	262,528	250,197	258,657
Federal Tax Credit - Build America Bonds	—	—	785,097	1,885,064	2,281,309	—	—	—	—	—
Net Increase(Decrease) in the Fair Value of Investments	70,507	159,786	—	—	(6,892)	—	—	—	—	—
Total Revenues	\$405,518,550	\$ 406,238,974	\$439,660,256	\$467,446,337	\$474,195,515	\$ 463,004,296	\$ 505,086,063	\$526,347,705	\$550,503,651	\$569,868,323
Expenditures										
General Government	\$ 33,348,474	\$ 33,948,460	\$ 32,187,985	\$ 29,761,804	\$ 30,217,350	\$ 34,490,531	\$ 29,542,770	\$ 25,813,682	\$ 29,363,569	\$ 29,351,110
Public Safety	195,823,226	304,389,128	202,352,627	205,894,506	214,353,521	217,174,437	221,397,370	224,923,432	222,217,391	238,199,701
Public Works	23,146,710	23,026,748	22,546,990	20,109,111	16,550,945	16,858,097	23,918,973	29,683,273	42,915,474	52,448,429
Public Health	24,231,993	18,943,820	21,896,971	20,822,385	17,945,544	18,585,301	18,450,668	18,834,233	18,969,169	19,044,737
Facilities Maintenance	15,305,363	15,889,876	13,199,006	22,578,339	24,668,278	24,503,102	25,098,917	16,917,017	—	—
Parks	18,182,874	18,751,833	20,213,999	10,960,660	11,502,661	12,070,411	11,849,135	20,847,746	22,397,053	24,237,133
Library	8,574,514	8,446,529	8,285,587	8,513,778	8,725,468	9,662,510	8,681,779	8,600,866	9,009,271	8,997,011
Non Departmental	5,540,947	4,030,705	5,132,818	5,441,674	5,967,334	9,330,072	18,280,392	14,930,859	21,296,772	20,110,210
Culture and Recreation	12,125,397	13,304,250	18,132,534	17,976,423	19,157,061	21,338,566	20,042,332	17,539,116	26,842,366	27,246,508
Economic Development	2,139,743	2,352,538	2,070,444	7,820,674	13,036,303	16,057,472	19,508,037	17,433,872	19,308,546	21,112,765
Mass Transportation	—	—	—	—	—	—	—	—	—	7,780,460
Solid Waste	—	88,357	374,229	—	—	—	—	—	—	—
Environmental Code Compliance	—	—	—	1,403,482	2,403,145	2,209,715	607,901	429,833	454,255	—
Community and Human Development	9,589,694	12,843,354	16,947,930	26,009,482	19,732,283	11,584,213	10,586,068	12,734,484	12,381,817	10,181,310
Capital Outlay	89,386,189	95,448,695	80,064,511	91,207,390	92,305,613	125,158,664	188,817,335	39,127,619	43,418,678	68,702,638
Debt Service:										
Principal	29,647,506	31,052,868	29,236,352	30,565,843	34,604,324	36,473,194	39,738,116	42,179,730	45,906,018	44,817,444
Interest	32,109,109	34,187,775	40,508,881	42,971,955	43,498,282	44,572,414	51,444,638	56,338,365	59,073,451	62,953,393
Arbitrage Rebate	—	—	—	—	—	—	—	—	—	—
Payment to Refunding to Bond Escrow Agent	—	448,428	—	—	762,138	—	—	—	—	—
Fiscal Fees	1,960,367	2,334,575	645,710	705,811	603,413	2,318,229	3,090,511	1,497,328	3,606,688	76,325
Total Expenditures	501,112,106	619,487,939	513,796,574	542,743,317	556,033,663	602,386,928	691,054,942	547,831,455	577,160,518	635,259,174
Excess (Deficiency) of revenues over expenditures	\$ (95,593,556)	\$ (213,248,965)	\$ (74,136,318)	\$ (75,296,980)	\$ (81,838,148)	\$ (139,382,632)	\$ (185,968,879)	\$ (21,483,750)	\$ (26,656,867)	\$ (65,390,852)

City of El Paso, Texas
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources(Uses):										
Transfers from Other funds	\$ 34,849,405	\$ 24,987,947	\$24,884,388	\$25,898,830	\$ 20,405,547	\$ 36,792,607	\$ 79,316,259	\$ 26,630,983	\$ 42,002,719	\$ 34,009,467
Transfers Out	(12,634,192)	(5,581,344)	(4,125,574)	(7,364,426)	(2,532,364)	(17,845,745)	(68,392,088)	(20,799,995)	(47,159,166)	(22,128,627)
Federal Tax Credit - Build America Bonds	—	—	—	—	—	2,419,854	—	—	—	—
Face Amount of Bonds Issued	56,455,000	169,160,000	65,895,000	69,280,000	32,775,000	106,975,000	117,970,000	87,810,000	254,575,000	—
Face Amount of Commercial Paper Issued	—	—	—	—	—	—	—	—	—	—
Face Amount of Refunding Bonds Issued	—	16,020,000	—	—	5,860,000	20,710,000	231,127,041	82,790,000	138,925,000	—
Premium on Issuance of Bonds	1,448,213	3,793,396	2,903,204	57,868	3,162,848	10,182,058	26,920,358	19,707,406	61,219,655	—
Payment to Refunding to Bond Escrow Agent	—	(17,292,108)	—	—	(6,090,257)	(22,914,230)	(244,430,565)	(88,780,000)	(152,930,000)	—
Proceeds from Sale of Capital Assets	1,986,385	597,434	1,048,337	555,777	209,102	171,423	152,999	—	137,900	46,183
Capital Contributions	—	—	—	—	—	—	8,466,417	—	—	512,096
Loan Proceeds	—	11,100,876	3,984,677	—	12,849,000	25,083,362	—	—	656,449	3,500,000
Other sources (uses)	—	—	—	—	—	—	—	—	—	8,442,467
Total other financing sources (uses)	\$ 82,104,811	\$202,786,201	\$94,590,032	\$88,428,049	\$ 66,638,876	\$161,574,329	\$ 151,130,421	\$107,358,394	\$ 297,427,557	\$ 24,381,586
Net change in fund balance	\$(13,488,745)	\$(10,462,764)	\$20,453,714	\$13,131,069	\$(15,199,272)	\$ 22,191,697	\$ (34,838,458)	\$ 85,874,644	\$ 270,770,690	\$(41,009,267)
Debt service as a percentage of noncapital expenditures	15.00%	12.45%	16.08%	16.29%	16.84%	16.98%	18.16%	19.37%	19.67%	19.02%

City of El Paso, Texas
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended August 31,	Residential Property	Commercial Property	Industrial Property	Actual Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2008	\$17,695,257,307	\$ 7,928,400,439	\$ 2,434,538,160	\$ 28,058,195,906	\$1,945,955,410	\$ 26,112,240,496	1.315605
2009	19,492,871,750	8,955,857,589	2,402,999,221	30,851,728,560	2,131,549,259	28,720,179,301	1.263782
2010	20,451,309,682	9,215,886,317	2,299,961,417	31,967,157,416	2,434,835,040	29,532,322,376	1.256333
2011	21,406,568,964	8,932,627,921	2,003,452,781	32,342,649,666	2,637,355,590	29,705,294,076	1.306556
2012	21,523,966,671	9,690,750,314	2,181,622,777	33,396,339,762	2,767,034,262	30,629,305,500	1.327405
2013	22,404,002,581	9,994,677,832	2,383,518,229	34,782,198,642	2,959,581,878	31,822,616,764	1.373723
2014	22,618,202,693	10,299,934,566	2,407,023,727	35,325,160,986	3,181,579,492	32,143,581,494	1.450255
2015	23,115,936,281	10,357,828,194	2,432,018,421	35,905,782,896	3,392,711,537	32,513,071,359	1.501282
2016	22,989,151,781	10,578,790,471	2,794,783,120	36,362,725,372	3,530,249,339	32,832,476,033	1.536912
2017	23,583,578,035	10,778,750,576	2,850,017,043	37,212,345,654	3,774,160,119	33,438,185,535	1.581715

Source: El Paso Central Appraisal District

City of El Paso, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Assessed Value)

Fiscal Year	City Direct Rates						Overlapping Rates			
	City of El Paso		County of El Paso	University Medical Center*	El Paso Community College	Total Direct	Canutillo Independent School District	El Paso Independent School District	Socorro Independent School District	Ysleta Independent School District
	Basic Rate	Debt Service Rate								
2008	0.453290	0.217800	0.360267	0.172281	0.111967	1.315605	1.334946	1.203500	1.168195	1.330000
2009	0.429000	0.204000	0.342437	0.181504	0.106841	1.263782	1.292095	1.235000	1.188194	1.330000
2010	0.422000	0.211000	0.338258	0.179405	0.105670	1.256333	1.292095	1.235000	1.179780	1.330000
2011	0.428400	0.225300	0.363403	0.182124	0.107329	1.306556	1.292100	1.235000	1.179690	1.330000
2012	0.429236	0.229168	0.361196	0.192363	0.115442	1.327405	1.422100	1.235000	1.209794	1.330000
2013	0.442148	0.216256	0.408870	0.192363	0.114086	1.373723	1.422100	1.235000	1.274794	1.330000
2014	0.445699	0.232679	0.433125	0.214393	0.124359	1.450255	1.490000	1.235000	1.274794	1.360000
2015	0.460937	0.238847	0.452694	0.220682	0.128122	1.501282	1.530000	1.235000	1.274794	1.360000
2016	0.478130	0.251595	0.452694	0.220682	0.133811	1.536912	1.530000	1.235000	1.274794	1.360000
2017	0.485641	0.274015	0.452694	0.234456	0.134909	1.581715	1.530000	1.235000	1.274794	1.475000

* Formerly Thomason Hospital

Source: City of El Paso Consolidated Tax Office

**City of El Paso, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2017			2008		
	Rank	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value **	Rank	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value **
Western Refining Company LP	1	\$ 488,622,824	1.46%	1	\$ 484,120,783	1.85%
El Paso Electric Co	2	237,723,828	0.71%	3	156,901,556	0.60%
Wal-Mart Stores Texas LLC	3	234,730,637	0.70%			—%
Sierra Providence Physical Rehabilitation	4	207,305,334	0.62%			—%
River Oaks Properties, LTD	5	164,526,639	0.49%	5	126,809,506	0.49%
Hawkins & I-10 Acquisition Co. LP	6	149,544,348	0.45%			—%
Simon Property Group	7	136,652,355	0.41%	2	183,343,167	0.70%
El Paso Outlet Center LLC	8	90,594,124	0.27%			—%
Texas Gas Service	9	85,758,620	0.26%	8	49,585,780	0.19%
BRE RC Las Palmas MP TX LP	10	73,077,596	0.22%			—%
Southwestern Bell Telephone			—%	4	134,774,323	0.52%
Tenet Hospitals L.P.			—%	6	90,943,244	0.35%
Phelps Dodge Refining Group			—%	7	64,418,453	0.25%
SFPP LP			—%	9	36,242,542	0.14%
Time Warner Entertainment			—%	10	35,190,910	0.13%
TOTAL :		\$ 1,868,536,305	5.59%		\$ 1,362,330,264	5.22%
Total Assessed Taxable Value:		<u><u>\$ 33,438,185,535</u></u>			<u><u>\$ 26,112,240,496</u></u>	

** Real and Personal Property
Source: El Paso Central Appraisal District

City of El Paso, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended August 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 175,451,542	\$ 171,835,488	97.94%	\$ 3,138,806	\$ 174,974,294	99.73%
2009	192,047,333	187,626,344	97.70%	3,839,939	191,466,283	99.70%
2010	197,879,934	193,767,422	97.92%	3,301,554	197,068,976	99.59%
2011	205,378,587	201,023,534	97.88%	3,412,455	204,435,989	99.54%
2012	214,165,086	209,993,596	98.05%	3,319,923	213,313,519	99.60%
2013	222,662,695	218,635,406	98.19%	3,074,812	221,710,218	99.57%
2014	218,303,771	214,404,425	98.21%	2,773,901	217,178,326	99.48%
2015	227,767,780	224,134,549	98.40%	2,248,051	226,382,600	99.39%
2016	239,858,850	236,073,290	98.42%	1,722,100	236,073,290	98.42%
2017	254,305,814	250,162,385	98.37%	—	250,162,385	98.37%

Source: City of El Paso Consolidated Tax Office

City of El Paso, Texas
Personal Income by Industry
Last Eight Calendar Years

Line Title	2009	2010	2011	2012	2013	2014	2015	2016
Personal income (In Thousands) 1/	16,936,771	18,412,317	19,488,662	20,347,085	21,012,635	21,604,209	22,214,178	22,510,218
Population (persons) 2/	620,440	649,121	664,643	674,124	674,433	679,036	681,124	683,080
Per capita personal income (dollars)	27,298	28,365	29,322	30,183	31,156	31,816	32,614	32,954
Derivation of personal income								
Earnings by place of work	15,692,364	16,486,161	17,159,845	17,969,905	18,390,363	18,815,611	18,913,346	19,104,621
less: Contributions for government social insurance 3/	1,566,513	1,674,570	1,575,189	1,646,660	1,838,438	1,897,551	1,968,940	2,035,655
Employee and self-employed contributions for government social insurance	812,323	838,051	692,545	712,163	904,431	946,477	966,077	1,009,218
Employer contributions for government social insurance	754,190	836,519	882,644	934,497	934,497	951,074	1,002,863	1,026,437
plus: Adjustment for residence 4/	(675,551)	(719,443)	(755,589)	(765,008)	(790,552)	(381,775)	(411,820)	(416,712)
equals: Net earnings by place of residence	13,450,300	14,092,148	14,829,067	15,558,237	15,761,373	16,536,285	16,532,586	16,652,254
plus: Dividends, interest, and rent 5/	3,174,392	3,322,025	3,594,236	3,854,785	4,295,306	4,009,382	4,362,458	4,360,113
plus: Personal current transfer receipts	4,852,409	5,377,467	5,561,160	5,560,538	5,731,472	5,972,788	6,356,922	6,600,195
Earnings by place of work								
Components of earnings								
Wages and salaries	10,443,259	10,964,888	11,512,920	12,068,112	12,177,578	12,596,372	13,109,177	13,462,096
Supplements to wages and salaries	2,674,587	2,966,526	3,116,953	3,280,881	3,532,948	3,579,953	3,763,014	3,868,850
Employer contributions for employee pension and insurance funds 6/	1,920,397	2,130,007	2,234,309	2,346,384	2,598,941	2,628,879	2,760,151	2,842,413
Employer contributions for government social insurance	754,190	836,519	882,644	934,497	934,007	951,074	1,002,863	1,026,437
Proprietors' income 7/	2,574,518	2,554,747	2,529,972	2,620,912	2,679,837	2,639,286	2,041,155	1,773,675
Farm proprietors' income	3,998	12,580	16,265	24,310	(5,702)	(4,028)	(2,181)	(2,866)
Nonfarm proprietors' income	2,570,520	2,542,167	2,513,707	2,596,602	2,685,539	2,643,314	2,043,336	1,776,541
Earnings by industry								
Farm earnings	13,246	21,493	26,617	33,837	4,708	7,790	11,287	8,074
Nonfarm earnings	15,679,118	16,464,668	17,133,228	17,936,068	18,385,655	18,807,821	18,902,059	19,096,547
Private nonfarm earnings	10,254,409	10,506,747	10,742,237	11,148,616	11,600,200	12,028,245	11,903,029	11,995,822
Forestry, fishing, and related activities	13,665	19,064	25,454	27,382	40,192	40,311	15,368	11,156
Mining	8,329	10,489	16,324	17,524	20,078	21,484	5,698	6,855
Utilities	110,127	114,440	119,470	126,184	121,718	136,101	160,578	1,668
Construction	1,243,615	1,288,901	1,175,760	1,228,098	1,273,767	1,284,628	778,012	169,229
Manufacturing	994,316	985,364	1,054,815	1,062,981	1,115,085	1,143,960	1,125,035	1,083,630
Durable goods manufacturing	549,194	560,022	618,324	597,379	620,372	656,659	646,715	616,063
Nondurable goods manufacturing	445,122	425,342	436,491	465,602	494,713	487,301	478,320	467,567
Wholesale trade	651,594	657,210	687,315	742,613	785,931	834,429	775,384	764,696
Retail trade	1,095,122	1,184,296	1,243,345	1,305,499	1,359,642	1,417,567	1,487,828	1,524,359
Transportation and warehousing	805,381	858,744	937,967	934,975	999,303	1,076,414	1,200,904	986,833
Information	273,669	272,043	262,620	279,449	320,789	336,371	347,550	307,992
Finance and insurance	435,305	427,208	417,280	445,783	466,969	421,023	459,697	507,930
Real estate and rental and leasing	659,290	541,712	504,106	490,730	463,584	413,867	427,592	494,198
Professional, scientific, and technical services	543,789	572,138	595,794	612,465	621,128	631,859	657,217	675,536
Management of companies and enterprises	37,781	7,699	24,130	30,342	40,301	60,105	72,672	88,078
Administrative and waste management services	699,992	697,167	683,250	696,011	720,694	789,334	913,359	875,888
Educational services	97,005	109,824	120,999	129,450	140,754	148,801	157,459	137,348
Health care and social assistance	1,543,329	1,653,833	1,731,950	1,816,890	1,855,211	1,916,281	1,883,545	1,999,465
Arts, entertainment, and recreation	43,006	47,548	45,738	45,199	47,663	52,473	45,838	57,831
Accommodation and food services	461,216	498,616	524,181	559,436	571,985	619,869	675,567	710,941
Other services, except public administration	537,878	560,451	571,739	597,605	636,660	653,368	713,726	729,588
Government and government enterprises	5,424,709	5,957,921	6,390,991	6,787,452	6,785,455	6,779,576	6,999,030	7,100,725
Federal, civilian	1,015,199	1,127,794	1,218,505	1,261,632	1,251,989	1,275,213	1,312,943	1,347,896
Military	1,700,844	1,978,441	2,308,644	2,634,334	2,519,972	2,450,373	2,539,618	2,410,869
State and local	2,708,666	2,851,686	2,863,842	2,891,486	3,013,494	3,053,990	3,146,469	3,341,960
State government	462,762	508,867	516,259	531,827	551,073	567,934	604,003	660,567
Local government	2,245,904	2,342,819	2,347,583	2,359,659	2,462,421	2,486,056	2,542,466	2,681,393

Personal Income by Industry (Continued)
Last Eight Calendar Years

Notes:

- 1/ The estimates of earnings for 2001-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2011 forward are based on the 2012 NAICS.
- 2/ Census Bureau midyear population estimates. Estimates for 2010-2016 reflect city population estimates available as of July 2016.
- 3/ Employer contributions for government social insurance are included in earnings by industry and earnings by place of work, but they are excluded from net earnings by place of residence and personal income. Employee and self-employed contributions are subtractions in the calculation of net earnings by place of residence and all of the income measures.
- 4/ The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers and US residents employed by international organizations and foreign embassies.
- 5/ Rental income of persons includes the capital consumption adjustment.
- 6/ Includes actual employer contributions and actuarially imputed employer contributions to reflect benefits accrued by defined benefit pension plan participants through service to employers in the current period.
- 7/ Proprietors' income includes the inventory valuation adjustment and capital consumption adjustment.
- 8/ Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services. Last updated: November 17, 2017 -- new estimates for 2016; revised estimates for 2010-2015.

Source: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce

CA05N Footnotes; regional Economic Information System; Bureau of Economic Analysis November 2017

City of El Paso, Texas
Taxable Sales by Category
Last Ten Calendar Years*
(in thousands)
(Modified Accrual Basis of Accounting)

	Calendar Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Agriculture, Forestry, Fishing	\$ 113	\$ 93	\$ 253	\$ 1,290	\$ 1,184	\$ 763	\$ 412	\$ 407	\$ 106	\$ 101
Mining	13	39	403	142	123	150	—	154	72	1,664
Construction	146,606	142,794	131,688	125,556	144,839	147,646	159,350	171,772	41,329	40,607
Manufacturing	184,715	156,361	123,465	128,046	140,299	140,465	142,894	143,390	34,426	33,950
Transportation, Communications & Utilities **	241,012	224,418	236,777	235,577	225,399	221,273	246,871	243,795	51,089	51,491
Wholesale Trade	287,643	301,133	302,515	301,374	301,465	306,286	329,214	340,328	85,744	96,278
Retail Trade	3,407,941	3,246,489	3,458,050	3,569,452	3,690,848	3,810,751	3,884,461	3,940,194	932,100	908,112
Finance, Insurance & Real Estate	95,936	84,763	82,522	81,316	80,757	82,824	75,574	73,902	20,238	19,324
Services **	1,165,328	1,165,965	1,106,523	1,300,410	1,523,541	1,592,914	422,975	1,839,246	469,300	485,214
Public Administration	4,058	3,914	4,609	5,058	4,471	3,401	3,685	4,213	1,035	774
Other **	—	47	20	17	39	29	74	39	46	24
Total	\$ 5,533,365	\$ 5,326,016	\$ 5,446,825	\$ 5,748,238	\$ 6,112,965	\$ 6,306,502	\$ 5,265,510	\$ 6,757,440	\$ 1,635,485	\$ 1,637,539

* Based on one calendar quarter of 2017

** Industries varied in category beginning FY07

Source: Texas Comptroller of Public Accounts

City of El Paso, Texas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(in thousands, except per capita)

Governmental Activities											
Fiscal Year	General Obligation Bonds	Special Revenue Bonds	Certificates of Obligations	Net Unamortized Premium on Bonds (*)	Note Payable	Capital Lease Obligation	Total Governmental Activities	Percentage of Actual Property Value	Per Capita		
2008	\$ 554,630	\$ —	\$ 80,631	\$ —	\$ —	\$ —	\$ 635,261	2.433%	1,055		
2009	637,485	—	135,648	—	11,101	—	784,234	2.731%	1,264		
2010	612,835	—	197,966	—	14,076	—	824,877	2.793%	1,271		
2011	586,965	—	263,632	—	12,994	—	863,591	2.907%	1,299		
2012	564,070	—	285,189	—	24,516	—	873,775	2.853%	1,296		
2013	554,386	60,785	304,684	—	27,238	20,063	967,156	3.039%	1,434		
2014	523,427	60,785	404,316	—	23,499	18,185	1,030,212	3.205%	1,517		
2015	545,374	60,785	427,760	57,428	4,425	31,509	1,127,281	3.467%	1,660		
2016	738,454	60,995	435,085	108,053	11,200	26,405	1,380,192	4.204%	2,026		
2017	716,727	60,685	419,397	97,525	13,049	21,115	1,328,498	3.973%	1,945		
Business-type Activities											
Fiscal Year	General Obligation Bonds	Special Revenue Bonds	Certificates of Obligations	Net Unamortized Premium on Bonds (*)	Note Payable	Capital Lease Obligation	Total Business-type Activities	Total Primary Government	Percentage of Actual Property Value	Per Capita	
2008	\$ 4,450	\$ 27,565	\$ 7,989	\$ —	\$ 12,753	\$ 13,650	\$ 66,407	\$ 701,668	2.687%	1,165	
2009	4,203	25,025	5,774	—	11,686	12,629	59,317	843,551	2.937%	1,360	
2010	3,956	23,100	14,987	—	10,577	9,848	62,468	887,345	3.005%	1,367	
2011	3,709	37,800	20,939	—	15,105	6,955	84,508	948,099	3.192%	1,426	
2012	3,461	36,100	18,970	—	13,264	3,944	75,739	949,514	3.100%	1,409	
2013	3,214	34,325	30,376	—	11,366	1,609	80,890	1,048,046	3.293%	1,554	
2014	23,988	18,880	94,709	—	—	—	137,577	1,167,789	3.633%	1,720	
2015	22,996	17,635	95,375	4,447	—	—	140,453	1,267,734	3.899%	1,867	
2016	20,746	16,330	98,745	4,982	—	—	140,803	1,520,995	4.633%	2,233	
2017	18,453	15,650	96,123	4,431	—	—	134,657	1,463,155	4.376%	2,142	

(*) Net premium/discount on bonds payable is presented starting with fiscal year 2015.

City of El Paso, Texas
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands, except per capita)

Fiscal Year	Population*	Taxable Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded	Percentage of Actual Taxable Value of Property	Per Capita
2008	602,422	\$26,112,240	\$ 647,700	\$ 5,480	\$ 642,220	2.459%	1,066
2009	620,440	28,720,179	783,110	5,711	777,399	2.707%	1,253
2010	649,121	29,532,322	829,745	5,329	824,416	2.792%	1,270
2011	664,643	29,705,294	875,245	6,200	869,045	2.926%	1,308
2012	674,124	30,629,306	871,690	5,601	866,089	2.828%	1,285
2013	674,433	31,822,617	892,660	712	891,948	2.803%	1,323
2014	679,036	32,143,581	1,046,440	2,173	1,044,267	3.249%	1,538
2015	679,036	32,513,071	1,091,505	3,598	1,087,907	3.346%	1,602
2016	681,124	32,832,476	1,293,031	4,003	1,289,028	3.926%	1,893
2017	683,080	34,636,839	1,250,700	6,986	1,243,714	3.591%	1,821

(*) Population information obtained from the Texas Association of Counties

City of El Paso, Texas
Direct and Overlapping Governmental Activities Debt
Year Ended August 31, 2017
(in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>(1) Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Overlapping Debt</u>			
Canutillo Independent School District	\$ 102,350	79.52%	\$ 81,389
El Paso County	188,859	87.09%	164,477
El Paso County Hospital District*	348,325	87.06%	303,252
El Paso Community College District	135,455	99.48%	134,751
El Paso Independent School District	526,939	74.00%	389,935
Socorro Independent School District	491,571	87.09%	428,109
Ysleta Independent School District	589,315	99.98%	589,197
Total overlapping debt	<u>\$ 2,382,814</u>		<u>\$ 2,091,110</u>
<u>City Direct Debt</u>	<u>\$ 1,328,716</u>	100.00%	<u>1,328,716</u>
Total direct and overlapping debt			<u>\$ 3,419,826</u>

* Known as University Medical Center of El Paso

Source: Texas Bond Review Board Website and El Paso Central Appraisal District

(1) The percentage of overlapping debt is calculated by dividing the total assessed value of the overlapping area by the total assessed value of the city.

**City of El Paso, Texas
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 37,212,345,654	
Debt limit (10 percent of assessed value)		3,721,234,565
Debt applicable to limit:		
General obligation bonds & other property tax supported debt	1,294,333,024	
Less: Special Revenue Bonds	(60,685,000)	
Amount set aside for repayment of general obligation debt	(6,985,660)	
Total net debt applicable to limit		1,226,662,364
Legal Debt Margin		2,494,572,201

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$2,611,224,050	\$2,872,017,930	\$2,953,232,238	\$2,970,629,408	\$3,062,930,550	\$3,182,261,676	\$3,214,358,149	\$3,251,307,136	\$3,283,247,603	\$3,721,234,565	
Total net debt applicable to limit	630,971,213	777,398,893	824,416,017	869,036,686	866,089,244	911,995,626	1,033,442,389	1,087,904,887	1,277,589,949	1,226,662,364	
Legal debt margin	\$1,980,252,837	\$2,094,619,037	\$2,128,816,221	\$2,101,592,722	\$2,196,841,306	\$2,270,266,050	\$2,180,915,760	\$2,163,402,249	\$2,005,657,654	\$2,494,572,202	
Total net debt applicable to the limit as a percentage of debt limit		24.2%	27.1%	27.9%	29.3%	28.3%	28.7%	32.2%	33.5%	38.9%	33.0%

Source: City of El Paso Financial Statements 2008-2017

**City of El Paso, Texas
Pledged Revenue Coverage
Last Ten Fiscal Years**

Revenue Bond Coverage						
El Paso International Airport						
Fiscal Year	Gross Revenue	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 35,271,685	\$ 26,893,108	\$ 8,378,577	\$ 1,000,000	\$ 404,575	5.97
2009	33,851,351	26,328,769	7,522,582	1,000,000	374,575	5.47
2010	34,907,576	26,189,300	8,718,276	1,020,000	342,075	6.40
2011	34,709,262	27,167,291	7,541,971	1,060,000	305,100	5.52
2012	36,035,489	27,406,774	8,628,715	1,100,000	1,108,829	3.91
2013	36,284,924	27,625,030	8,659,894	1,145,000	980,750	4.07
2014	33,572,430	29,992,419	3,580,011	1,195,000	932,088	1.68
2015	37,032,793	30,062,592	6,970,201	1,245,000	879,806	3.28
2016	37,666,024	31,343,762	6,322,262	1,305,000	823,781	2.97
2017	43,444,699	32,742,927	10,701,772	680,000	763,425	7.41
Department of Environmental Services						
Fiscal Year	Gross Revenue	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 41,703,614	\$ 26,743,859	\$ 14,959,755	\$ 1,145,000	\$ 953,088	7.13
2009	41,310,894	23,202,237	18,108,657	1,200,000	895,838	8.64
2010	44,790,906	24,836,014	19,954,892	545,000	835,838	14.45
2011	50,528,757	29,727,918	20,800,839	570,000	808,588	15.09
2012	53,660,619	35,879,654	17,780,965	600,000	780,088	12.88
2013	53,281,620	36,715,389	16,566,231	630,000	750,088	12.00
2014	41,031,352	42,010,866	(979,514)	—	—	—
2015	48,964,695	36,764,166	12,200,529	—	—	—
2016	52,182,776	42,429,151	9,753,625	—	—	—
2017	48,381,003	37,474,372	10,906,631	—	—	—

City of El Paso, Texas
Pledged Revenue Coverage (continued)
Last Ten Fiscal Years

Revenue Bond Coverage								
Other Enterprise Funds								
Fiscal Year	Gross Revenue	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage		
				Principal	Interest			
2008	\$ 16,677,380	\$ 2,884,344	\$ 13,793,036	\$ 1,314,988	\$ 820,647	6.46		
2009	14,926,788	4,275,024	10,651,764	340,000	25,535	29.14		
2010	16,124,924	3,127,361	12,997,563	360,000	8,730	35.25		
2011	16,475,270	3,370,509	13,104,761	—	—	—		
2012	25,852,206	57,243,970	(31,391,764)	—	—	—		
2013	30,807,873	60,714,324	(29,906,451)	—	—	—		
2014	31,614,608	65,652,454	(34,037,846)	—	—	—		
2015	34,379,680	70,923,964	(36,544,284)	—	—	—		
2016	36,751,676	75,486,115	(38,734,439)	—	—	—		
2017	36,244,130	76,534,572	(40,290,443)	—	—	—		

Source: City of El Paso Financial Statements 2008-2017

¹ Does not include depreciation.

**City of El Paso, Texas
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2017(c)</u>				<u>2008(a)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Fort Bliss	44,051	1	13.01%	Fort Bliss	6,006	4	2.14%
El Paso Independent School District	7,875	2	2.33%	El Paso Independent School District	8,859	1	3.15%
City of El Paso	6,836	3	2.02%	Ysleta Independent School District	6,229	3	2.22%
Ysleta Independent School District	6,022	4	1.78%	City of El Paso	8,767	2	3.12%
T&T Staffing	5,348	5	1.58%	T&T Staffing	4,876	6	1.74%
Socorro Independent School District	5,155	6	1.52%	Socorro Independent School District	5,433	5	1.93%
Tenet Hospitals LTD (fka Sierra Providence Health Network)	3,407	7	1.01%	El Paso Community College			
Elcom	2,900	8	0.86%	County of El Paso			
County of El Paso	2,892	9	0.85%	University of Texas at El Paso	2,976	10	1.06%
University Medical Center	2,858	10	0.84%	Alorica			
El Paso Community College				University Medical Center	2,997	9	1.07%
University of Texas at El Paso				Wal-Mart	4,365	8	1.55%
Alorica				Tenet Hospitals LTD (fka Sierra Providence Health Network)			
Wal-Mart				Echostar Communications Corporation	4,800	7	1.71%
Del Sol/ Las Palmas				Del Sol/ Las Palmas			
	Total: <u>87,344</u>		<u>25.79%</u>	Total: <u>55,308</u>			<u>19.69%</u>
	Total employed (b) <u>338,700</u>	(b)			<u>280,900</u>		

(a) Source: Office of Management and Budget, City of El Paso, October 2008, 2009, 2010, 2011

(b) Source: U.S. Dept of Labor

(c) Source: List generated by Hoovers and verified by City of El Paso, Economic Development, Staff (September 2017)

City of El Paso, Texas
Demographics and Economic Statistics
Last Ten Calendar Years

Year	Population (1)				Per Capita Personal Income (2)			City of El Paso Unemployment Rate (3)
	U.S.	Change from prior Period	State of Texas	Change from prior Period	U.S.	State of Texas	Texas as a Percentage of U.S.	
2008	305,527,622	0.7424%	24,178,180	1.6871%	39,807	37,873	95.14%	6.5%
2009	307,912,769	0.7807%	24,326,974	0.6154%	40,208	37,774	93.95%	9.8%
2010	310,678,237	0.8981%	24,648,888	1.3233%	39,626*	38,546*	97.27%	9.7%
2011	312,800,424	0.6831%	25,883,999	5.0108%	39,945	37,706	94.39%	9.6%
2012	315,249,622	0.7830%	26,403,743	2.0080%	41,560	40,147	96.60%	8.7%
2013	316,128,839	0.2789%	26,448,193	0.1683%	42,693	41,471	97.14%	8.1%
2014	318,857,056	0.8630%	26,956,958	1.9236%	44,543	43,552	97.78%	7.0%
2015	321,418,820	0.8034%	27,469,114	1.8999%	46,049	45,669	99.17%	4.6%
2016	323,127,513	0.5316%	27,862,596	1.4325%	48,112	46,947	97.58%	5.0%
2017	325,365,189	0.6925%	28,797,290	3.3547%	49,246	46,274	93.96%	4.8%

Data Sources:

(1) U.S. Department of Commerce, United States Census Bureau

(2) Bureau of Labor Statistics, U.S. Department of Labor, Bureau of Business and Economic Research

(3) US Bureau of Labor and Statistics

* www.ephomesearch.com projections

City of El Paso, Texas

Employees by Funding Source and Function

Last Ten Fiscal Years

	2017			2016			2015			2014			2013			2012			2011			2010			2009			2008		
Funding Source	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire
General Fund	1,770	990	855	1,696	962	853	1,701	971	817	1,693	983	813	1,801	988	834	2,176	982	801	1,827	1,014	796	1,799	1,025	793	1,904	1,058	804	1,833	1,076	774
Community Development Block Grants	32	—	—	36	—	—	31	—	—	24	—	—	14	—	—	56	—	—	38	—	—	46	—	—	51	—	—	47	—	—
Capital Projects Fund	15	—	—	18	—	—	24	—	—	7	—	—	4	—	—	15	—	—	5	—	—	5	—	—	4	—	—	2	—	—
Federal Grants	8	15	2	9	16	3	16	15	3	33	15	3	52	24	35	11	15	22	38	15	4	27	15	4	24	14	3	23	15	4
Federal Grants-ARRA	—	—	—	—	—	—	—	—	—	—	—	—	31	—	—	41	—	—	12	—	—	8	—	—	—	—	—	—	—	—
State Grants	8	10	—	8	11	—	7	12	—	4	11	—	2	—	—	9	11	—	9	11	—	7	12	—	11	9	1	16	9	—
Other Grants	—	—	—	—	—	—	1	—	—	—	—	—	1	—	—	1	—	—	2	—	—	2	—	—	1	—	—	1	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Health District-Grants	175	—	—	190	—	—	192	—	—	189	—	—	194	—	—	152	—	—	192	—	—	201	—	—	200	—	—	183	—	—
Nongrants	197	2	20	28	1	—	31	1	—	36	1	—	38	—	—	46	—	—	30	1	—	33	1	—	19	1	—	88	1	—
Supply and Support Funds	95	—	—	95	1	—	98	—	—	91	—	—	81	—	—	67	—	—	83	—	—	82	—	—	79	—	—	68	—	—
SIF-Health Benefits	16	—	—	18	—	—	15	—	—	20	—	—	13	—	—	15	—	—	14	—	—	13	—	—	10	—	—	10	—	—
Airport	213	22	31	221	22	29	224	21	27	220	21	26	225	20	29	219	22	30	221	22	28	223	22	30	227	21	28	223	22	29
International Bridges	62	—	—	61	—	—	60	—	—	57	—	—	59	—	—	52	—	—	54	—	—	54	—	—	54	—	—	52	—	—
Solid Waste	353	—	—	498	—	20	473	—	20	452	—	19	398	—	—	404	—	—	341	—	—	343	—	—	295	—	—	289	—	—
Sun Metro	559	—	—	556	—	—	586	—	—	578	—	—	542	—	—	620	—	—	622	—	—	627	—	—	608	—	—	569	—	—
Tax Office	19	—	—	21	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Private Purpose Trusts	1	—	—	5	—	—	5	—	—	4	—	—	4	—	—	—	—	—	1	—	—	1	—	—	3	—	—	2	—	—
Agency Funds	17	—	—	8	—	—	7	—	—	8	—	—	8	1	—	5	—	—	5	—	—	5	—	—	5	—	—	4	—	—
	3,540	1,039	908	3,468	1,013	905	3,471	1,020	867	3,416	1,031	861	3,467	1,033	898	3,889	1,030	853	3,494	1,063	828	3,476	1,075	827	3,495	1,103	836	3,410	1,123	807

City of El Paso, Texas
Employees by Funding Source and Function (continued)
Last Ten Fiscal Years

Activity	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety	2,395	2,297	2,308	2,284	2,406	2,374	2,345	2,341	2,366	2,372
Public Works	399	317	319	339	323	353	376	372	383	429
Public Health	425	348	300	301	298	261	310	316	318	302
Parks Department	274	258	264	259	272	437	292	274	305	297
General Government	302	294	348	343	283	340	246	249	264	260
Library	155	145	149	147	183	194	165	159	166	174
Culture and Recreation	145	216	154	158	163	168	155	150	148	121
Community and Human Development	35	48	35	38	37	44	58	63	57	58
Facilities Maintenance	69	65	64	63	69	158	36	35	37	—
Planning	17	27	27	27	112	24	15	15	47	47
Economic Development	18	16	21	4	4	11	38	40	15	14
Supply and Support Funds	95	96	97	90	79	67	83	82	79	68
Self Insurance Funds	—	—	—	—	—	15	3	6	10	10
Sun Metro	560	551	583	574	533	620	619	627	608	569
Solid Waste	277	344	370	370	366	446	317	315	296	289
Airport	223	272	257	252	206	203	268	275	276	274
International Bridges	61	60	55	51	56	52	54	54	54	52
Tax Office	19	21	—	—	—	—	—	—	—	—
Private Purpose Trusts	—	5	—	—	—	—	—	—	—	—
Agency Funds	8	6	7	8	8	5	5	5	5	4
Total	5,477	5,386	5,358	5,308	5,398	5,772	5,385	5,378	5,434	5,340

City of El Paso, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years
(modified accrual basis of accounting)

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Number of Dispatch calls	536,979	523,725	517,528	477,546	466,771	306,739	487,492	396,874	337,676	310,104
Number of citations issued	350,543	349,249	345,477	336,458	306,783	435,819	309,852	289,900	246,866	216,428
Fire										
Number of service calls-Fire	21,933	21,861	21,765	24,032	22,745	24,254	24,784	25,978	26,766	29,222
Number of service calls-EMS	48,549	50,296	49,494	47,422	49,331	49,849	50,905	52,267	53,199	52,679
Public Works										
Department of Transportation										
Number of miles of street	20	15	12	12	21	8	13	16	14	10
Public Health										
Number of clients served	NA	267,536	285,480	310,008	247,481	215,557	207,016	660,359	1,406,226	1,886,861
Parks										
Number of athletic field permits	14,689	20,368	13,783	9,682	5,618	7,110	2,475	2,437	4,874	4,293
Number of users	30,000	34,000	36,362	38,960	43,000	45,400	51,000	51,000	52,125	53,125
Library										
Average monthly circulation	141,521	134,184	123,380	122,569	141,052	146,842	143,735	133,677	179,134	190,669
Culture and Recreation										
Number of museums	3	3	3	3	3	3	3	3	3	3
Number of users	143,848	137,802	167,328	133,753	136,500	704,752	157,000	137,320	182,779	156,972
Community and Economic Development Services										
Number of permits issued	35,300	37,869	44,071	28,722	29,045	31,061	30,983	35,115	41,274	47,206
International Airport Operations										
Number of Takeoff and Landings	100,571	96,437	102,731	94,983	95,514	91,775	93,396	83,990	80,309	76,136
Solid waste disposal operations										
Refuse collection (tons)	36,250	419,952	457,284	456,502	428,824	401,583	408,101	401,058	434,570	474,403
Recyclables collected (tons)	33,868	33,609	36,628	35,263	34,928	33,071	32,983	33,290	32,446	31,540
Mass transit operations										
Number of passengers	12,912,642	12,867,324	14,174,578	15,799,858	16,402,270	16,459,406	16,592,000	15,954,000	14,696,000	13,670,000
International bridges operations										
Number of pedestrian crossings	5,355,550	5,138,953	5,150,718	4,455,679	4,030,990	3,938,677	4,063,492	4,281,618	4,426,791	4,422,551
Number of vehicle crossings	4,454,192	3,882,659	3,630,336	3,808,965	3,724,722	4,174,351	4,331,800	4,462,625	4,539,972	4,167,034
Zoo										
Annual Attendance	278,827	281,753	331,646	321,195	354,130	332,615	378,009	358,166	344,309	318,864
Component Unit										
El Paso Water Utility										
Customers (retail)	178,031	182,315	185,062	188,927	191,625	194,274	196,600	198,767	201,807	204,140
Water pumped (million gallons)	35,636	35,476	37,067	37,348	38,833	38,820	37,345	37,324	37,487	37,693

City of El Paso, Texas
Capital Asset Statistics by Function
Last Ten Fiscal Years
(modified accrual basis of accounting)

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Number of police vehicles	732	719	729	758	762	813	840	814	775	774
Number of stations	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ
Fire										
Number of fire engines	65	66	66	66	68	68	67	67	99	99
Number of fire stations	34	34	34	34	35	36	36	35	35	35
Public Works										
Department of Transportation										
Paved streets (lane miles)	4,909	2,014	2,098	2,126	2,176	2,200	2,224	2,280	2,243	2,264
Traffic signals	598	612	629	636	642	643	652	655	656	656
Public Health										
not applicable										
Parks										
Number of parks	176	200	214	212	239	236	244	258	261	288
Number of swimming pools	14	14	14	14	14	14	14	14	14	14
Number of recreation centers	19	15	15	15	16	16	16	16	16	16
Library										
Number of branch libraries	14	13	13	13	13	13	13	13	13	13
Book stock	932,654	902,521	900,191	579,503	627,484	611,082	642,831	709,982	749,270	784,565
Culture and Recreation										
Number of exhibits	26	30	26	36	34	95	34	35	38	31
Community and Economic										
not applicable										
International Airport Operations										
Number of hangars	222	244	231	221	233	242	203	203	236	253
Solid waste disposal operations										
Number of collection trucks	104	110	108	96	110	103	115	115	120	118
Mass transit operations										
Number of buses	153	159	159	166	166	166	169	169	169	162
International bridges operations										
not applicable										
Component Unit										
El Paso Water Utility										
Capitalize miles of water mains	2,432	2,468	2,489	2,506	2,530	2,561	2,593	2,615	2,635	2,670