

PRELIMINARY OFFICIAL STATEMENT

Dated: June 24, 2025

Ratings:
S&P: "AA"
KBRA: "AA+"
**(See "Other Information
– Ratings" herein)**

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

\$102,565,000*
CITY OF EL PASO, TEXAS
(El Paso County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025

Dated Date: August 1, 2025

Due: August 15, as shown on page 2

Interest to Accrue from Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the \$102,565,000* City of El Paso, Texas, General Obligation Refunding Bonds, Series 2025 (the "Bonds") will accrue from the Delivery Date and will be payable February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, and interest on the Bonds will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Computershare Trust Company, N.A., St. Paul, Minnesota (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly, Chapters 1207 and 1371, Texas Government Code, as amended, the Home Rule Charter of the City, and a bond ordinance adopted by the City Council of the City of El Paso, Texas (the "City") on June 24, 2025 (the "Bond Ordinance"), in which the City Council delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve the sale of the Bonds evidenced by the execution of a "Pricing Certificate" (the Pricing Certificate, together with the Bond Ordinance, are referred to herein as the "Ordinance"). The Bonds are direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City (see "THE BONDS - Authority for Issuance", "THE BONDS – Tax Rate Limitation" and "THE BONDS - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's presently outstanding obligations described in Schedule I (the "Refunded Obligations") (see "Schedule I – Schedule of Refunded Obligations") for debt service savings, (ii) refund by purchasing certain of the City's outstanding debt (as described in more detail herein, the "Purchased Obligations") validly tendered to and accepted by the City for purchase and cancellation pursuant to the Invitation (as defined herein) (see "PLAN OF FINANCING - Purchased Obligations" and Schedule IA herein for a detailed description of the Invitation, the outstanding obligations of the City targeted for such tender and purchase, and the Purchased Obligations) in order to lower the overall debt service requirements of the City, and (iii) pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose").

CUSIP PREFIX: 283734
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the legal opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the services of DTC on August 7, 2025 (the "Delivery Date").

JEFFERIES

RAYMOND JAMES

RBC CAPITAL MARKETS

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix: 283734 ⁽¹⁾**

Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 8,900,000	2026				\$ 7,180,000	2035			
12,075,000	2027				4,605,000	2036			
8,830,000	2028				1,520,000	2037			
9,260,000	2029				1,590,000	2038			
9,735,000	2030				1,675,000	2039			
7,345,000	2031				1,755,000	2040			
7,710,000	2032				1,845,000	2041			
8,095,000	2033				1,935,000	2042			
8,510,000	2034								

(Interest to accrue from the Delivery Date)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services which is managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. The City, the Financial Advisor and the Underwriters take no responsibility for the accuracy of such numbers.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). In the event any of the Bonds are structured as “term” bonds, such term bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance and will be described in the final Official Statement (see “The BONDS – Mandatory Sinking Fund Redemption”).

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof ("Rule 15c2-12"), this document constitutes an "official statement" of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Preliminary Official Statement, which includes the cover page, the schedules, and the appendices hereto, does not constitute an offer to sell, nor is it to be used in connection with an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give information or to make any representation other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Preliminary Official Statement. The Underwriters have reviewed the information in this Preliminary Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the City and other sources considered to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS MAY HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PRELIMINARY OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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The cover page hereof, this page, the schedules, and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds (defined herein) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Capitalized terms used in this “PRELIMINARY OFFICIAL STATEMENT SUMMARY” and not otherwise defined shall have the meaning assigned thereto on the cover page hereof.

THE CITY	The City of El Paso, Texas (the “City”) is a political subdivision of the State of Texas (the “State”) located in El Paso County. The City was incorporated in 1873. Pursuant to a Charter Election held on February 7, 2004, the City converted to a City Manager form of government on September 1, 2004. The City covers approximately 256 square miles.
THE BONDS	The \$102,565,000* City of El Paso, Texas, General Obligation Refunding Bonds, Series 2025 (the “Bonds”) are anticipated to be issued as serial bonds maturing August 15 in each of the years 2026 through 2042*.
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the date of the initial delivery of the Bonds and is payable on February 15, 2026, and on each August 15 and February 15 thereafter, until maturity or prior redemption (see “THE BONDS – Description of the Bonds” and “THE BONDS – Optional Redemption”).
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly, Chapters 1207 and 1371, Texas Government Code, as amended, the City’s Home Rule Charter, and an ordinance adopted by the City Council of the City on June 24, 2025 (the “Bond Ordinance”), in which the City Council delegated to certain City officials (each, a “Pricing Officer”) authority to complete the sale of the Bonds through the execution of a “Pricing Certificate” (such Bond Ordinance and Pricing Certificate are jointly referred to as the “Ordinance”) (see “THE BONDS – Authority for Issuance”).
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City (see “THE BONDS – Tax Rate Limitation”, “THE BONDS - Authority for Issuance,” and “THE BONDS – Security and Source of Payment”).
REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). In the event any of the Bonds are structured as “term” bonds, such term bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance and will be described in the final Official Statement (see “THE BONDS – Mandatory Sinking Fund Redemption”).
TAX MATTERS	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City’s presently outstanding obligations described in Schedule I (the “Refunded Obligations”) (see “Schedule I – Schedule of Refunded Obligations”) for debt service savings, (ii) refund by purchasing certain of the City’s outstanding debt (as described in more detail herein, the “Purchased Obligations”) validly tendered to and accepted by the City for purchase and cancellation pursuant to the Invitation (as defined herein) (see “PLAN OF FINANCING - Purchased Obligations” and Schedule IA herein for a detailed description of the Invitation, the outstanding obligations of the City targeted for such tender and purchase, and the Purchased Obligations) in order to lower the overall debt service requirements of the City, and (iii) pay the costs associated with the issuance of the Bonds (see “PLAN OF FINANCING – Purpose”).
RATINGS	The Bonds and certain of the presently outstanding tax supported debt of the City are rated “AA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”), and “AA+” by Kroll Bond Rating Agency, LLC (“KBRA”) without regard to credit enhancement. Certain of the presently outstanding tax supported debt of the City is rated “AA” by Fitch Ratings, Inc. (“Fitch”) (see “OTHER INFORMATION – Ratings”). In connection with the issuance of the Bonds, the City is not seeking a rating from Fitch.

* Preliminary, subject to change.

BOOK-ENTRY-ONLY

SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

PAYMENT RECORD The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8-31	Estimated City Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽³⁾	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2021	694,033	\$37,170,466,732	\$ 53,557	\$1,444,835,000	\$ 2,082	3.89%	99.26%
2022	678,415	39,903,402,365	58,819	1,542,725,000	2,274	3.87%	98.41%
2023	677,456	45,192,206,073	66,709	1,524,185,000	2,250	3.37%	98.64%
2024	678,958	49,036,815,933	72,224	1,444,700,000	2,128	2.95%	98.48%
2025	678,958 ⁽²⁾	52,922,651,790	77,947	1,326,550,000 ⁽⁴⁾	1,954 ⁽⁴⁾	2.51% ⁽⁴⁾	97.56% ⁽⁵⁾

(1) Source: City’s Annual Comprehensive Financial Reports.

(2) Source: City estimate.

(3) Source: El Paso Central Appraisal District report of property values. Adjustments may be made to the tax roll subsequent to the date of such reports.

(4) Includes the Bonds. Excludes \$11,695,000 (preliminary, subject to change) in principal amount of certain of the City's outstanding obligations anticipated to be defeased on July 16, 2025, the Refunded Obligations and the Purchased Obligations. Preliminary, subject to change.

(5) Collections as of May 31, 2025.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended August 31, (Amounts in Thousands) ⁽¹⁾				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 156,543	\$ 150,553	\$ 104,102	\$ 72,234	\$ 51,610
Total Revenue	546,319	519,371	490,677	453,414	421,250
Total Expenditures	525,752	486,067	440,173	415,740	396,643
Net Transfers/Adjustments	(8,617)	(27,314)	(4,053)	(5,806)	(3,983)
Ending Balance	<u>\$ 168,493</u>	<u>\$ 156,543</u>	<u>\$ 150,553</u>	<u>\$ 104,102</u>	<u>\$ 72,234</u>

(1) Figures may not total due to rounding.

CITY ADMINISTRATION

CITY OF EL PASO, TEXAS

300 N. Campbell
El Paso, Texas 79901
(915) 212-0118

CITY COUNCIL

Renard Johnson, Mayor
Alejandra Chavez
Josh Acevedo
Deanna Maldonado-Rocha
Cynthia Boyar Trejo
Ivan Niño
Art Fierro
Lily Limón
Chris Canales

CERTAIN ADMINISTRATIVE STAFF

Dionne Mack City Manager
Robert Cortinas Chief Financial Officer
Laura D. Prine City Clerk
Karla Nieman City Attorney
Maria Pasillas Tax Assessor/Collector
Margarita Marin Deputy CFO - Comptroller

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors Forvis Mazars LLP
Dallas, Texas

Bond Counsel Norton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor Hilltop Securities Inc.
El Paso, Texas

For additional information regarding the City, please contact:

Robert Cortinas		Maria Fernanda Urbina
Chief Financial Officer		Managing Director
City of El Paso, Texas	or	Hilltop Securities Inc.
300 N. Campbell		221 N. Kansas, Suite 600
El Paso, Texas 79901		El Paso, Texas 79901
(915) 212-1063		(915) 351-7228

**PRELIMINARY OFFICIAL STATEMENT
RELATING TO
CITY OF EL PASO, TEXAS**

**\$102,565,000*
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025**

INTRODUCTION

This Official Statement, which includes Schedule I, Schedule IA, and the Appendices hereto, provides certain information regarding the issuance of \$102,565,000* City of El Paso, Texas, General Obligation Refunding Bonds, Series 2025 (the “Bonds”). In the ordinance authorizing the issuance of the Bonds, adopted on June 24, 2025 (the “Bond Ordinance”), as permitted by certain provisions of Chapters 1207 and 1371, Texas Government Code, as amended, the City Council of the City of El Paso, Texas (the “City”) delegated to certain City officials (each, a “Pricing Officer”) the authority to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to a pricing certificate (the “Pricing Certificate” and, together with the Bond Ordinance, the “Ordinance”).

The City was incorporated in 1873 and is a political subdivision and municipal corporation of the State of Texas (the “State”) duly organized and existing under the laws of the State, including the City’s Home Rule Charter (the “City Charter”). The City operates under a Council Manager form of government. City Council Members serve staggered four year terms. The Mayor also serves a four year term. Each elected official may serve no more than two consecutive terms. The City provides the following services: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, cultural-recreation, international airport and bridges, public transportation, public improvements, planning and zoning, and general administrative services. The City covers approximately 256 square miles. The 2020 Census population for the City was 678,815, while the estimated population for 2025 is 678,958.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Hilltop Securities Inc., El Paso, Texas whose contact information appears on page 7.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the final Official Statement will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) at www.emma.msrb.org, 1300 I St. NW Ste 1000, Washington, DC 20005. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

PURPOSE . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City’s presently outstanding obligations described in Schedule I (the “Refunded Obligations”) (see “Schedule I – Schedule of Refunded Obligations”) for debt service savings, (ii) refund by purchasing the Purchased Obligations (as defined herein) validly tendered to and accepted by the City for purchase and cancellation pursuant to the Invitation (as defined herein) (see “PLAN OF FINANCING - Purchased Obligations” and Schedule IA herein for a detailed description of the Invitation, the outstanding obligations of the City targeted for such tender and purchase, and the Purchased Obligations) in order to lower the overall debt service requirements of the City, and (iii) pay the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the redemption date shown on Schedule I hereto (the “Redemption Date”) from funds to be deposited with Computershare Trust Company, N.A., St. Paul, Minnesota, the paying agent for the Refunded Obligations (the “Refunded Obligations’ Paying Agent”), pursuant to an escrow agreement or deposit agreement (the “Agreement”) between the City and the Refunded Obligations’ Paying Agent. The Ordinance provides that from a portion of the proceeds of the sale of the Bonds received from the Underwriters, and other available funds of the City, if necessary, the City will deposit with the Refunded Obligations’ Paying Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their Redemption Date. Public Finance Partners LLC (the “Verification Agent”) will certify as to the sufficiency of the amounts initially deposited under the Agreement to pay the principal of and interest on the Refunded Obligations on their Redemption Date.

By the deposit of the proceeds from the sale of the Bonds and cash, if necessary, with the Refunded Obligations’ Paying Agent, the City will have effected the defeasance of the Refunded Obligations in accordance with State law, and as a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payment from the Refunded Obligations’ Paying Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from ad valorem taxes nor for the purpose of applying any limitation on the issuance of debt.

* Preliminary, subject to change.

PURCHASED OBLIGATIONS. . . The City is releasing an Invitation to Tender Bonds, dated June 24, 2025 (the “Invitation”), to the beneficial owners of the City’s General Obligation Bonds, Series 2016 and Combination Tax and Revenue Certificates of Obligation, Series 2016 (together, the “Target Obligations”) for purchase (and cancellation) by the City of any Target Obligations validly tendered by such owners in accordance with the terms set forth in the Invitation. Subject to such terms of the Invitation, the instructions to the Purchased Obligations’ Paying Agent (as defined herein), and certain other conditions described herein, on the date of delivery of the Bonds (the “Delivery Date”), the City will purchase for cash the Target Obligations validly tendered and accepted for purchase (in the principal amounts comprising the Purchased Obligations, as set forth in Schedule IA attached hereto; the Target Obligations so purchased by the City as aforesaid are referred to herein as the "Purchased Obligations"). The City expects to pay for such tendered Purchased Obligations, together with the costs related thereto, from (x) proceeds of the Bonds and (y) certain available funds of the City. The Purchased Obligations will be canceled on the Delivery Date and will no longer be deemed outstanding. Target Obligations not so purchased will, however, remain outstanding.

On or before the Delivery Date, the Verification Agent will verify the sufficiency of cash deposited with the paying agent for the Purchased Obligations (the “Purchased Obligations’ Paying Agent”) to pay the purchase price of the Purchased Obligations.

This description is not intended to summarize the terms of the Invitation, or to solicit offers to tender Target Obligations. See “- Sources and Uses of Proceeds” and “SCHEDULE IA- SCHEDULE OF PURCHASED OBLIGATIONS”.

Jefferies LLC (“Jefferies”) is acting as the sole dealer manager for the Invitation (in such capacity, the “Dealer Manager”). Jefferies will receive a fee for its services and will be reimbursed for certain expenses it incurs as Dealer Manager. Jefferies is also the lead underwriter of the Bonds. (See “OTHER INFORMATION – Underwriting”).

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds and the City contribution, if any, are expected to be expended as follows:

Par Amount	\$	-
Net Reoffering Premium		-
City Contribution		-
Total Sources of Funds	\$	-
Deposit with Refunded Obligations' Paying Agent	\$	-
Deposit with Purchased Obligations' Paying Agent		-
Underwriters' Discount		-
Costs of Issuance/Rounding ⁽¹⁾		-
Total Uses of Funds	\$	-

(1) Any amounts remaining after payment of costs of issuance shall be transferred to the Interest and Sinking Fund for the Bonds.

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THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 1, 2025. The Bonds mature on August 15 in each of the years and in the amounts shown on page 2. Interest on the Bonds will accrue from the Delivery Date, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on each February 15 and August 15, commencing February 15, 2026, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in denominations of \$5,000 or integral multiples thereof for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, and interest on the Bonds will be payable by Computershare Trust Company, N.A., St. Paul, Minnesota (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at stated maturity or upon earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly, Chapters 1207 and 1371, Texas Government Code, as amended, the City Charter, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct obligations of the City payable from a continuing, direct annual ad valorem tax levied by the City, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance.

PERFECTION OF SECURITY INTEREST . . . Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the ad valorem taxes to the Bonds and such pledge is valid, effective and perfected. Should State law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the ad valorem taxes is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code, as amended, and enable a filing to perfect the security interest in said pledge to occur.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5 of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all City purposes. The City operates under its City Charter, as authorized by Article XI, Section 5 of the Constitution of the State, which provides for a maximum tax rate of no more than \$1.85 per \$100 of taxable assessed valuation. The City Charter provides that the \$1.85 tax rate limitation does not apply to the taxes required to be levied to pay the interest and principal on general obligation bonds, although the \$2.50 State Constitution limit is applicable to debt taxes as well as maintenance taxes. The Texas Administrative Code prohibits the issuance of tax debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collection. The issuance of the Bonds will not exceed the above-described limits or violate the Texas Administrative Code.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Bonds are structured as "term bonds," such term bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance and will be described in the final Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of such series of Bonds plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities, which shall mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Paying Agent/Registrar for the Bonds being defeased. In the event of a defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas. City officials may further limit the permitted Government Securities in connection with the sale of the Bonds. In addition, the City reserves the right, subject to satisfying the requirements of (1) and/or (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

When such deposit is made in the manner described, such Bonds shall no longer be deemed outstanding Bonds secured by the Ordinance but will be payable only from the funds and Government Securities deposited in escrow, if any, and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call for redemption, at an earlier date, the Bonds which have been defeased to maturity or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call the Bonds which have been defeased to maturity for redemption at an earlier date is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The City may, without the consent of or notice to any holders of the Bonds, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interest of the holders of the Bonds, including the curing of any ambiguity, inconsistency or formal defect or omission contained therein. In addition, the City may, with the consent of those holding a majority in the aggregate principal amount of the Bonds then outstanding, amend, add to or rescind any of the provisions of the Ordinance; provided that, without the consent of all holders of the outstanding Bonds, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held for consent to any such amendment, addition or rescission.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but none of the City, the Financial Advisor, or the Underwriters take any responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a "AA+" rating from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take

certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bonds will be issued to the holders of the Bonds and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Computershare Trust Company, N.A., St. Paul, Minnesota. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, certificates will be printed and delivered to the registered owners of Bonds, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the

Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “THE BONDS - Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of an Bond called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT . . . The date for determining to whom interest is payable on the Bonds on any interest payment date means the close of business on the last business day of the month preceding such interest payment date (the “Record Date”).

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS’ REMEDIES . . . The Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners of the Bonds may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to such Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) (“Wasson”) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance’s covenants. Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its obligations. The City has relied upon Chapter 1371 in connection with the issuance of the Bonds, but the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the El Paso Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, unless extended by the State legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the maximum property value was increased to \$5,160,000.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption described in (1), above, that was granted in tax year 2022 through December 31, 2027.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the 89th Regular Session (as defined herein) would provide a person with an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER... The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” and “– Tax Abatement Policy.”

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

2025 Regular and Special Legislative Sessions . . . The 89th Texas legislature convened on January 14, 2025, and concluded on June 2, 2025 (the “89th Regular Session”). When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. On June 23, 2025, the Governor called the first special session which will begin on July 21, 2025, and is currently scheduled to address, among five other items, the proposed ban of THC products in the State. The City can make no representations or predictions regarding any actions the legislature took during the 89th Regular Session, or any actions the legislature may take in any special session.

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an ad valorem property tax exemption to persons 65 years of age or older and the disabled of \$42,500. In addition, the City grants a general exemption of 0.1% of the market value of residence homesteads. The minimum exemption is \$5,000.

The City has not granted any additional exemptions on the market value of residence homesteads.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

The City does not tax nonbusiness personal property.

The City collects its own taxes; split payments and discounts are not allowed.

The City has taken action to grant the Freeport Property exemption.

The City does tax goods-in-transit.

See Table 1 for a listing of the amounts of the exemptions granted by the City.

TAX ABATEMENT POLICY . . . The City has adopted a tax abatement policy that considers, among other things, the number of jobs to be created, salaries and wages, total annual payroll, and the value of the improvements (real and personal property) when making determinations as to potential abatements. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT FINANCING DISTRICTS . . . On October 31, 2006, the City Council approved the Downtown 2015 Plan (the "Plan") as an addendum to the City's comprehensive plan entitled *The Plan for El Paso* to support community revitalization and infrastructure improvements within the five areas described as redevelopment districts (the "Redevelopment Districts") in the City's Plan. On December 19, 2006, the City Council approved an ordinance to create a zone to be known as "Tax Increment Reinvestment Zone No. 5" ("Zone 5") to promote development or redevelopment in the Redevelopment Districts. The ordinance described the boundaries of Zone 5, created a board of directors for Zone 5 and established a tax increment fund for Zone 5. The ordinance also established that the termination of the Zone was to occur on December 31, 2036, unless terminated earlier as a result of payment in full of all project costs, and the interest accrued on those costs, or as authorized or permitted by law.

The ordinance was amended in 2007 to add an additional 99.865 acres, in 2012 to add an additional 9.45 acres, and in 2013 to add an additional 8.4 acres. The total acreage in Zone 5 is 306,135.

On May 29, 2012, the City Council approved an ordinance to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 6" ("Zone 6") to promote development and community revitalization and infrastructure improvements in a 67 acre area located around the University Medical Center to spur development in the area that will become the Medical Center of the Americas. The ordinance creating Zone 6 describes the boundaries of Zone 6, created a board of directors for Zone 6 and established a tax increment fund for Zone 6. The ordinance also established that the termination of Zone 6 was to occur on December 31, 2042, unless terminated earlier as a result of payment in full of all project costs, and the interest accrued on those costs, or as authorized or permitted by law. The ordinance was amended in 2014 adding an additional .8692 acres to Zone 6. The second amendment occurred in 2020 adding an additional 595.38 acres to Zone 6. The total acreage in Zone 6 is 663.26.

On December 9, 2014, the City Council approved an ordinance to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 7" ("Zone 7") to promote community revitalization and infrastructure improvements through Transit-Oriented Development for the Sun Metro Northgate Transfer Center covering 30.8 acres. The ordinance creating Zone 7 describes the boundaries of Zone 7, created a board of directors for Zone 7 and established a tax increment fund for Zone 7. The ordinance also established that the termination of Zone 7 was to occur on December 31, 2044, unless terminated earlier as a result of payment in full of all project cost, and the interest accrued on those costs, or as authorized or permitted by law.

On February 28th, 2017 the City Council approved ordinance 018632, to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 8" ("Zone 8") to continue funding the construction of needed public infrastructure and to encourage private development that will yield additional tax revenue to all local taxing jurisdictions. Zone 8 will promote the creation of contained, mixed-use development consisting of destination retail and entertainment. Zone 8 is located in the southern portion of the City, encompassing approximately 42.72 acres. The ordinance creating Zone 8 describes the boundaries of Zone 8, created a board of directors for Zone 8 and established a tax increment fund for Zone 8. The ordinance also establishes that the termination of Zone 8 is to occur on December 31, 2048, unless terminated earlier by subsequent ordinance or at such a time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and other obligations of Zone 8, and the interest thereon have been paid in full.

On May 16, 2017, the City Council approved an ordinance to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 9" ("Zone 9") to support the development of the Eastside Sports Complex as well as other public spaces and infrastructure covering 788.8 acres. The ordinance creating Zone 9 describes the boundaries of Zone 9, created a board of

directors for Zone 9 and established a tax increment fund for Zone 9. The ordinance also establishes that the termination of Zone 9 is to occur on December 31, 2047, unless terminated earlier by subsequent ordinance or at such a time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and other obligations of Zone 9, and the interest thereon have been paid in full.

On December 19, 2017, the City Council approved an ordinance to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 10" ("Zone 10") to promote the creation of mixed-use development consisting of destination retail and entertainment covering 47.61 acres. The ordinance creating Zone 10 describes the boundaries of Zone 10, created a board of directors for Zone 10 and established a tax increment fund for Zone 10. The ordinance also establishes that the termination of Zone 10 is to occur on December 31, 2048, unless terminated earlier by subsequent ordinance or at such a time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and other obligations of Zone 10, and the interest thereon have been paid in full. The ordinance was amended in 2018 adding an additional 3,874 acres to Zone 10. Consequently, the additional acres were removed on June 6, 2023 by Council action.

On May 18, 2018, the City Council approved an ordinance to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 11" ("Zone 11") to promote the creation of mixed-use development consisting of destination retail and entertainment that will serve as a catalyst for Northeast El Paso covering 50 acres. The ordinance creating Zone 11 describes the boundaries of Zone 11, created a board of directors for Zone 11 and established a tax increment fund for Zone 11. The ordinance also establishes that the termination of Zone 11 was to occur on December 31, 2054 or an earlier or later termination date as designated by an ordinance or on the date which all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full. The ordinance was amended in 2019 adding an additional 92.27 acres to Zone 11.

On October 2, 2018, the City Council approved an ordinance to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 13" ("Zone 13"). Zone 13 covers 6,879 acres and will promote the creation or mixed-use development consisting of residential and commercial development that will serve as a catalyst for Northeast El Paso ensuring contiguous, planned development that compliments existing retail, entertainment, and public transit development efforts at the former Cohen Stadium site and the former Northgate Mall site, also known as Metro 31. The unique location of TIRZ 13 near the Franklin Mountain State Park additionally offers an opportunity to provide funding for wayfinding and development and maintenance of new trails and trailheads that better integrate open space amenities with nearby development. The ordinance creating Zone 13 describes the boundaries of Zone 13, created a board of directors for Zone 13 and established a tax increment fund for Zone 13. The ordinance was amended in 2020 to amend the boundaries, increase the City participation rate, and extend the term of Zone 13 through December 31, 2070, unless terminated earlier by subsequent ordinance or at such a time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and other obligations of Zone 13, and the interest thereon have been paid in full.

On August 3, 2021 the City Council approved ordinance 019212, to create a tax increment reinvestment zone known as "Tax Increment Reinvestment Zone No. 14" ("Zone 14") to promote the development of new construction within the boundaries of Zone 14 covering 4,048 acres. The ordinance creating Zone 14 describes the boundaries of Zone 14, created a board of directors for Zone 14 and established a tax increment fund for Zone 14. The ordinance also establishes that the termination of Zone 14 is to occur on December 31, 2056, unless terminated earlier by subsequent ordinance or at such a time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and other obligations of Zone 14, and the interest thereon have been paid in full.

ECONOMIC DEVELOPMENT GRANTS . . Pursuant to Chapter 380 of the Texas Local Government Code, the City has established economic development programs, considers new economic development proposals and has approved economic development program agreements with a number of companies, and pursuant to the terms of those agreements, the City funds from lawfully available revenues, which may include moneys in the City's General Fund, periodic economic development grant payments to said companies. The actual grant amounts are calculated on the basis of percentages of ad valorem and/or sales taxes received by the City and attributable to certain real property developed by those companies during the terms of the respective agreements.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/2025 Taxable Market Valuation Established by El Paso Central Appraisal District (Excludes Fully Exempt Property)		\$ 66,555,503,743
Less Exemptions:		
65 Years and Over and/or Disabled	2,214,567,624	
Optional Homestead Exemptions	647,404,767	
Agriculture	34,732,855	
Tax Abatement	95,294,871	
State Mandated Veterans Homestead Exemption including Surviving Spouse	2,266,518,440	
Disabled or Deceased Veterans Survivors	94,327,122	
Freeport	2,899,368,045	
Pollution Control	54,438,893	
Solar and Wind-Powered Energy	4,127,819	
Circuit Breaker	842,847,843	
Total Exemptions		<u>\$ 13,632,851,953</u>
2024/2025 Net Taxable Assessed Valuation		<u>\$ 52,922,651,790</u>
Tax Supported Debt ⁽¹⁾⁽²⁾ :		
General Obligation Debt as of 5-31-2025		\$ 1,290,160,000
The Bonds ⁽³⁾		<u>\$ 102,565,000</u>
Funded Debt Payable From Ad Valorem Taxes		<u>\$ 1,392,725,000</u>
Amounts Available in Debt Service Funds (as of 8-31-2024)		\$ 12,095,550
Ratio Funded Debt to Net Taxable Assessed Valuation		2.63%

2025 Estimated Population - 678,958
Per Capita Taxable Assessed Valuation - \$77,947
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$2,051

- (1) Includes certain general obligation debt expected to be paid from various charges and other funds of the City. In the event that other funds of the City are not sufficient to pay debt service on such obligations, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, sufficient for the payment thereof.
- (2) Excludes \$11,695,000 (preliminary, subject to change) in principal amount of certain of the City's outstanding obligations anticipated to be defeased on July 16, 2025, the Refunded Obligations and the Purchased Obligations. Preliminary; subject to change.
- (3) Preliminary; subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 41,909,632,673	62.97%	\$ 38,917,011,832	63.62%	\$ 34,903,345,223	63.01%
Real, Residential, Multi-Family	3,850,989,975	5.79%	2,874,835,828	4.70%	3,100,533,080	5.60%
Real, Vacant Lots/Tracts	429,199,946	0.64%	431,434,805	0.71%	409,387,601	0.74%
Real, Acreage (Land Only)	35,974,407	0.05%	37,098,780	0.06%	42,151,201	0.08%
Real, Farm and Ranch Improvements	79,113,204	0.12%	73,575,216	0.12%	67,392,620	0.12%
Real, Commercial	10,423,810,472	15.66%	9,334,973,872	15.26%	8,624,841,895	15.57%
Real, Industrial	1,217,114,830	1.83%	956,876,816	1.56%	802,404,939	1.45%
Tangible, Non-business Vehicles	75,377,966	0.11%	130,322,918	0.21%	192,744,614	0.35%
Real and Tangible Personal, Utilities	807,594,151	1.21%	806,307,331	1.32%	788,196,295	1.42%
Tangible Personal, Commercial	4,599,636,074	6.91%	4,728,398,492	7.73%	3,928,883,125	7.09%
Tangible Personal, Industrial	2,545,720,933	3.82%	2,380,518,099	3.89%	2,032,908,795	3.67%
Tangible Personal, Other	97,666,892	0.15%	64,564,319	0.11%	65,194,770	0.12%
Special Inventory	227,805,688	0.34%	255,597,192	0.42%	243,014,564	0.44%
Real Property, Inventory	255,866,532	0.38%	175,956,489	0.29%	192,636,446	0.35%
Total Appraised Value Before Exemptions	\$ 66,555,503,743	100.00%	\$ 61,167,471,989	100.00%	\$ 55,393,635,168	100.00%
Plus: Adjustment	-		-		-	
Less: Total Exemptions/Reductions	13,632,851,953		12,130,656,056		10,201,429,095	
Taxable Assessed Value	<u>\$ 52,922,651,790</u>		<u>\$ 49,036,815,933</u>		<u>\$ 45,192,206,073</u>	

Category	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 28,212,838,039	60.52%	\$ 24,257,308,365	57.01%
Real, Residential, Multi-Family	2,597,221,154	5.57%	2,458,742,653	5.78%
Real, Vacant Lots/Tracts	431,067,689	0.92%	401,825,326	0.94%
Real, Acreage (Land Only)	45,647,891	0.10%	33,039,613	0.08%
Real, Farm and Ranch Improvements	62,596,259	0.13%	56,887,585	0.13%
Real, Commercial	8,045,110,345	17.26%	8,016,293,520	18.84%
Real, Industrial	819,171,554	1.76%	859,895,929	2.02%
Tangible, Non-business Vehicles	153,203,727	0.33%	137,434,986	0.32%
Real and Tangible Personal, Utilities	745,109,660	1.60%	673,958,304	1.58%
Tangible Personal, Commercial	3,394,386,599	7.28%	3,507,946,647	8.24%
Tangible Personal, Industrial	1,686,114,409	3.62%	1,736,044,382	4.08%
Tangible Personal, Other	64,608,016	0.14%	45,542,383	0.11%
Special Inventory	187,458,334	0.40%	171,411,393	0.40%
Real Property, Inventory	170,946,422	0.37%	190,388,952	0.45%
Total Appraised Value Before Exemptions	\$ 46,615,480,098	100.00%	\$ 42,546,720,038	100.00%
Plus: Adjustment	-		-	
Less: Total Exemptions/Reductions	6,712,077,733		5,376,253,306	
Taxable Assessed Value	<u>\$ 39,903,402,365</u>		<u>\$ 37,170,466,732</u>	

Source: El Paso Central Appraisal District Report of Property Values for City. Adjustments may be made to the tax roll subsequent to the date of such reports.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 8-31	Estimated City Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽³⁾	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Tax Debt to Taxable Assessed Valuation
2021	694,033	\$ 37,170,466,732	\$ 53,557	\$ 1,444,835,000	\$ 2,082	3.89%
2022	678,415	39,903,402,365	58,819	1,542,725,000	2,274	3.87%
2023	677,456	45,192,206,073	66,709	1,524,185,000	2,250	3.37%
2024	678,958	49,036,815,933	72,224	1,444,700,000	2,128	2.95%
2025	678,958 ⁽²⁾	52,922,651,790	77,947	1,326,550,000 ⁽⁴⁾	1,954 ⁽⁴⁾	2.51% ⁽⁴⁾

(1) Source: City's Annual Comprehensive Financial Report for the fiscal year ended August 31, 2024.

(2) Source: City estimate.

(3) Source: El Paso Central Appraisal District Report of Property Values for the City. Adjustments may be made to the tax roll subsequent to the dates of such reports.

(4) Includes the Bonds and excludes \$11,695,000 (preliminary, subject to change) in principal amount of certain of the City's outstanding obligations anticipated to be defeased on July 16, 2025, the Refunded Obligations and the Purchased Obligations. Preliminary; subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8-31	Tax Rates	General Fund	Interest and Sinking Fund	Tax Levy	% of Current Collections	% of Total Collections
2021	\$ 0.907301	\$ 0.623847	\$ 0.283454	\$ 342,637,327	98.54%	99.26%
2022	0.907301	0.621636	0.285665	357,525,330	98.59%	98.41%
2023	0.862398	0.585269	0.277129	381,249,358	98.33%	98.64%
2024	0.818875	0.562409	0.256466	397,174,733	98.14%	98.48%
2025	0.761405	0.530850	0.230555	415,372,611	96.84% ⁽¹⁾	97.56% ⁽¹⁾

(1) Collections as of May 31, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Western Refining Co. L.P.	Oil Refinery	\$ 561,100,033	1.06%
El Paso Electric Company	Electric Utility	505,510,397	0.96%
Wal-Mart Stores	Retail	328,807,128	0.62%
Texas Gas Service	Gas Utility	220,596,920	0.42%
River Oaks Properties Ltd.	Commercial Property/Apartments	212,944,023	0.40%
Sierra Providence Physical Rehabilitation Hospital	Hospital	135,000,000	0.26%
Union Pacific Railroad Co	Railroad	125,701,258	0.24%
Simon Property Group L.P.	Shopping Centers	103,230,027	0.20%
Marmaxx Operating Corp	Retail	100,000,000	0.19%
Tenet Hospitals Limited	Medical Facilities	98,700,000	0.19%
		<u>\$ 2,391,589,786</u>	<u>4.52%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . The City Charter provides that the total principal amount of general obligation bonds together with the principal amount of all other outstanding tax indebtedness of the City shall not exceed ten percent of the total assessed valuation of the City's tax rolls. Per the City's current debt management policy, which is subject to change by the City Council, the total principal amount of general obligation bonds together with the principal amount of all other outstanding tax indebtedness of the City may not exceed ten percent of the total assessed valuation of the City's tax rolls, and net direct debt service as a percent of net operating revenues should not exceed 20%.

Other than as described above and in the section "THE BONDS -- Tax Rate Limitation," no general obligation debt limitation is imposed on the City under current State law or the City Charter.

ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid from ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2024/25 Taxable Assessed Valuation	2024/25 Tax Rate	Total Tax Debt	Estimated % Applicable	Direct and Overlapping Tax Debt As of 5-31-25	Authorized But Unissued Debt As Of As of 5-31-25
City of El Paso	\$ 52,922,651,790	\$ 0.761405	\$ 1,392,725,000 ⁽¹⁾	100.00%	\$ 1,392,725,000 ⁽¹⁾	\$ 472,205,650
Canutillo ISD	3,118,183,938	1.160500	150,809,627	80.62%	121,582,721	278,955,000
El Paso County	61,920,109,762	0.458889	220,574,094	80.98%	178,620,901	155,025,000
El Paso Co Hosp Dist	63,308,693,139	0.235650	277,445,000	80.98%	224,674,961	396,600,000
El Paso ISD	18,863,762,050	1.137100	847,610,000	99.50%	843,371,950	-
El Paso Municipal Management District #1	37,670,580	0.250000	7,590,000	100.00%	7,590,000	880,410,000
Socorro ISD	14,195,140,569	1.249712	714,859,806	62.89%	449,575,332	-
Ysleta ISD	7,667,452,613	1.281300	862,248,032	100.00%	862,248,032	-
Total Direct and Overlapping Tax Debt.					<u>\$ 4,080,388,898</u>	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation						7.71%
Per Capita Overlapping Tax Debt					\$ 6,010	

(1) Includes the Bonds and excludes \$11,695,000 (preliminary, subject to change) in principal amount of certain of the City's outstanding obligations anticipated to be defeased on July 16, 2025, the Refunded Obligations and the Purchased Obligations. Preliminary; subject to change.

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DEBT INFORMATION

TABLE 6 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding General Obligation Debt Service ⁽¹⁾			The Bonds ⁽²⁾			Grand Total	% of Principal
	Principal	Interest	Total	Principal	Interest	Total	Requirements	Retired
2025	\$ 66,175,000	59,291,724	\$ 125,466,724	\$ -	\$ -	\$ -	\$ 125,466,724	
2026	59,980,000	52,542,231	112,522,231	8,900,000	5,242,211	14,142,211	126,664,442	
2027	59,290,000	49,794,538	109,084,538	12,075,000	4,683,250	16,758,250	125,842,788	
2028	66,540,000	47,103,585	113,643,585	8,830,000	4,079,500	12,909,500	126,553,085	
2029	71,920,000	43,949,497	115,869,497	9,260,000	3,638,000	12,898,000	128,767,497	26.06%
2030	76,885,000	40,524,987	117,409,987	9,735,000	3,175,000	12,910,000	130,319,987	
2031	80,350,000	36,887,076	117,237,076	7,345,000	2,688,250	10,033,250	127,270,326	
2032	79,280,000	33,140,838	112,420,838	7,710,000	2,321,000	10,031,000	122,451,838	
2033	67,085,000	29,508,334	96,593,334	8,095,000	1,935,500	10,030,500	106,623,834	
2034	70,160,000	26,612,100	96,772,100	8,510,000	1,530,750	10,040,750	106,812,850	55.87%
2035	60,900,000	23,574,921	84,474,921	7,180,000	1,105,250	8,285,250	92,760,171	
2036	58,680,000	20,950,680	79,630,680	4,605,000	746,250	5,351,250	84,981,930	
2037	59,330,000	18,542,549	77,872,549	1,520,000	516,000	2,036,000	79,908,549	
2038	61,580,000	16,121,294	77,701,294	1,590,000	440,000	2,030,000	79,731,294	
2039	58,785,000	13,732,154	72,517,154	1,675,000	360,500	2,035,500	74,552,654	78.55%
2040	55,815,000	11,517,088	67,332,088	1,755,000	276,750	2,031,750	69,363,838	
2041	53,620,000	9,364,488	62,984,488	1,845,000	189,000	2,034,000	65,018,488	
2042	48,805,000	7,270,231	56,075,231	1,935,000	96,750	2,031,750	58,106,981	
2043	31,940,000	5,290,113	37,230,113	-	-	-	37,230,113	
2044	33,210,000	4,029,388	37,239,388	-	-	-	37,239,388	94.99%
2045	27,640,000	2,718,300	30,358,300	-	-	-	30,358,300	
2046	19,260,000	1,636,950	20,896,950	-	-	-	20,896,950	
2047	20,005,000	891,500	20,896,500	-	-	-	20,896,500	
2048	2,925,000	117,000	3,042,000	-	-	-	3,042,000	100.00%
	<u>\$ 1,290,160,000</u>	<u>\$ 555,111,564</u>	<u>\$ 1,845,271,564</u>	<u>\$ 102,565,000</u>	<u>\$ 33,023,961</u>	<u>\$ 135,588,961</u>	<u>\$ 1,980,860,525</u>	

(1) "Outstanding General Obligation Debt Service" includes debt service for obligations secured, in part, by a pledge of revenues from certain proprietary operations of the City. Excludes \$11,695,000 (preliminary, subject to change) in principal amount of certain of the City's outstanding obligations anticipated to be defeased on July 16, 2025, the Refunded Obligations and the Purchased Obligations. Preliminary; subject to change.

(2) Preliminary, subject to change.

TABLE 7 - INTEREST AND SINKING FUND BUDGET PROJECTION

Budgeted Tax Supported Debt Service Requirements, Fiscal Year Ending 8-31-2025		\$ 125,466,724
Interest and Sinking Fund, 8-31-2024	\$ 12,095,550	
Budgeted Interest and Sinking Fund Tax Levy ⁽¹⁾	120,553,372	
Budgeted Other Revenue and Income ⁽¹⁾	8,570,474	\$ 141,219,396
Estimated Balance, 8-31-2025		<u>\$ 15,752,672</u>

(1) Source: City officials.

TABLE 8 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Streets and Sidewalks	11/8/2022	\$ 246,480,000	\$ 37,200,000	\$ -	\$ 209,280,000
Parks and Recreation	11/8/2022	20,800,000	6,800,000	-	14,000,000
Renewable Energy	11/8/2022	5,200,000	2,100,000	-	3,100,000
Public Safety Facility	11/5/2019	413,122,650	167,297,000	-	245,825,650
		<u>\$ 685,602,650</u>	<u>\$ 213,397,000</u>	<u>\$ -</u>	<u>\$ 472,205,650</u>

ISSUANCE OF ADDITIONAL DEBT AND CAPITAL IMPROVEMENT PLAN . . . The City annually develops a five year capital improvement plan (the "CIP") to reflect the City's commitment to continually invest in the City's infrastructure. The CIP is made for planning purposes and may identify projects that will be deferred or omitted entirely in future years. In addition, as conditions and priorities change, new projects may be added that are not currently identified.

	2025	2026	2027	2028	2029
Facilities	\$ -	\$ -	\$ -	\$ -	\$ -
Infrastructure	-	32,321,250	35,176,250	40,075,000	20,550,000
Other	-	1,250,000	1,625,000	225,000	-
Parks	-	12,500,000	1,500,000	-	-
Public Safety	-	119,506,035	70,386,443	28,228,093	18,075,093
Grand Total	\$ -	\$ 165,577,285	\$ 108,687,693	\$ 68,528,093	\$ 38,625,093

TABLE 9 - OTHER OBLIGATIONS

The City has obtained office space, parking facilities, equipment and land through long-term leases and office space through one sublease. The terms and conditions for these leases vary. Some leases have fixed, periodic payments over the lease term, which range between 1-31 years. The City has a variety of variable payment clauses, within its lease arrangements, which include payment increases based on the Consumer Price Index ("CPI"), variable payments based on usage of the underlying asset, and common area maintenance fees. Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below. The outflow of resources recognized as of August 31, 2024 for variable payments not previously included in the measurement of the lease liability are \$74.3 thousand.

As of August 31, 2024, the principal and interest requirements to maturity for the lease liability totaled \$21.8 million. Of this amount \$17.1 million was for general government and \$4.7 million was for business-type activities. Please see Note 7 of the City's August 31, 2024 Annual Comprehensive Financial Report for further details. The City is a lessor of City-owned assets such as buildings, land, land improvements, and infrastructure under various leases, a majority of which are noncancellable and terminate no later than 2074. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements. Several leases were prepaid and are recognized as unearned revenue in the financial statements.

The City's variable payments clause within some lease arrangements, is similar to the arrangements made as lessee, however payment increases can be based on CPI or market value. In addition, certain agreements receive revenue from the operation of concessions which provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a minimum guarantee. As of August 31, 2024 the amount of inflows of resources recognized for variable payments not previously included in the measurement of the lease receivable is \$7.2 million.

As of August 31, 2024, the principal and interest requirements to maturity for the lease receivable totaled \$282.0 million. Of this amount \$23.8 million was for general government and \$258.2 million was for business-type activities. Please see Note 7 of the City's August 31, 2024 Annual Comprehensive Financial Report for further details. As of the end of the fiscal year 2024 leases payable are as follows:

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,192,664	\$ 360,017	\$ 198,785	\$ 88,990	\$ 1,391,449	\$ 449,007
2026	1,136,775	327,859	206,956	83,988	1,343,731	411,847
2027	618,314	303,101	215,396	78,781	833,710	381,882
2028	576,077	285,531	224,112	73,363	800,189	358,894
2029	583,226	268,074	233,112	67,726	816,338	335,800
2030-2034	3,416,572	1,036,965	878,481	257,305	4,295,053	1,294,270
2035-2039	2,349,414	559,490	459,366	187,134	2,808,780	746,624
2040-2044	966,860	337,819	519,683	126,817	1,486,543	464,636
2045-2049	572,778	252,282	587,921	58,579	1,160,699	310,861
2050-2054	523,784	182,936	169,421	2,979	693,205	185,915
2055-2059	671,577	107,251	-	-	671,577	107,251
2060-2064	486,137	19,550	-	-	486,137	19,550
Total	<u>\$ 13,094,178</u>	<u>\$ 4,040,875</u>	<u>\$ 3,693,233</u>	<u>\$ 1,025,662</u>	<u>\$ 16,787,411</u>	<u>\$ 5,066,536</u>

The City owns and operates two landfills located in the East (Clint) and Northeast (McCombs) areas of the City. Closure and postclosure 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, formerly the Texas Natural Resource Conservation Commission. 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. The estimated total closure and post-closure costs is approximately \$18.8 million as of August 31, 2024. The recognized liability of approximately \$18.8 million, is computed based on the percentage of landfill capacity used which is approximately 26.1% as of August 31, 2024. The estimated total current cost of closure and post-closure care remaining to be recognized is \$75.0 million.

A SBITA is a contract that conveys control of the right to use another party's information technology asset such as software. The contract is for a noncancellable period of time and the arrangement is an exchange or exchange-like transaction. This type of transaction creates a subscription liability and a right-to-use asset that must be recognized at the commencement of the term.

As of the end of the fiscal year 2024 principal and interest requirements to maturity are as follows:

Year Ending August 31,	Government Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 931,622	\$ 60,174	\$ 427,679	\$ 13,371	\$ 1,359,301	\$ 73,545
2026	705,075	36,417	73,285	2,946	778,360	39,363
2027	723,054	18,438	-	-	723,054	18,438
Total	<u>\$ 2,359,751</u>	<u>\$ 115,029</u>	<u>\$ 500,964</u>	<u>\$ 16,317</u>	<u>\$ 2,860,715</u>	<u>\$ 131,346</u>

The City has entered into APAs to procure governmental services for its constituents. As of the end of this fiscal year, all APAs in which the City was engaged were related to providing services for the operations and/or maintenance of a nonfinancial asset. As per GASB Statement No. 94, all payments made to operators under this type of arrangements were reported as outflows of current resources for the reporting period. As of August 31, 2024 the City reported two APAs with total outflows in the amount of \$9.6 million.

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EMPLOYEE BENEFIT OBLIGATIONS

PENSION PLANS

The employees of the City and El Paso Water (“EPWater”) participate in one of two single-employer defined benefit pension plans: the City Employees Retirement Trust (“CERT”) and the Firemen and Policemen’s Pension Funds (“FPPF”), which consists of separate divisions for firemen (FPPF-Firemen Division) and policemen (FPPF-Policemen Division). Separate boards of trustees administer these pension plans as described in Note 1 (CERT Board and FPPF Board, respectively) of the City’s Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2024, which can be accessed at <https://www.elpasotexas.gov/office-of-the-comptroller/>.

The CERT 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 are as follows:

	CERT	FPPF		Total	Total Pension Trust Funds
		Firemen Division	Policemen Division		
Net Pension Liability	\$ 225,189,417	\$ 204,007,150	\$ 307,340,736	\$ 511,347,886	\$ 736,537,303
Deferred Outflows of Resources					
Subsequent Contributions	27,370,591	10,562,996	15,005,936	25,568,932	52,939,523
Change in Experience	38,668,763	8,562,811	17,803,485	26,366,296	65,035,059
Change in Assumptions	8,597	2,846,484	5,459,055	8,305,539	8,314,136
Investment Earnings	42,613,469	41,114,477	57,123,051	98,237,528	140,850,997
Deferred Inflows of Resources					
Change in Experience	-	364,668	514,789	879,457	879,457
Pension Expense	35,536,850	12,122,588	20,154,694	32,277,282	67,814,132

The CERT amounts exclude an allocated portion for EPWater (19.9%).

MEMBERSHIP

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

	August 31, 2023	December 31, 2023		Total FPPF
	CERT	Firemen Division	Policemen Division	
Retirees and Beneficiaries Receiving Benefits	3,657	848	1,199	2,047
Inactive Plan Members Entitled but not yet receiving benefits	173	6	12	18
Active Plan Members	4,128	912	1,113	2,025
Total	7,958	1,766	2,324	4,090

CITY EMPLOYEES RETIREMENT TRUST

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 CERT.

The designated purpose of the CERT is to provide retirement, death, and disability benefits to participants or their beneficiaries. The CERT is administered by the CERT Board, which is comprised of two citizens, nominated by the Mayor and approved by City Council, who are not officers or employees of the City, four elected City employees, a retiree, and two district representatives as

designated by City Council. The CERT Board contracts with an independent pension custodian, investment managers, an investment consultant, an actuary and an attorney to assist in managing the CERT.

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

The CERT 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 CERT.

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 5 years of service receive a refund of their contributions. Participants leaving the Plan with more than 5 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 10 years of service or 45 years of age and 7 years of service. Normal retirement is the earlier of: (i) 55 years of age with 10 years of service, or (ii) 60 years of age with 7 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 actuarial 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.

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 7 years of service receive a refund of their contributions. Participants leaving the Plan with more than 7 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 7 years of service. Normal retirement is the earlier of: (i) 60 years of age with 7 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. A pension benefit is available to surviving spouses and dependents. The Plan includes no automatic increase in retirement benefits. However, the Board, at its discretion after consideration of a recent actuarial review of the funding status, may provide ad-hoc cost of living or other increases in retirement benefits.

BASIS OF ACCOUNTING

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

The preparation of financial statements in conformity with GAAP requires the CERT's management to make estimates and assumptions that affect the reported amounts in assets and liabilities, and disclosure of contingent assets and liabilities and the actuarial valuation of the CERT's benefits 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.

VALUATION OF 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 GASB Statement No. 72 - Fair Value Measurement, 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.

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 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.

CONCENTRATION OF INVESTMENTS

Concentration of credit risk is the risk of loss attributed to the magnitude of the CERT's investment in a single issuer. The CERT's investment policy does not allow for the investment portfolio to hold more than 10% in any one company. The following table represents the fair value of investments that represents 5% or more of the CERT's net position at August 31, 2024. 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, 2024	Shares	Fair Value
BNYMM DB SL SCWI_EX US IMI		
Mellon Capital Management Corporation	7,798,922	\$ 82,453,499
Mellon DB SL Stock Index Fund		
Mellon Capital Management Corporation	15,082	135,346,516
EB MCM Aggregate Bond Index Fund		
Mellon Capital Management Corporation	132,348	73,623,137
Blackrock Total Return Bond Fund		
Blackrock Capital Management	5,937,046	68,513,315
Wellington Fund		
Wellington Capital Management	5,995,046	68,823,133
Arrowstreet International Equity ACWI EX US CIT Class A		
Arrowstreet CIT	324,068	67,438,971
BNYM Newton NSL Dynamic US Equity Fund		
Mellon Capital Management Corporation	101,558	69,391,075
AB US Small and Mid Cap Core		
Alliance and Bernstein	2,669,661	54,277,961
CIF II SMID CAP Research (SER1)		
Wellington Capital Management	2,048,246	56,859,318
Heitman American Real Estate Trust LP		
Heitman	40,558	50,530,096
Lazard Intl Strategic EQ		
Lazard Asset Management	2,569,466	64,056,780

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Contribution rates for the CERT are based upon local statutes as enacted by the El Paso City Council 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 to CERT for the year ended August 31, 2024, were made as follows:

	Amount	Stated Percentage of Covered Payroll
Employer contribution	\$ 34,170,525	14.05%
Employee contributions	21,776,219	8.95%
Total contributions	<u>\$ 55,946,744</u>	<u>23.00%</u>

ACTUARIAL ASSUMPTIONS:

The total pension liability as of August 31, 2024 was measured as of August 31, 2023 and determined based on September 1, 2022 valuation using the following assumptions:

Cost of living benefits increases	Inflation	None
Inflation		2.5%
Salary increases		2.5%, average, including inflation
Investment rate of return		7.25%, compounded annually, net of expenses
Actuarial cost method		Entry-age-normal-level percentage of pay
Asset valuation method		Plan invested assets are reported at fair value

Mortality rates for active and deferred vested participants are based on the RP-2014 employee tables with Blue Collar adjustment projected with Scale MP-2019 on a fully generational basis. Mortality rates for healthy retirees and survivors are based on RP-2014 healthy annuitant tables with Blue Collar adjustment (92% of male rates and 100% of female rates) projected with Scale MP-2019 on a fully generational basis. Mortality rates for disabled participants are based on the RP-2014 disabled annuitant table projected with Scale MP-2014 on a fully generational basis. Five percent of deaths among active participants are assumed to be job-related deaths. The remaining 95% of deaths are assumed not to be job-related.

The actuarial assumptions used in the September 1, 2022 valuation was based on the results of an actuarial experience study performed for the period September 1, 2014 through August 31, 2018, and the funding policy that was formalized in 2019.

The long-term expected rate of return on pension fund investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and 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 CERT's target asset allocation as of August 31, 2024 (measurement date) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.34%
International equity	7.02%
Fixed income	2.19%
Real estate	3.87%
Private Equity	8.59%

DISCOUNT RATE: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be based on the rates established by Ordinance. Based on those assumptions, 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 in accordance with the method prescribed by GASB Statement No. 67.

In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Y ear High Grade Index rate was 4.30% as of August 31, 2024.

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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 CERT and as apportioned to the City and EPWater, as determined by the City at August 31, 2024:

Changes in Net Pension Liability - City Employees Retirement Trust			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 1,118,495,801	\$ 908,273,911	\$ 210,221,890
Changes for the year:			
Service Cost	21,447,197	-	21,447,197
Interest on Total Pension Liability	79,707,205	-	79,707,205
Benefit Payments	(81,066,555)	(81,066,555)	-
Employer Contributions	-	33,055,632	(33,055,632)
Difference in Expected and Actual Experience	56,863,598	-	56,863,598
Plan Member Contributions	-	18,582,860	(18,582,860)
Net Investment Income (loss)	-	37,732,148	(37,732,148)
Administrative Expense	-	(2,266,105)	2,266,105
Net Changes	<u>76,951,445</u>	<u>6,037,980</u>	<u>70,913,465</u>
Balances as of August 31, 2024	<u>\$ 1,195,447,246</u>	<u>\$ 914,311,891</u>	<u>\$ 281,135,355</u>

Changes in Net Pension Liability - City			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 895,915,135	\$ 727,527,402	\$ 168,387,733
Changes for the year:			
Service Cost	17,179,204	-	17,179,204
Interest on Total Pension Liability	63,845,471	-	63,845,471
Difference in Expected and Actual Experience	45,547,742	-	45,547,742
Benefit Payments	(64,934,311)	(64,934,311)	-
Employer Contributions	-	26,477,561	(26,477,561)
Plan Member Contributions	-	14,884,871	(14,884,871)
Net Investment Income (loss)	-	30,223,451	(30,223,451)
Administrative Expense	-	(1,815,150)	1,815,150
Net Changes	<u>61,638,106</u>	<u>4,836,422</u>	<u>56,801,684</u>
Balances as of August 31, 2024	<u>\$ 957,553,241</u>	<u>\$ 732,363,824</u>	<u>\$ 225,189,417</u>

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Changes in Net Pension Liability - EPWater			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 222,580,666	\$ 180,746,509	\$ 41,834,157
Changes for the year:			
Service Cost	4,267,993	-	4,267,993
Interest on Total Pension Liability	15,861,734	-	15,861,734
Diff in expected and actual experience	11,315,856	-	11,315,856
Benefit Payments	(16,132,244)	(16,132,244)	-
Employer Contributions	-	6,578,071	(6,578,071)
Plan Member Contributions	-	3,697,989	(3,697,989)
Net Investment Income (loss)	-	7,508,697	(7,508,697)
Administrative Expense	-	(450,955)	450,955
Net Changes	15,313,339	1,201,558	14,111,781
Balances as of August 31, 2024	\$ 237,894,005	\$ 181,948,067	\$ 55,945,938

SENSITIVITY TO INTEREST RATE CHANGES: The following presents the resulting net pension liability as of August 31, 2023 (measurement date) calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's Net Pension Liability	\$ 415,718,563	\$ 281,135,355	\$ 168,485,761

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended August 31, 2024, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$35,536,850 for the City and \$8,828,755 for EPWater. The reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the City Employees Retirement Trust in total and as apportioned to the City and EPWater, as determined by the City at August 31, 2024:

City Employees Retirement Trust	Deferred Outflows of of Resources	Deferred Inflows of Resources
Difference in Expected and Actual Experience	\$ 48,275,611	\$ -
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	53,200,336	-
Change in Assumptions for Pensions	10,731	-
Contributions Subsequent to the Measurement Date	34,170,525	-
Total City Employees Retirement Trust	<u>\$ 135,657,203</u>	<u>\$ -</u>

City	Deferred Outflows of of Resources	Deferred Inflows of Resources
Difference in Expected and Actual Experience	\$ 38,668,763	\$ -
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	42,613,469	-
Change in Assumptions for Pensions	8,597	-
Contributions Subsequent to the Measurement Date	27,370,591	-
Total City	<u>\$ 108,661,420</u>	<u>\$ -</u>

EPWater	Deferred Outflows of of Resources	Deferred Inflows of Resources
Difference in Expected and Actual Experience	\$ 9,606,848	\$ -
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	10,586,867	-
Change in Assumptions for Pensions	2,134	-
Contributions Subsequent to the Measurement Date	6,799,934	-
Total EPWater	<u>\$ 26,995,783</u>	<u>\$ -</u>

An amount of \$27.4 million reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's fiscal year ended, will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

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

Ending August 31	Total	City	EPWater
2024	\$ 12,398,365	\$ 9,931,090	\$ 2,467,275
2025	19,962,026	15,989,583	3,972,443
2026	47,776,875	38,269,277	9,507,598
2027	15,622,145	12,513,334	3,108,811
2028	5,727,267	4,587,545	1,139,722
Total	<u>\$ 101,486,678</u>	<u>\$ 81,290,829</u>	<u>\$ 20,195,849</u>

FIREMEN AND POLICEMEN'S PENSION FUND

PLAN DESCRIPTION

The designated purpose of the FPPF is to provide retirement, death and disability benefits to participants or their beneficiaries. The Fund is established by state statute and administered by a Board of Trustees comprised of eleven trustees as follows: three citizens of the City appointed by the Mayor; two citizens of the City appointed by the City Manager; three member firemen of the Fire Department, to be elected by the firemen members of the Fund; and three member policemen of the Police Department, to be elected by the policemen members of the Fund. The Board contracts with an independent custodian bank, investment managers, investment consultants, and an actuary to assist in managing the Fund.

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 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 18% 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 18% 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.

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. Benefit provisions, contribution obligations and funding policy of the Fund are established and amended by the Board of Trustees 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.

Benefits are calculated as follows for the Base Plan and Second Tier Plan. Any member originally enrolled on July 1, 2007 or thereafter is automatically enrolled in the Second Tier Plan.

a. Base Plan

Retirement benefits for members with at least 20 years of vested service and the attainment of age 45 or more are calculated at 2.75% of the member's final wages multiplied by years of credited service. Retirement benefits for members with at least 20 years of vested service, under the age of 45 are calculated at 2.75% of the member's final wages multiplied by years of credited service reduced by a factor proportionate to the number of months and years below the age 45. Retirement benefits for members with at least 10 years of vested service and at least 50 years of age are calculated at 2.75% of the member's final wages multiplied by the member's years of credited service.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.75% of the member's final wages multiplied by years of credited service.

Death benefits are calculated as the greater of 50% of the member's final wages or the calculation of a retiree as mentioned in the preceding paragraph.

A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit.

Cost-of-living adjustment ("COLA") is provided upon the earlier of the retiree having attained age 60 or the fifth anniversary for firemen or second anniversary for policemen of the pension commencement date and on each January 1st thereafter.

b. Second Tier Plan

Retirement benefits for members with at least 20 years of vesting service and the attainment of age 45 or more are calculated at 2.50% of the member's final wages multiplied by years of credited service. Retirement benefits for members with at least 10 years of vesting service, but less than 20 years of vesting service, and attainment of age 50 or more are calculated at 2.50% of the member's final wages multiplied by the member's years of credited service.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.50% of the member's final wages multiplied by years of credited service. Death benefits are calculated as the greater of 50% of the member's final wages or 75% of the calculation of a retiree as mentioned in the preceding paragraph. A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit. COLAs are not provided to retirees under the Second Tier Plan.

c. Deferred Retirement Option Program ("DROP")

Base Plan and Second Tier Plan members who are at least 45 years old with at least 20 years of credited service are eligible to participate in a Forward DROP by an irrevocable written election. At the date participation in the Forward DROP begins, the participant's years of credited service and average final compensation become frozen for purposes of determining pension benefits. The participant is considered retired related to the Fund and does not accrue additional retirement benefits, except for annual benefit cost-of-living adjustments, if applicable. Upon retirement, the participant receives the lump sum of the total of the monthly retirement benefits between the benefit computation date and the retirement date and then begins receiving the monthly benefit.

Each Forward DROP participant's monthly pension is tracked by an individual DROP account between the date participation in the Forward DROP begins and the retirement date and accrued as a liability on the statement of fiduciary net position. Forward DROP balances are not credited with investment gains and losses. As of December 31, 2023 the DROP payable totaled \$84,818,130.

BASIS OF ACCOUNTING

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

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 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 market value of investments at the beginning versus the end of the year, plus or minus gains or losses realized during the year.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Employee contributions are established by the Board of Trustees and a vote of active participants in accordance with Article 6243b (Act) of Vernon's Annotated Texas Statutes. The City's funding policies provide for periodic employer contributions.

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.

The sum of the City's contribution rate and the member contribution rate, after an increase, may not exceed the total contribution rate determined by the actuary necessary to amortize the unfunded actuarial liability over a forty (40) year period.

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 the Custodian under which Fund-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 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. Non-cash collateral must have a market value equal to no less than 102% of the market value of the borrowed securities, or 105% of the borrowed securities if the collateral are denominated in different currencies.

Each business day, the lending agent and the Fund determine the market value of the collateral and the borrowed securities. 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, 2022, the Fund's securities lending obligation exceeded the fair value of the underlying securities.

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

	December 31, 2023		
	Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
Securities Lent			
Domestic Equities	\$25,357,042	\$26,212,516	\$26,614,780 ^(a)

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

As of December 31, 2023, the Fund also holds securities collateral that cannot be pledged or sold absent a borrower's default totaling \$22,342,556. 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, 2023 resulting from a default of a borrower or the lending agent.

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 total pension liability was measured as of December 31, 2023 based on actuarial valuation as of that date. The actuarial assumptions included a 7.75% investment rate of return; projected salary increases of 2.75% plus promotion, step and longevity increases that vary by service for fire and policy; and an inflation rate of 2.75% per year. Mortality rates were based on the PubS-2010 (public safety) total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using scale MP-2020.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan administrative and 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2023 are summarized in the following table (rates shown exclude inflation).

	Target Allocation	Long-term Expected Real Rate of Return
Equities		
Large Cap Domestic	16%	6.19%
Mid Cap Domestic	5%	6.45%
Small Cap Domestic	6%	6.06%
International Developed	21%	6.42%
Emerging markets	5%	7.19%
Real estate/Assets	10%	3.90%
Private Equity	15%	6.75%
Fixed Income		
Domestic Core	10%	2.11%
Bank Loans	4%	2.45%
Emerging Markets	3%	2.54%
Multi-Sector	3%	1.65%
Cash	2%	0.00%

DISCOUNT RATE: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the Fund's contributions will continue to follow the current funding policy. Based on the actuarial assumptions applied, the Fund's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of

return of 7.75%. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended August 31, 2024 were as follows:

Firemen Division			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 902,694,383	\$ 683,895,052	\$ 218,799,331
Changes for the Year:			
Service Cost	12,441,095	-	12,441,095
Interest (On the Total Pension Liability)	68,966,764	-	68,966,764
Differences Between Expected and Actual Experience	10,671,878	-	10,671,878
Contributions by the City	-	14,844,489	(14,844,489)
Contributions by the Firefighters	-	14,645,760	(14,645,760)
Net Investment Income	-	78,455,685	(78,455,685)
Benefit Payments	(50,483,492)	(50,483,492)	-
Assumption Changes	-	-	-
Administrative Expenses	-	(1,074,016)	1,074,016
Net Changes	41,596,245	56,388,426	(14,792,181)
Amounts as of December 31, 2023	\$ 944,290,628	\$ 740,283,478	\$ 204,007,150

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Policemen Division			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 1,301,904,807	\$ 978,777,574	\$ 323,127,233
Changes for the Year:			
Service Cost	13,918,774	-	13,918,774
Interest (On the Total Pension Liability)	99,022,276	-	99,022,276
Differences Between Expected and Actual Experience	23,659,894	-	23,659,894
Contributions by the City	-	19,688,617	(19,688,617)
Contributions by the Policemen	-	19,678,167	(19,678,167)
Net Investment Income	-	114,095,380	(114,095,380)
Benefit Payments	(76,233,594)	(76,233,594)	-
Assumption Changes	-	-	-
Administrative Expenses	-	(1,074,723)	1,074,723
Net Changes	60,367,350	76,153,847	(15,786,497)
Amounts as of December 31, 2023	\$ 1,362,272,157	\$ 1,054,931,421	\$ 307,340,736

	FPPF		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 2,204,599,190	\$ 1,662,672,626	\$ 541,926,564
Changes for the Year:			
Service Cost	26,359,869	-	26,359,869
Interest (On the Total Pension Liability)	167,989,040	-	167,989,040
Differences Between Expected and Actual Experience	34,331,772	-	34,331,772
Contributions by the City	-	34,533,106	(34,533,106)
Contributions by the Policemen and Firefighters	-	34,323,927	(34,323,927)
Net Investment Income	-	192,551,065	(192,551,065)
Benefit Payments	(126,717,086)	(126,717,086)	-
Administrative Expenses	-	(2,148,739)	2,148,739
Net Changes	101,963,595	132,542,273	(30,578,678)
Amounts as of December 31, 2023	<u>\$ 2,306,562,785</u>	<u>\$ 1,795,214,899</u>	<u>\$ 511,347,886</u>

SENSITIVITY TO INTEREST RATE CHANGES: The following table presents the resulting net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percent lower or one-percent point higher than the current rate:

Firemen Division		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$330,100,338	\$204,007,150	\$101,016,322

Policemen Division		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$487,422,809	\$307,340,736	\$160,051,794

FPPF		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$817,523,147	\$511,347,886	\$261,068,116

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE PLAN: For the fiscal year ended August 31, 2024, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$12,122,588 for firemen division and \$20,154,694 for policemen division, and reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Firemen Division		
	Deferred Outflows of of Resources	Deferred Inflows of Resources
Net difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 41,114,477	\$ -
Change in Assumptions	2,846,484	-
Differences Between Expected and Actual Experience	8,562,811	364,688
Contributions Subsequent to Measurement Date	10,562,996	-
	<u>\$ 63,086,768</u>	<u>\$ 364,688</u>

Policemen Division		
	Deferred Outflows of of Resources	Deferred Inflows of Resources
Net difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 57,123,051	\$ -
Change in Assumptions	5,459,055	-
Differences Between Expected and Actual Experience	17,803,485	514,789
Contributions Subsequent to Measurement Date	15,005,936	-
	<u>\$ 95,391,527</u>	<u>\$ 514,789</u>

FPPF		
	Deferred Outflows of of Resources	Deferred Inflows of Resources
Net difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 98,237,528	\$ -
Change in Assumptions	8,305,539	-
Differences Between Expected and Actual Experience	26,366,296	879,457
Contributions Subsequent to Measurement Date	25,568,932	-
	<u>\$ 158,478,295</u>	<u>\$ 879,457</u>

Contributions of \$25,568,932 were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's reporting period will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

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

Fiscal Year Ending August 31,	Policemen Division	Firemen Division	FPPF Total
2025	\$ 20,728,824	\$ 11,341,849	\$ 32,070,673
2026	25,165,500	16,770,028	41,935,528
2027	41,684,290	27,073,401	68,757,691
2028	(7,707,812)	(3,152,718)	(10,860,530)
2029	-	126,544	126,544
Total	<u>\$ 79,870,802</u>	<u>\$ 52,159,104</u>	<u>\$ 132,029,906</u>

For more information concerning the City's pension plans for fiscal year ended August 31, 2024, see the City's Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2024, particularly Note 13, which can be accessed at <https://www.elpasotexas.gov/office-of-the-comptroller/>.

OTHER POST EMPLOYMENT BENEFITS

Plan Description: Texas statute provides that retirees from a municipality with a population of 25,000 or more and who 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 establish and amend the requirements of this statute. The City provides certain healthcare benefits for retired employees. The postemployment Aetna Choice POS II Medical Plan is a single-employer plan administered by Aetna.

Benefits Provided: The City offers medical, dental and vision benefits for retired employees and their dependents. There are three medical plan options for retirees under age 65. Upon Medicare eligibility, retirees move to a Medicare Advantage plan. All plans are fully insured and are not pooled with active employees. Retirees are also eligible to continue fully insured dental and vision benefits.

To be eligible to continue coverage under the City's plan, employees must satisfy the retirement eligibility requirements of the pension plan to which they belong. In addition, they must be enrolled in the City's active employee health benefit plan at the time of retirement. Prior to January 1, 2019, election to continue coverage could only be made at retirement. Retirees were not eligible to rejoin at any other time. Effective with employees who retire on or after January 1, 2019, an employee must have been covered by the City prior to retirement to be eligible for coverage. The retiree has the option to continue coverage or to drop medical coverage but rejoin upon Medicare eligibility.

Retirees are required to contribute a portion of the medical and Medicare Advantage premium rates. To continue with dental and vision, retirees must pay the full premium amount. Retirees pay a premium ranging from \$144.18 to \$2,899.71 per month depending on the coverage elected. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms: At August 31, 2024, the following employees were covered by the benefit terms of the OPEB plan:

Inactive employees currently receiving benefits payments	863
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	4,268
Total	<u>5,131</u>

Total OPEB Liability: The City's total OPEB liability of \$138.7 million was measured as of August 31, 2024, and was determined by an actuarial valuation as of August 31, 2024.

Actuarial Assumptions and Other Inputs: Projections of benefits for financial reporting purposes are based on assumptions regarding the survival of plan members, the average per-capita claims cost, when current employees are expected to retire, and so forth. The assumptions were derived from a combination of plan experience, actuarial judgement, and the City's pension plans' valuations.

The City's total OPEB liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation:	2.40 percent
Salary Increases:	3.25 percent, including inflation
Discount Rate:	3.99 percent
Prior Year Discount Rate	4.13
Healthcare Cost Trend Rates:	Initial rates are based on actual changes in the fully-insured premiums

The discount rate was based on the August 31, 2024 Fidelity Municipal General Obligation AA 20- Year Yield.

Mortality rates for active employees were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee and Retiree Mortality Tables for males or females, Generational with Projection Scale MP-2021.

The following table shows the changes in the City's total OPEB liability.

	Total OPEB Liability
Balance at 08/31/2023	\$ 113,927,493
Changes for the Year:	
Service Cost	4,329,820
Interest	4,793,299
Differences Between Expected and Actual Experience	(5,451,080)
Change in Assumptions/Inputs	25,584,138
Benefit Payments	(4,477,893)
Net Changes	<u>24,778,284</u>
Balance at 08/31/2024	<u>\$ 138,705,777</u>

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using discount rates that are one-percent lower or one-percent higher than the current discount rate.

1% Decrease (2.99%)	Discount Rate (3.99%)	1% Increase (4.99%)
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Total OPEB liability	\$ 150,209,843	\$ 138,705,777	\$ 116,215,298
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The following presents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are one-percent lower or one-percent higher than the median current healthcare cost trend baseline of 4.64%.

	1% Decrease (3.64%)	Healthcare Cost Trend Baseline (4.64%)	1% Increase (5.64%)
Total OPEB liability	\$ 113,337,730	\$ 138,705,777	\$ 150,209,843

For the fiscal year ended August 31, 2024, the City recognized OPEB income in the amount of \$360.8 thousand. As of August 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as presented below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 7,948,284	\$ 5,820,337
Changes of Assumptions or Other Inputs	23,656,701	45,334,545
	<u>\$ 31,604,985</u>	<u>\$ 51,154,882</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense as follows:

<u>Year Ended August 31,</u>	<u>Amount</u>
2025	\$ (4,619,347)
2026	(6,299,072)
2027	(6,299,072)
2028	(6,299,072)
2029	1,090,514
Thereafter	2,876,152
Total	<u>\$ (19,549,897)</u>

COMPENSATED ABSENCE LIABILITY . . . 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 and proprietary fund financial statements, all of the outstanding compensated absences are recorded as a liability.

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FINANCIAL INFORMATION

TABLE 10 - CHANGE IN NET ASSETS

	Governmental Activities Fiscal Years Ended August 31,				
	2024	2023	2022	2021	2020
Revenues:					
Program revenues:					
Charges for services	\$ 117,973,904	\$ 102,730,711	\$ 104,398,306	\$ 102,664,274	\$ 101,160,160
Operating grants and contributions	85,039,059	78,656,652	88,545,829	150,571,837	56,164,682
Capital grants and contributions	23,751,321	8,880,055	9,433,180	33,459,616	5,025,818
General revenues:					
Ad valorem taxes	397,607,298	381,907,345	355,708,990	343,435,074	333,335,059
Sales tax and hotel occupancy tax	158,073,265	158,931,884	148,445,814	127,311,164	111,256,695
Franchise taxes	77,938,632	79,824,644	81,030,858	70,760,604	60,824,072
Investment earnings	49,511,906	25,544,820	(17,555,611)	673,692	6,556,806
BABS federal tax credit	-	-	-	-	754,593
Gain (loss) on disposal of assets	10,533,401	10,423,367	2,701	6,900	13,640
Total revenues	<u>\$ 920,428,786</u>	<u>\$ 846,899,478</u>	<u>\$ 770,010,067</u>	<u>\$ 828,883,161</u>	<u>\$ 675,091,525</u>
Expenses:					
Governmental activities:					
General government	\$ 79,308,418	\$ 125,475,631	\$ 66,715,406	\$ 70,369,798	\$ 83,024,157
Public safety	369,785,368	363,710,314	261,182,070	303,382,283	299,637,681
Public works	91,063,387	89,633,781	90,220,966	78,982,444	77,967,798
Public health	39,979,939	36,964,643	34,512,832	30,714,066	31,560,770
Parks			-		
Library			-		
Culture and recreation	107,927,970	92,424,983	77,731,919	66,077,729	66,382,955
Community and economic development	53,235,197	51,334,131	54,901,514	84,996,653	33,065,629
Interest on long-term debt	53,048,301	55,599,155	56,870,614	52,889,844	51,954,912
Total expenses	<u>\$ 794,348,580</u>	<u>\$ 815,142,638</u>	<u>\$ 642,135,321</u>	<u>\$ 687,412,817</u>	<u>\$ 643,593,902</u>
Excess (deficiency) before transfers	\$ 126,080,206	\$ 31,756,840	\$ 127,874,746	\$ 141,470,344	\$ 31,497,623
Transfers	<u>24,443,495</u>	<u>36,165,108</u>	<u>34,355,126</u>	<u>29,761,814</u>	<u>22,389,224</u>
Increase (decrease) in net assets	\$ 150,523,701	\$ 67,921,948	\$ 162,229,872	\$ 171,232,158	\$ 53,886,847
Net assets - beginning balance	52,426,661	(15,495,287)	(177,725,159)	(348,957,317)	(402,667,313)
Change in accounting principle	-	-	-	-	(176,851) ⁽¹⁾
Net assets - ending balance	<u>\$ 202,950,362</u>	<u>\$ 52,426,661</u>	<u>\$ (15,495,287)</u>	<u>\$ (177,725,159)</u>	<u>\$ (348,957,317)</u>

Source: Office of the Comptroller, City of El Paso, Texas.

(1) In Fiscal Year 2020, the City implemented GASB Statement No. 84, Fiduciary Activities. As a result, the beginning net position of the City's governmental activities has been restated on the Statement of Activities to reflect the change in reporting of one of the City's component units previously reported as a blended component unit in the nonmajor governmental funds to a custodial fund in the fiduciary statements.

TABLE 10A – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE

	Fiscal Years Ended August 31,				
	2024	2023	2022	2021	2020
Revenues:					
Property Taxes	\$ 264,776,059	\$ 249,230,417	\$ 236,394,480	\$ 225,188,204	\$ 213,422,017
Penalties and Interest-Delinquent Taxes	1,582,472	1,476,962	1,460,492	1,643,037	1,458,170
Sales Taxes	137,424,692	135,901,355	130,484,429	114,096,004	99,591,904
Franchise Fees	58,936,543	60,790,672	60,832,018	52,860,040	50,281,690
Charges for Services	34,941,421	32,062,362	30,467,689	26,352,822	25,510,531
Fines and Forfeits	7,066,949	7,468,626	7,540,489	7,162,853	6,770,924
Licenses and Permits	12,906,974	14,519,307	13,753,054	13,958,985	13,564,194
Intergovernmental Revenues	5,261,278	657,824	1,357,980	1,876,151	1,649,614
County Participation			-	-	-
Interest	9,079,397	5,818,103	(2,650,020)	158,212	916,668
Rents and Other	14,343,451	11,445,419	11,036,444	10,117,209	8,084,044
Total Revenues	<u>\$ 546,319,236</u>	<u>\$ 519,371,047</u>	<u>\$ 490,677,055</u>	<u>\$ 453,413,517</u>	<u>\$ 421,249,756</u>
Expenditures:					
General Government	\$ 70,539,437	\$ 69,327,528	\$ 61,482,221	\$ 38,033,678	\$ 38,003,658
Public Safety	317,133,461	293,070,888	272,857,772	273,071,739	251,960,895
Public Works	49,305,489	46,210,225	41,640,969	38,013,380	37,598,336
Public Health	8,187,837	7,149,406	6,004,034	5,747,335	5,922,371
Facilities Maintenance			-	-	-
Parks Department ⁽¹⁾	-	-	-	25,279,911	26,705,250
Library ⁽¹⁾	-	-	-	5,471,918	7,024,452
Non Departmental ⁽²⁾	-	-	-	13,575,787	11,070,288
Cultural and Recreation	62,778,468	51,688,222	42,297,401	6,260,072	6,722,574
Economic Development	11,120,123	10,826,437	8,800,466	8,346,254	8,652,886
Environmental Code Compliance					
Community and Human Development	1,887,359	1,115,229	682,597	669,617	835,188
Debt Service Principal	1,043,494	1,080,770	557,471	-	-
Debt Service Interest	108,697	103,787	105,118	-	-
Fiscal Fees					
Capital Outlay	3,647,929	5,494,672	5,745,252	1,270,226	2,146,930
Total Expenditures	<u>\$ 525,752,294</u>	<u>\$ 486,067,164</u>	<u>\$ 440,173,301</u>	<u>\$ 415,739,917</u>	<u>\$ 396,642,828</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 20,566,942	\$ 33,303,883	\$ 50,503,754	\$ 37,673,600	\$ 24,606,928
Other Financing Sources (Uses)					
Transfers In	35,209,535	37,582,519	31,917,708	30,290,863	26,352,314
Other Sources (Uses)	1,675,586	4,124,976	5,005,307	27,864	-
Transfers Out	(45,501,986)	(69,021,666)	(40,975,874)	(36,124,698)	(30,335,095)
Total Other Financing Sources (Uses)	<u>\$ (8,616,865)</u>	<u>\$ (27,314,171)</u>	<u>\$ (4,052,859)</u>	<u>\$ (5,805,971)</u>	<u>\$ (3,982,781)</u>
Net Change in Fund Balances	\$ 11,950,077	\$ 5,989,712	\$ 46,450,895	\$ 31,867,629	\$ 20,624,147
Beginning Fund Balance	156,542,653	150,552,941	104,102,046	72,234,417	51,610,270
Ending Fund Balance	<u>\$ 168,492,730</u>	<u>\$ 156,542,653</u>	<u>\$ 150,552,941</u>	<u>\$ 104,102,046</u>	<u>\$ 72,234,417</u>

Source: Office of the Comptroller, City of El Paso, Texas.

(1) As of August 31, 2022 the Parks Department and Library expenditures are combined under Cultural and Recreational expenditures.

(2) As of August 31, 2022, Non Departmental expenditures have been included in General Government expenditures.

TABLE 11 - MUNICIPAL SALES TAX HISTORY

The City imposes and levies a 1% Local Sales and Use Tax within the City pursuant to the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Revenues from this source, for the years shown, has been:

Fiscal Year Ended 8-31	Total Collected	Ad Valorem Tax Levy	% of Ad Valorem Tax Levy	Net Taxable Assessed Valuation	Equivalent of Ad Valorem Tax Rate
2021	114,096,004	357,525,330	31.91%	39,903,402,365	0.2859
2022	130,484,429	381,249,358	34.23%	45,192,206,073	0.2887
2023	135,901,355 ⁽¹⁾	397,174,733	34.22%	49,036,815,933	0.2771
2024	101,756,703 ⁽¹⁾	415,372,611	24.50%	52,922,651,790	0.1923
2025	105,367,963 ⁽²⁾	415,372,611	25.37%	52,922,651,790	0.1991

Source: Office of the Comptroller, City of El Paso, Texas.

(1) Total excludes a pass-through amount reported in the City's Annual Comprehensive Financial Report for the applicable fiscal year related to a Chapter 380 Agreement.

(2) Collections as of May 31, 2025.

TABLE 12 – MASS TRANSIT TAX

The City has adopted an additional ½ cent sales tax, with the proceeds to be used for the City's Mass Transit Department. Receipts of such tax are as follows for the last five years:

Fiscal Year Ended 8-31	Total Collected
2021	\$ 55,001,787
2022	62,500,961
2023	64,826,796
2024	65,830,787
2025	50,295,443 ⁽¹⁾

Source: Office of the Comptroller, City of El Paso, Texas.

(1) Collections as of May 31, 2025.

TABLE 13 – HOTEL/MOTEL TAX COLLECTIONS

The City levies a Hotel/Motel tax at 7.0 percent of gross room sales. On November 6, 2012 the voters of the City authorized the City to provide for the planning, acquisition, establishment, development, construction and financing of a ballpark facility (the "Ballpark"). Pursuant to such election, the City imposes an additional tax on the occupancy of a room in hotels located within the City, at a maximum rate of two percent (2%) of the price paid for a room starting as of January 1, 2013. The additional 2 percent tax may only be used for expenditures relating to the Ballpark and may not be used for any other purpose. The additional 2 percent tax will be imposed until all outstanding bonds and other debt obligations related to the Ballpark are paid in full. A five-year record of Hotel/Motel tax collections follows:

Fiscal Year Ended 8-31	7% Total Collections	2% Total Collections
2021	9,798,020	2,799,527
2022	13,757,338	3,930,670
2023	14,619,606	4,190,180
2024	14,347,289	4,104,728
2025	4,628,145 ⁽¹⁾	2,056,086 ⁽¹⁾

Source: Office of the Comptroller, City of El Paso, Texas.

(1) Collections as of May 31, 2025.

FINANCIAL POLICIES . . . See Appendix B – Excerpts from the City’s Annual Comprehensive Financial Report for the year ended August 31, 2024, Note 1, Summary of Significant Accounting Policies.

In developing and evaluating the City’s accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding safeguarding assets against loss from unauthorized use or disposition and reliable financial records for preparing financial statements and maintaining accountability for assets.

As a recipient of federal and state assistance, the City is responsible for ensuring that an adequate internal control structure is in place to guarantee compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

The internal audit function is the responsibility of the City Internal Auditor, who reports directly to the City Council. The auditor’s responsibilities include (1) measuring and evaluating the effectiveness of the accounting and administrative controls, (2) assisting management in achieving the most efficient administration of the City’s operations, and (3) maintaining budgetary controls to ensure compliance with legal provisions.

Government-wide and Fund Financial Statements . . . The governmental-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government 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. Likewise, the primary government is reported separately from certain legally separate component units for which the *primary government* is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation . . . The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end, except for franchise fee revenues which are collected within 75 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure/post closure costs, are recorded only when the liability has matured.

Property taxes, sales taxes, hotel/motel taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives the cash as the resulting receivables are deemed immaterial.

DEBT MANAGEMENT POLICY . . . It is the policy of the City to develop and maintain a sound debt management program. This policy sets forth the parameters for issuing new debt as well as managing the outstanding debt portfolio, identifying the types and amounts of permissible debt, and maintaining the current bond rating in order to minimize borrowing costs and preserving access to credit. The City has established this policy to provide guidance to staff to:

- Ensure high quality debt management decisions;
- Ensure that debt management decisions are viewed positively by rating agencies, investment community and citizenry-at-large;
- Ensure support for debt issuances both internally and externally;
- Demonstrate a commitment to long-term financial planning.

The City of El Paso Debt Management Policy (the “Policy”) applies to all debt instruments issued by the City regardless of the funding source. Funding sources can be derived from ad valorem taxes, general City revenues, enterprise fund revenues or any other identifiable source of revenue that may be identified for appropriate pledging for bonded indebtedness.

The primary objective of the Policy is to ensure that the City establishes and maintains a solid position with respect to its debt service fund. It is intended to demonstrate that proceeds from long-term debt will not be used for current operations but rather for capital improvements and other long-term assets.

Other objectives include: (i) bonds will be paid back within a period not to exceed, and preferably sooner than, the expected useful life of the capital project; (ii) decisions will be made based on a number of factors and will be evaluated against long-term goals rather than a short-term fix; and (iii) debt service funds will be managed and invested in accordance with all federal, state and local laws.

Additionally, the Policy guides the City in making certain decisions regarding the issuance of debt including (i) decisions regarding the structure of debt (matching projected cash flows, minimizing the impact of future property tax levies, and maintaining a relatively rapid payment of principal); (ii) considering financing alternatives including the determination of whether to issue general obligation bonds, certificates of obligation or commercial paper; (iii) determining the method of sale for a particular debt issue; (iv) analyzing the economic usefulness of a particular series of refunding bonds; and (v) complying with the Policy's debt limits, limits on maturity levels and weighted average maturity of debt, and managing the debt service fund including unrestricted fund balances.

The Policy shall be reviewed at least biennially by the City Council and any modifications must be adopted by City Council. The Policy was most recently revised and adopted by City Council on December 3, 2024.

CASH RESERVE POLICY . . . Historically, the City has maintained \$16,000,000 as a cash reserve. At a special election on May 11, 2013, voters in the City approved an amendment to the City's Home Rule Charter to revise the amount of revenues maintained as a cash reserve fund in the operating fund of the City to an amount not less than five percent of the prior year's adopted general fund operating expenditure budget. The City Code has been amended to conform to this change and requires that the cash reserve be maintained and reported as restricted under GASB rules. Withdrawals from reserves, whether the fund has attained the required size or not, may be made to meet current expenses until sufficient taxes are collected, and any withdrawals require approval by the City Council. Any amounts withdrawn shall be repaid to the cash reserve fund as soon as practicable after collection of taxes.

INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAA+”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to its credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City must adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 14 - CURRENT INVESTMENTS

As of May 31, 2025, the City's investable funds were invested in the following categories:

<u>Security Type</u>	<u>Market Value</u>	<u>Book Value</u>	<u>% of Total</u>
Agencies	\$ 158,725,810	\$ 158,805,268	13.80%
Money Market	14,516,722	14,516,722	1.26%
LGIP'S	82,804,138	82,804,138	7.19%
US Treasuries	895,947,019	894,833,284	77.75%
Total Portfolio	<u>\$ 1,151,993,689</u>	<u>\$ 1,150,959,412</u>	<u>100.0%</u>

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TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the receipt of an opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A Form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations, such as the Bonds. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON THE CERTAIN BONDS . . . The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 14. The City will update and provide the information in the tables referenced above within six months after the end of each fiscal year ending in and after 2025 and audited financial statements within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statement is not completed within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is August 31. Accordingly, the information in the tables referenced above must be provided by the last day of February in each year, and the audited financial statements must be provided by August 31 of each year (unless audited financial statements are not completed by the required time, in which case, the City will file unaudited financial statements by the required time and audited financial statements when and if prepared), unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The City will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of the trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement.

As used above in item (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. Additionally, the City intends the words used in items (15) and (16) in the immediately preceding paragraph and the definition of "financial obligation" in these paragraphs to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . On June 13, 2024, the City established its Water and Sewer Utility System Extendable Commercial Paper Program and, pursuant to the program, issued \$60 million of extendable commercial paper notes. On July 9, 2024, notice of the incurrence of such financial obligation was filed with EMMA. Except for such event, during the past five years the City has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds and certain of the presently outstanding tax supported debt of the City are rated “AA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) and “AA+” by Kroll Bond Rating Agency, LLC (“KBRA”) without regard to credit enhancement. Certain of the presently outstanding tax supported debt of the City is rated “AA” by Fitch Ratings, Inc. (“Fitch”). The City determined not to apply for a rating from Fitch for the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

CYBERSECURITY

The City’s operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City’s control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City’s operations and/or financial condition.

LITIGATION

The City Attorney and City Staff believe that there is no litigation pending, or to their knowledge, threatened against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The Bonds have not been registered for sale under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriters’ written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a nationally recognized investment rating agency. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds

are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Underwriters a complete transcript of proceedings relating to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of the State to the effect that the Initial Bond is a valid and binding obligation of the City, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel to the effect that the Bonds are issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the City, and interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein (see "TAX MATTERS" and Appendix C). A form of such opinion is attached hereto as Appendix C. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING" (except for the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (except for the subcaptions "Book-Entry-Only System", "Bondholders' Remedies" and the last two sentences under "Tax Rate Limitation"), "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Bonds for Sale", "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (except for the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION", and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Counsel to the Underwriters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver to the City, on or before the Delivery Date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the purchase price of the Purchased Obligations and the sufficiency of cash deposited with the Purchased Obligations' Paying Agent to pay the purchase price of the Purchased Obligations. The Verification Agent's report will also verify the sufficiency of cash deposited with the Refunded Obligations' Paying Agent to pay the redemption price of the Refunded Obligations on their Redemption Date.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, the Verification Agent has relied on any information provided to it by the City's retained advisors, consultants, or legal counsel.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("Hilltop Securities") is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price of par, plus a premium of \$ _____, and less an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

Jefferies, as the lead Underwriter of the Bonds, and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, Jefferies and its affiliates may have certain creditors and/or other rights against the City and its affiliates in connection with such activities. In the course of their various business activities, Jefferies and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. Jefferies and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to the clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Jefferies, as the lead Underwriter for the Bonds, is serving as sole dealer manager in connection with the Tender Offer for the Target Obligations. The City's purchase of the Purchased Obligations will be funded with a portion of the net proceeds from the Bonds. In its capacity as dealer manager for the Tender Offer, Jefferies is acting as dealer manager and not as an Underwriter of the Bonds. Jefferies will be separately paid a customary fee for serving as dealer manager for the Tender Offer and will be reimbursed for certain expenses it incurs as dealer manager from the proceeds of the Bonds.

RBC Capital Markets, LLC ("RBCCM"), has provided the following information for inclusion in this Official Statement: RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

RBCCM has entered into a distribution arrangement with its affiliate City National Securities, Inc. ("CNS"). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, RBCCM may compensate CNS for its selling efforts with respect to the Bonds.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

In the Bond Ordinance, the City Council authorized the Pricing Officer to (i) execute the Pricing Certificate approving, for and on behalf of the City, the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) approve the Underwriters' use of this Official Statement in connection with the public offering and the sale of the Bonds.

Pricing Officer
City of El Paso, Texas

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SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS*

Series	Original Dated Date	Original Issue Amount	Maturity to be Refunded	Amount Refunded	Date and Price of Redemption
General Obligation Refunding & Improvement Bonds, Series 2015	7/1/2015	\$ 116,415,000	8/15/2026	\$ 8,870,000	08/15/2025 @ par
			8/15/2027	9,315,000	08/15/2025 @ par
			8/15/2028	3,795,000	08/15/2025 @ par
			8/15/2029	3,980,000	08/15/2025 @ par
			8/15/2030	4,180,000	08/15/2025 @ par
			8/15/2031	1,515,000	08/15/2025 @ par
			8/15/2032	1,570,000	08/15/2025 @ par
			8/15/2033	1,625,000	08/15/2025 @ par
			8/15/2034	1,690,000	08/15/2025 @ par
				<u>\$ 36,540,000</u>	

Series	Original Dated Date	Original Issue Amount	Maturity to be Refunded	Amount Refunded	Date and Price of Redemption
Combination Tax & Revenue Certificates of Obligation, Series 2015	7/1/2015	\$ 57,710,000	8/15/2026	\$ 2,475,000	08/15/2025 @ par
			8/15/2027	1,940,000	08/15/2025 @ par
			8/15/2028	2,035,000	08/15/2025 @ par
			8/15/2029	2,135,000	08/15/2025 @ par
			8/15/2030	2,245,000	08/15/2025 @ par
			8/15/2031	2,355,000	08/15/2025 @ par
			8/15/2032	2,475,000	08/15/2025 @ par
			8/15/2033	2,595,000	08/15/2025 @ par
			8/15/2034 ⁽¹⁾	2,730,000	08/15/2025 @ par
			8/15/2035 ⁽¹⁾	<u>2,835,000</u>	08/15/2025 @ par
				<u>\$ 23,820,000</u>	

* Preliminary, subject to change.

(1) Represents a mandatory sinking fund installment of a term certificate maturing on August 15, 2041.

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SCHEDULE IA
SCHEDULE OF PURCHASED OBLIGATIONS*

Series	Original Dated Date	Original Issue Amount	Maturity	Original Principal Amount	Interest Rate	Amount Tendered for Purchase	Remaining Outstanding Amount
Combination Tax & Revenue Certificates of Obligation, Series 2016	6/1/2016	\$ 84,205,000	8/15/2027	\$ 3,310,000	5.000%	-	-
			8/15/2028	3,475,000	5.000%	-	-
			8/15/2029	3,650,000	5.000%	-	-
			8/15/2030	3,835,000	5.000%	-	-
			8/15/2031	3,985,000	5.000%	-	-
			8/15/2032	4,185,000	5.000%	-	-
			8/15/2033	4,395,000	4.000%	-	-
			8/15/2034	4,570,000	5.000%	-	-
			8/15/2035	4,795,000	5.000%	-	-
			8/15/2036	5,035,000	5.000%	-	-
			8/15/2037	5,290,000 ⁽¹⁾	5.000%	-	-
			8/15/2038	5,550,000 ⁽¹⁾	5.000%	-	-
			8/15/2039	5,830,000 ⁽¹⁾	5.000%	-	-
			8/15/2040	6,120,000 ⁽¹⁾	5.000%	-	-
			8/15/2041	6,430,000 ⁽¹⁾	5.000%	-	-
			8/15/2042	6,750,000 ⁽¹⁾	5.000%	-	-
				<u>\$ 77,205,000</u>			
Series	Original Dated Date	Original Issue Amount	Maturity	Original Principal Amount	Interest Rate	Amount Tendered for Purchase	Remaining Outstanding Amount
General Obligation Bonds, Series 2016	6/1/2016	\$ 175,305,000	8/15/2027	\$ 7,245,000	5.000%	-	-
			8/15/2028	7,610,000	5.000%	-	-
			8/15/2029	7,990,000	5.000%	-	-
			8/15/2030	8,390,000	5.000%	-	-
			8/15/2031	8,810,000	5.000%	-	-
			8/15/2032	9,250,000	5.000%	-	-
			8/15/2033	9,710,000	4.000%	-	-
			8/15/2034	10,100,000	5.000%	-	-
			8/15/2035	10,605,000	5.000%	-	-
			8/15/2036	<u>11,135,000</u>	5.000%	-	-
				<u>\$ 90,845,000</u>			

* Preliminary, subject to change.

(1) Represents a mandatory sinking fund installment of a term certificate maturing on August 15, 2042.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND HISTORY . . . The City of El Paso (the “City” or “El Paso”) is located in far West Texas on the international boundary between the United States and the Republic of Mexico, on the Rio Grande, and is the lowest altitude, all-weather pass through the Rocky Mountains. It is approximately equidistant from the Cities of Houston, Texas, Denver, Colorado, and Los Angeles, California. Since the first appearance of Europeans on the North American Continent, it has been a major crossroads for continental north-south and east-west traffic. In 1536, Cabeza de Vaca and his party crossed the Rio Grande at El Paso. In 1659, the first permanent European settlement was established in the El Paso region, and the Mission of Guadalupe was erected (the Mission still stands in the central square of the City of Ciudad Juárez, Mexico). The first trading post was erected in central El Paso in 1848, and the same year, the United States Military Post, later named Fort Bliss, was established. El Paso has continued since that time to be a highly strategic military base. The City's corporate limits encompass 256 square miles.

This historic City, situated at the foot of the Franklin Mountains, enjoys a diversified economy. Mining and manufacturing, important military establishments, domestic and foreign commerce, farming and tourist trade are major contributors to the economy. El Paso's large natural retail and wholesale trade territory extends into New Mexico and Arizona, as well as Texas and Mexico.

El Paso is the largest U.S. city on the Mexico border, the sixth largest city in Texas, and the nineteenth largest city in the U.S. according to estimates by the US Census Bureau. Population in the 1960 Census was 276,687; the 1970 Census was 322,261; the 1980 Census was 425,259; the 1990 Census was 515,342, the 2000 Census was 563,662, the 2010 Census was 649,121 and the 2020 Census was 678,815. From 2000 – 2006, El Paso was the seventh fastest growing large city in the nation. The City's 2025 estimated population was 678,958. The population of El Paso County was estimated at 881,255 for 2025 and the population of the sister Mexican city of Ciudad Juárez was estimated at 1,482,275.

EDUCATION . . . Most of the public schools in El Paso are under the supervision of three independent school districts, the El Paso Independent School District (with approximately 50,000 students on 80 campuses), the Ysleta Independent School District (with approximately 47,200 students on 62 campuses) and the Socorro Independent School District (with approximately 47,500 students on 51 campuses). In addition to public schools, there are several private and parochial schools in the El Paso area, with enrollment of approximately 5,124.

A number of excellent junior colleges, colleges and universities are located within the El Paso trade area. Among these are: El Paso Community College (El Paso); University of Texas at El Paso (El Paso); New Mexico State University (Las Cruces, New Mexico); Sul Ross State College (Alpine, Texas); Western New Mexico University (Silver City, New Mexico); New Mexico School of Mines (Socorro, New Mexico); Eastern New Mexico University (Portales, New Mexico); and New Mexico Military Institute (Roswell, New Mexico).

The University of Texas at El Paso (the “University”) was established in 1914, and attracts thousands of visitors to seminars, conferences, convocations, sport contests and other events. The University offers degrees in nine schools: Engineering, Business Administration, Science, Education, Health Sciences, Liberal Arts, Nursing, Pharmacy School and Graduate. At the University, 25,039 students were enrolled in the school for the Fall 2024 semester including in undergraduate and graduate programs with both full-time and part-time attending status.

The Texas Tech University Health Sciences Center (the “Health Sciences Center”) is an educational multi-campus institution created under Chapter 110 of the Texas Education Code and is governed by the Texas Tech University Board of Regents. The Health Sciences Center's administrative center is located in Lubbock, Texas. Currently, the Health Sciences Center located in the City of El Paso includes the Paul L. Foster School of Medicine at El Paso, the Gayle Greve Hunt School of Nursing, and the Graduate School of Biomedical Sciences. In addition, approval was given to open the Woody L. Hunt School of Dental Medicine in 2021.

El Paso County Community College, which offers a range of studies for both daytime and evening classes, had a 2024 enrollment of 28,797.

Across the border, Ciudad Juárez is home to five colleges: El Colegio de Chihuahua, Instituto Tecnológico de Ciudad Juárez, Universidad Autónoma de Ciudad Juárez, Universidad Tecnológica de Ciudad Juárez and Tecnológico de Monterrey.

HOSPITALS . . . El Paso is a major medical center, with eight hospitals providing approximately 2,658 beds, including William Beaumont Army Medical Center.

AGRICULTURE . . . Agriculture is an important activity in El Paso County, with crop production in the lowlands and livestock in upland areas. Major farm products include beef and dairy cattle, cotton, alfalfa, grain, pecans, onions, forage and peppers.

CONVENTIONS AND TOURISM . . . The El Paso Civic and Convention Center (the “Center”) includes a 70,000 square foot Assembly-Exhibition Hall, theatre-auditorium, and headquarters for the Chamber of Commerce. To accommodate conventioners, approximately 10,894 hotel and motel rooms are available.

Ciudad Juárez, immediately adjacent to El Paso, is a major factor and attraction in the area.

TRANSPORTATION . . . Regional transportation facilities, together with El Paso's strategic location, have contributed to development and growth of the City. Four rail lines operate through El Paso, with the National Railway of Mexico serving Ciudad Juarez. Interstate Highways 10 and 25 provide direct access to El Paso for commercial truckers and tourists. Five other U.S. Highways and the Central Highway of Mexico link El Paso to its surrounding market areas.

The El Paso International Airport is a large, modern airport with facilities equipped for handling many types and sizes of commercial aircraft. The Airport is classified as a medium air traffic hub by the Federal Aviation Administration and is currently served by seven passenger airlines and three all-cargo airlines. The following table shows the total airline passenger enplanements for the past six years (Airport Fiscal Year):

2019	1,764,324	2022	1,789,195
2020	1,101,811	2023	2,016,607
2021	1,089,173	2024	2,083,348

⁽¹⁾ Information provided by the City.

MINING, SMELTING AND REFINERIES . . . Freeport-McMoRan Copper & Gold Inc., with facilities located in El Paso, processes approximately 30% of all copper refined in the United States. While mining within El Paso County is of negligible proportions, substantial supplies of ore are produced in the trade territory, both domestic and in Mexico. Other minerals are also processed in the trade area, notably potash from the Carlsbad vicinity where 90% of the United States' production is mined.

The steel rolling mill facility of Vinton Steel currently produces merchants rod and bar steel products. The modern electric furnaces use scrap metal as the basic ingredient.

Two oil refineries provide asphalt, jet fuel, gasoline and fuel oil for a market area encompassing West Texas, New Mexico and Arizona.

MANUFACTURING . . . Because of El Paso's location on the Mexican border, firms can maintain manufacturing plant operations in the United States but can assemble their goods in Mexico. This "dual plant" operation is commonly called the Maquila Program and enables certain firms to cut production costs by producing the main component of goods across the border while assembling the finished product in the United States.

The Directory of El Paso Manufacturers lists more than 500 industrial firms in El Paso County and Ciudad Juarez. Currently, according to employment and value, the electronics industry has emerged as the leader among El Paso manufacturers, surpassing both the automotive and apparel industries. Other current growth industries in the area include plastics (primarily injected molded parts), electrical equipment, and military defense manufacturing. Approximately 70 Fortune 500 companies are located in El Paso.

MAJOR EMPLOYERS

Name of Business	Nature of Business	Number of Employees
Fort Bliss (Military and Civilian)	Military	47,628
El Paso Independent School District	Public School	8,478
Socorro Independent School District	Public School	8,120
T&T Staff Management, LP	Employment Services	7,606
Ysleta Independent School District	Public School	7,383
City of El Paso	Government	6,095
Wal-mart	Grocery Store	5,511
Hospitals of Providence	Healthcare	4,400
GC Services	Calling Center	4,324
University Medical Center	Hospital	3,272

Source: City of El Paso 2024 ACFR.

EMPLOYMENT STATISTICS

	City of El Paso				
	Average Annual				May
	2021	2022	2023	2024	2025
Civilian Labor Force					
Total Employment	284,661	292,314	302,323	316,424	322,033
Total Unemployment	17,933	11,501	13,256	13,373	13,754
Percentage Unemployed	5.9%	3.8%	4.2%	4.1%	4.1%

	El Paso County				
	Average Annual				May
	2021	2022	2023	2024	2025
Civilian Labor Force					
Total Employment	341,151	350,323	362,318	396,846	403,881
Total Unemployment	22,692	14,535	16,620	17,272	17,866
Percentage Unemployed	6.2%	4.0%	4.4%	4.2%	4.2%

Source: Texas Workforce Commission, Labor Market Information Department.

BANKING . . . The City is the banking center for El Paso County with 52 financial institutions, as well as the El Paso Branch of the Federal Reserve Bank of Dallas.

MILITARY INSTALLATIONS . . . Military installations in and around El Paso have a significant impact on the economy of the City and El Paso County. The employment of civilian personnel is substantial, and, combined with the military payrolls, has a pronounced effect on the level and stability of business volume. Large additional expenditures for supplies and contractual services, when added to the military payrolls, place many millions of dollars annually in local commercial channels.

Fort Bliss, historically important since its establishment as a post in 1848, is now the Army's Air Defense Training Center. From its common boundary with the City, Fort Bliss extends northward to adjoin White Sands Missile Range. The combined facilities represent an uninterrupted distance in excess of 100 miles dedicated to military and scientific pursuits. According to the Department of Defense, Fort Bliss is home to over 91,000 people between active and reserve duty personnel, family members, and other civilians.

Biggs Army Base adjoins both the City and Fort Bliss. Having fulfilled a variety of missions during its history, the base, which once was a major installation of the Strategic Air Command, has now been transferred to the Army. The Army Air Materiel Command, the Defense Language Institute and the Army Aviation Laboratory utilize the facilities of the base.

William Beaumont Army Medical Center, the Army's hospital in El Paso, is a 12-story facility and a fully accredited, permanent teaching and specialized-treatment hospital. The campus contains a Level III Trauma Center. It has 135 beds, 10 operating rooms, and 30 primary/specialty clinics with 269 exam rooms. With a complement of approximately 2,200 military and civilian personnel, the hospital's contribution to the El Paso economy is substantial.

White Sands Missile Range in New Mexico has long played an important role in weapons testing. With increasing technology involved in modern weapons, the facility's activities continue to be of significant importance. It is the largest all-land missile range in the Western Hemisphere.

Holloman Air Development Center, near Alamogordo, New Mexico, specializes in the testing and evaluation of new weapons for the Air Force. More than 25 electronic and aircraft companies operate at the Center.

McGregor Range is a testing and experimental area for missiles, rockets and anti-aircraft weapons. Like its neighbors, the impact of both construction and expansion programs, and operations requirements, make the Range an important economic factor in the region.

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APPENDIX B

EXCERPTS FROM THE
CITY OF EL PASO, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended August 31, 2024

The information contained in this Appendix consists of excerpts from the City of El Paso, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

The information contained in this report is provided as of the respective dates and for the periods specified herein the filing of this report does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified date as of which such information is provided. The historical information set forth in this report is not necessarily indicative of future results or performance due to various factors, including those discussed in the Official Statement.

Forvis Mazars LLP, the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Forvis Mazars LLP also has not performed any procedures relating to this Official Statement.

The financial statements of the City of El Paso as of and for the fiscal year ended August 31, 2024, excerpts of which are included herein in Appendix B, have been audited by Forvis Mazars LLP, the City's independent auditor, as stated in its report appearing herein. The City of El Paso has not requested that Forvis Mazars LLP provide consent for inclusion of its report on the audited financial statements in this Official Statement and Forvis Mazars LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Forvis Mazars LLP also has not participated in any way in the preparation or review of this Official Statement.

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Independent Auditor's Report

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

Opinions

We have audited the 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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 as of August 31, 2024, 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.

We did not audit the financial statements of Public Service Board - El Paso Water Utilities, a discretely presented component unit of the City, whose financial statements reflect 99.8%, 99.6%, and 99.8%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the City of El Paso Employees Retirement Trust and El Paso Firemen and Policemen's Pension Fund, which are pension trust funds of the City, and the Camino Real Regional Mobility Authority and the El Paso Metropolitan Planning Organization, which are custodial funds of the City, whose financial statements reflect 92.0%, 94.1%, and 66.8%, 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 on the aggregate discretely presented component units and the aggregate remaining fund information, insofar as they relate to the amounts included for Public Service Board - El Paso Water Utilities, City of El Paso Employees Retirement Trust, El Paso Firemen and Policemen's Pension Fund, Camino Real Regional Mobility Authority, and El Paso Metropolitan Planning Organization, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, other postemployment benefit schedules, and pension schedules, as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary 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 financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Forvis Mazars, LLP

Dallas, Texas
February 21, 2025

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2024

The Management Discussion and Analysis (MD&A) presents an overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2024. 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 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, as well as discussing the impact of these variances on future liquidity.

The MD&A should be considered in conjunction with the Letter of Transmittal as well as the City's financial statements. The information contained in the Introductory, Financial, and Statistical sections of the Annual Comprehensive Financial Report (ACFR) complement each other.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the Primary Government's total assets and deferred outflows exceeded its total liabilities and deferred inflows by \$917.7 million (net position). The unrestricted net position was a deficit of \$202.1 million. The City is committed to providing postemployment and pension benefits to its employees. As a result, the City has recognized substantial liabilities in the financial statements for these benefits. As of August 31, 2024, the City had liabilities of \$875.2 million for postemployment and pension benefits, which has contributed to the overall deficit balance in the unrestricted net position.
- The Primary Government's total net position increased by \$198.7 million. Governmental activities increased the net position by \$150.5 million while increases from business-type activities totaled \$48.2 million.
- Total investments, restricted and unrestricted in the Primary Government, decreased by \$30.9 million from fiscal year 2023. This decrease is primarily attributable to the acquisition of capital assets, which utilized a portion of available investment funds along with no issuance of new debt.
- The cost of the Primary Government's governmental activities was \$794.3 million, a decrease of 2.6% over the prior year. This decrease is mainly due to a one time payment of approximately \$41 million to the Camino Real Regional Mobility Authority for the repayment of the Transportation Reinvestment Zone No. 2 (TRZ 2) outstanding debt in the prior year.
- The City's governmental funds reported ending fund balances of \$678.3 million, a decrease of \$23.5 million compared with the prior year. This decline reflects the City's utilization of bond proceeds for their designated purpose.
- Approximately \$32.3 million (4.8%) of the combined governmental fund balances is unassigned and available for other purposes.
- At the end of the fiscal year, unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) for the general fund was \$135.6 million, or approximately 25.8% of total general fund expenditures.

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are 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 includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

ACFR	Introductory Section	Letter of Transmittal, Organization Chart, Other Introductory Information		
	Financial Section	Management's Discussion and Analysis		
		Government-Wide Financial Statements	Fund Financial Statements	
			Governmental Funds	Proprietary Funds
				Fiduciary Funds
		Statement of Net Position	Balance Sheet	Statement of Net Position
				Statement of Fiduciary Net Position
		Statement of Activities	Statement of Revenues, Expenses and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Net Position
				Statement of Cash Flows
				Statement of Changes in Fiduciary Net Position
	Statistical Section	Notes to Financial Statements		
		Required Supplementary Information		
		Combining Statements and Schedules		
		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
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 custodial 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, 2024

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 similar to a 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 financial 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.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, public health, culture and recreation, and community and economic development. The business-type activities of the City include El Paso International Airport, Environmental Services, Mass Transit, International Bridges and the Tax Office.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate water utility and a legally separate housing finance corporation for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 1-3 of this report.

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 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 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2024

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 to facilitate this comparison between governmental funds and governmental activities.

The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital outlay, bond principal payments, leases, and SBITA's 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 fourteen individual governmental fund groups. 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, Capital Projects Fund, and the COVID-19 Relief Grants Fund, which are considered to be major funds. Data from the other nine governmental fund groups are combined into a single aggregated presentation as Nonmajor Governmental Funds. Individual fund data for each of these Nonmajor Governmental Funds is provided in the combining financial statements and schedules that follow the basic financial statements in this report.

The basic governmental fund financial statements can be found on pages 4-7.

Proprietary Funds

Proprietary funds 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. The Tax Office fiduciary fund is combined with the Tax Office enterprise fund since the property taxes collected on behalf of the other 44 taxing entities is not held beyond 90 days.
- 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, Mass Transit, International Bridges, and the Tax

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2024

Office) since they are considered major funds of the City. All internal service funds are combined into a 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.

The proprietary fund financial statements can be found on pages 8-11 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The pension trust funds are used to report resources held in trust for retirees and beneficiaries covered by the police, fire and civilian pension trust funds. The custodial funds report resources, not in a trust, that are held by the City for other parties outside of City's reporting entity. The two custodial funds are the Camino Real Regional Mobility Authority (CRRMA) and the Metropolitan Planning Organization (MPO).

The fiduciary fund financial statements can be found on pages 12-13 of this report.

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 to the financial statements can be found on pages 14-112 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information of the City's governmental funds budgetary comparison schedules and the progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 113-126.

The combining statements referred to earlier in connection with the debt service fund and all nonmajor governmental funds, internal service funds, pension trust funds, and custodial funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 127-142 of this report.

Statistics

The statistical section provides data on financial trends, revenue, debt capacity, demographic and economic data, and operating information. The statistical section can be found on pages 143-168 of this report.

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2024

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

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

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and Other Assets	\$ 978,525,652	\$ 1,035,710,937	\$ 622,178,441	\$ 587,530,576	\$ 1,600,704,093	\$ 1,623,241,513
Capital Assets	1,648,629,083	1,577,151,236	597,686,221	580,912,489	2,246,315,304	2,158,063,725
Total Assets	2,627,154,735	2,612,862,173	1,219,864,662	1,168,443,065	3,847,019,397	3,781,305,238
Total Deferred Outflows of Resources	298,118,878	284,148,958	45,545,872	24,901,230	343,664,750	309,050,188
Liabilities						
Other Liabilities	276,303,987	322,243,486	49,838,731	47,627,205	326,142,718	369,870,691
Long-term Liabilities	2,387,366,824	2,453,228,250	326,385,224	308,066,489	2,713,752,048	2,761,294,739
Total Liabilities	2,663,670,811	2,775,471,736	376,223,955	355,693,694	3,039,894,766	3,131,165,430
Total Deferred Inflows of Resources	58,652,440	69,112,734	174,483,981	171,187,912	233,136,421	240,300,646
Net Position (Deficit)						
Net Investment in Capital Assets	433,047,977	372,695,839	472,841,905	456,304,604	905,889,882	829,000,443
Restricted	179,047,228	155,015,187	34,772,784	30,078,572	213,820,012	185,093,759
Unrestricted (Deficit)	(409,144,843)	(475,284,365)	207,087,909	180,079,513	(202,056,934)	(295,204,852)
Total Net Position (Deficit)	\$ 202,950,362	\$ 52,426,661	\$ 714,702,598	\$ 666,462,689	\$ 917,652,960	\$ 718,889,350

Analysis of the City’s Assets and Liabilities

Total assets increased by \$65.7 million from the prior year mainly due to an increase in capital assets of \$88.3 million net of accumulated depreciation. Capital assets increased by \$88.3 million, driven primarily by ongoing construction activities, which were partially offset by \$18.3 million in completed building and land improvement projects. In addition, there was a significant \$50 million surge in spending on vehicles and equipment, primarily by the Environmental Services Department, Mass Transit, and the Fire Department. Real property acquisitions totaling \$18.1 million further contributed to the increase in capital assets

Total liabilities decreased by \$91.3 million from the previous year mainly due to a reduction in bond liabilities. This decrease resulted from regular debt service payments, a partial cash defeasance, and an advanced refunding.

Analysis of the City’s Net Position

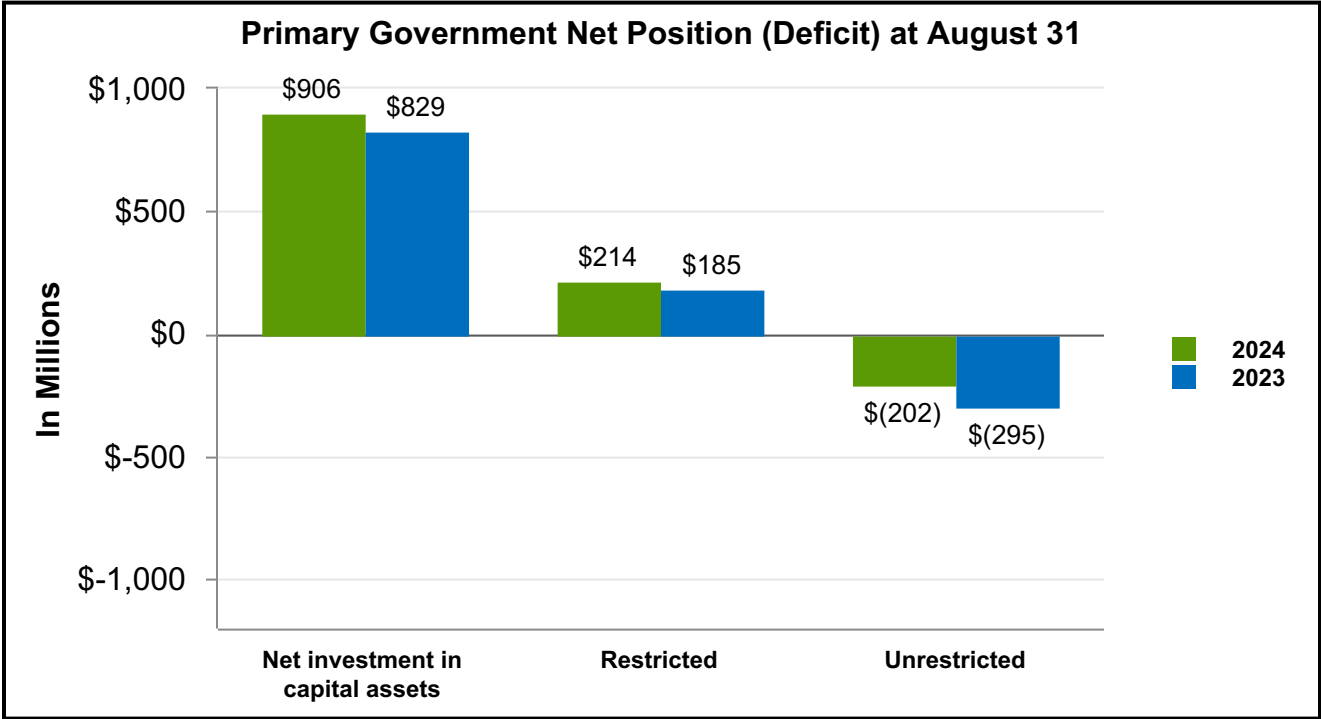
The net position may serve over time as a useful indicator of a government’s financial position. For fiscal year 2024, the City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$917.7 million. The largest portion of the City’s net position, \$905.9 million, reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment, improvements, right-to-use assets, construction in progress and infrastructure), less any outstanding debt net of unspent bond proceeds along with any related liabilities 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.

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2024

A portion of the City’s net position, \$213.8 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, as well as cash reserves required by the City Charter and bond covenants.

As of the end of the current year, the City's unrestricted net position had a \$202.1 million deficit balance. This deficit was caused primarily by long-term commitments that exceed its related assets, associated largely to pension and OPEB obligations.

Unrestricted net position in business-type activities increased a total of \$27.0 million from the prior year, increasing the surplus to \$207.1 million. This increase is mainly due to operational savings and investment earnings positive performance.



The overall net position increased \$198.7 million from the prior fiscal year. The reasons for this increase are discussed in the following sections for governmental activities and business-type activities.

Analysis of the City’s Operations

The following table provides a summary of the City’s activities for the years ended August 31, 2024 and 2023. For the current fiscal year, the City's net position increased by \$150.5 million in governmental activities and \$48.2 million in business-type activities.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2024

Condensed Schedule of Changes in Net Position

For the Year Ended August 31,

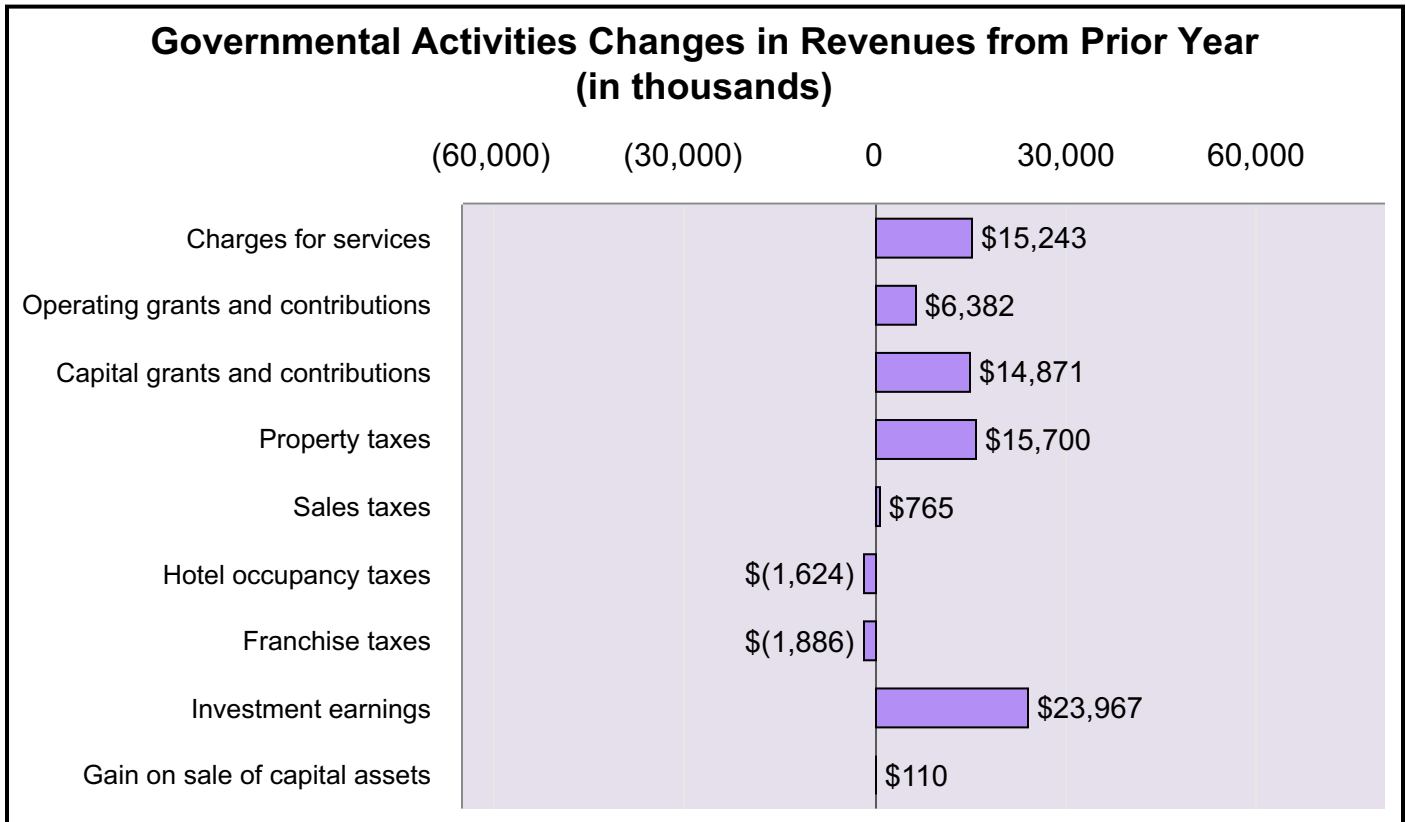
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for Services	\$117,973,904	\$ 102,730,711	\$ 165,205,362	\$ 163,302,293	\$ 283,179,266	\$ 266,033,004
Operating Grants and Contributions	85,039,059	78,656,652	24,475,411	19,325,910	109,514,470	97,982,562
Capital Grants and Contributions	23,751,321	8,880,055	27,450,216	43,964,931	51,201,537	52,844,986
General Revenues:						
Property Taxes	397,607,298	381,907,345	—	—	397,607,298	381,907,345
Sales Taxes	138,112,624	137,347,739	65,830,787	64,826,796	203,943,411	202,174,535
Hotel Occupancy Taxes	19,960,641	21,584,145	—	—	19,960,641	21,584,145
Franchise Taxes	77,938,632	79,824,644	—	—	77,938,632	79,824,644
Investment Earnings	49,511,906	25,544,820	22,145,672	11,021,494	71,657,578	36,566,314
Gain on Sale of Capital Assets	10,533,401	10,423,367	—	51,961	10,533,401	10,475,328
Total Revenues	920,428,786	846,899,478	305,107,448	302,493,385	1,225,536,234	1,149,392,863
Expenses						
Governmental Activities:						
General Government	79,308,418	125,475,631	—	—	79,308,418	125,475,631
Public Safety	369,785,368	363,710,314	—	—	369,785,368	363,710,314
Public Works	91,063,387	89,633,781	—	—	91,063,387	89,633,781
Public Health	39,979,939	36,964,643	—	—	39,979,939	36,964,643
Culture and Recreation	107,927,970	92,424,983	—	—	107,927,970	92,424,983
Community and Economic Development	53,235,197	51,334,131	—	—	53,235,197	51,334,131
Interest on Long-term Debt	53,048,301	55,599,155	—	—	53,048,301	55,599,155
Business-Type Activities:						
El Paso International Airport	—	—	64,147,108	57,952,745	64,147,108	57,952,745
Environmental Services	—	—	61,563,923	48,285,009	61,563,923	48,285,009
Mass Transit	—	—	94,317,709	84,018,899	94,317,709	84,018,899
International Bridges	—	—	9,685,217	8,232,542	9,685,217	8,232,542
Tax Office	—	—	2,710,087	2,367,113	2,710,087	2,367,113
Total Expenses	794,348,580	815,142,638	232,424,044	200,856,308	1,026,772,624	1,015,998,946
Excess Before Transfers	126,080,206	31,756,840	72,683,404	101,637,077	198,763,610	133,393,917
Transfers	24,443,495	36,165,108	(24,443,495)	(36,165,108)	—	—
Increase in Net Position	150,523,701	67,921,948	48,239,909	65,471,969	198,763,610	133,393,917
Net Position (Deficit) - Beginning	52,426,661	(15,495,287)	666,462,689	600,990,720	718,889,350	585,495,433
Net Position (Deficit) - Ending	\$202,950,362	\$ 52,426,661	\$ 714,702,598	\$ 666,462,689	\$ 917,652,960	\$ 718,889,350

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2024

Program Revenues and Expenses – Governmental Activities

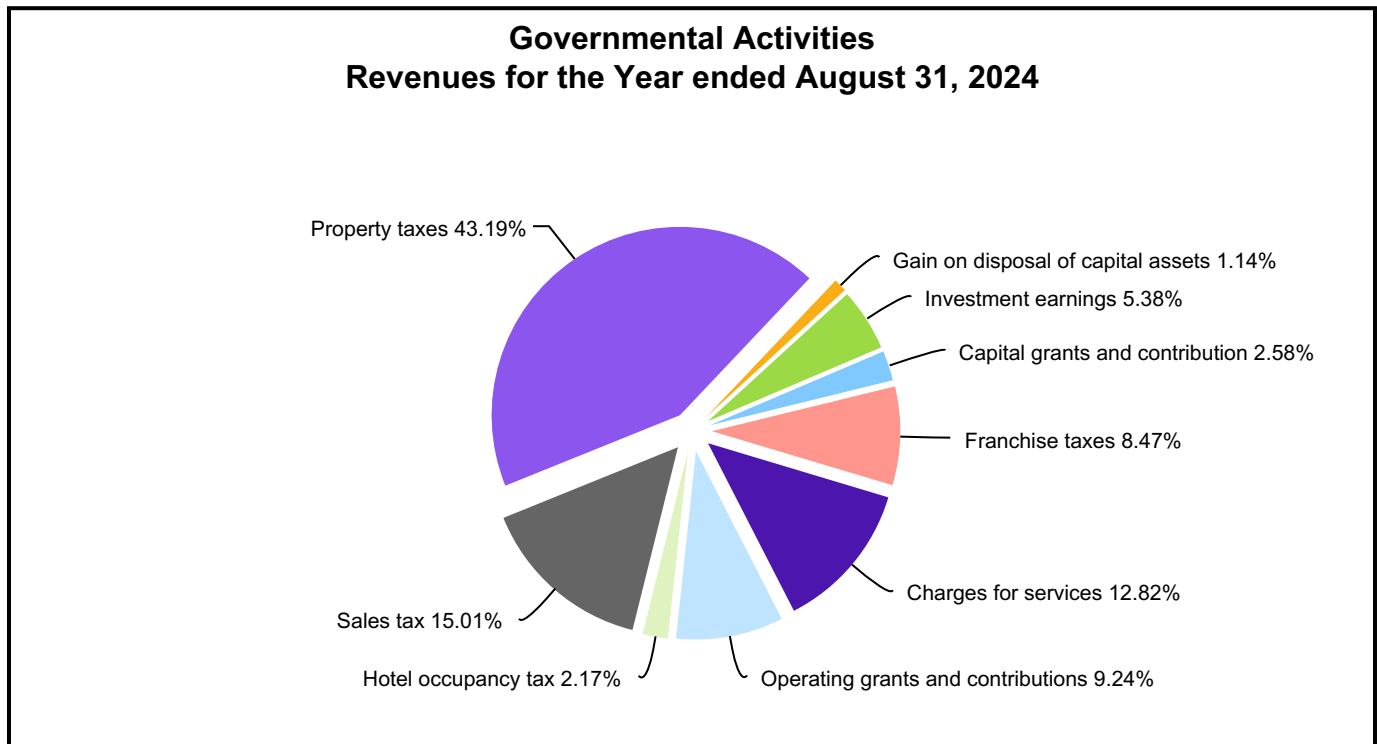
Governmental activities cover a range of typical City services and are directly supported by charges for these services, grants and contributions. In general, revenues generated by charges for services are inadequate to support the cost of the services with public safety creating the greatest burden 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 shows the change in governmental activities’ revenues from the previous year.



CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2024

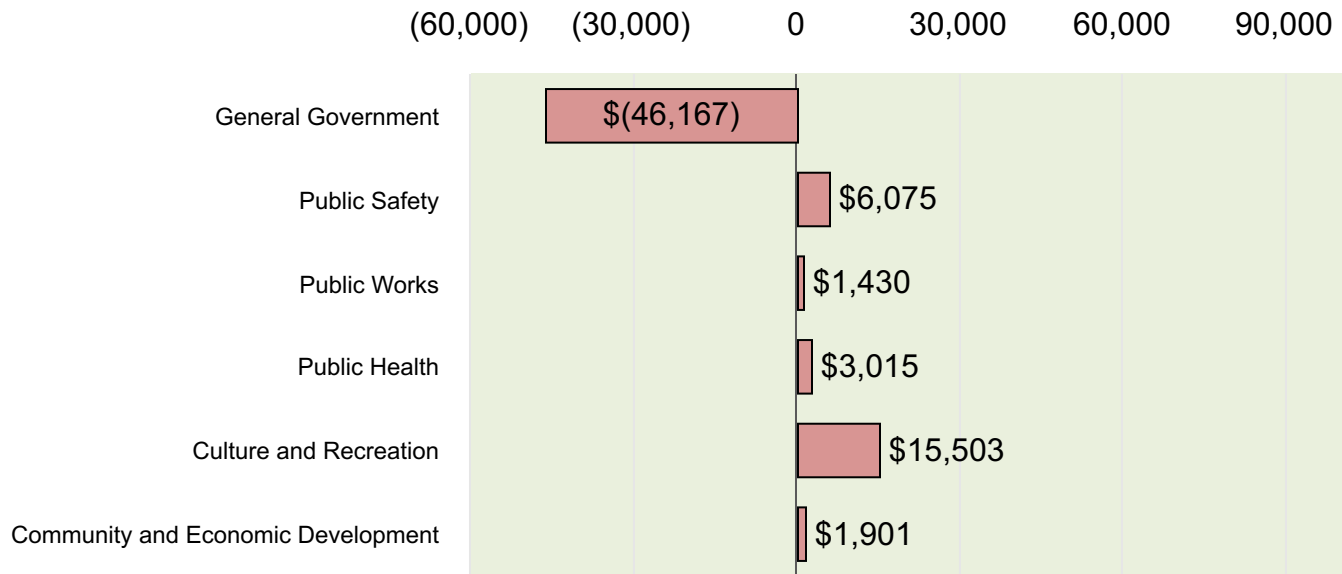
Revenues for governmental activities totaled \$920.4 million, an increase of \$73.5 million or 8.7% from 2023.



The total ad valorem taxable valuation increased 8.5% while the overall tax rate decreased by 5.0% from 2023, resulting in an ad valorem property tax revenue increase of \$15.7 million or 4.1% from prior year. This is due to increased property values combined with additional properties added to the tax roll. Sales Tax saw a minor increase of \$764.9 thousand. After a period of unprecedented growth, sales tax has flattened with a projected increase of 2.5%. Franchise fees decreased by \$1.9 million or 2.4%. Hotel Occupancy Tax decreased by \$1.6 million mainly due to a stabilization of hotel occupancy tax rebates received from the State related to the convention center hotel program while hotel occupancy rates remained stable. Operating/capital grants and contributions increased \$21.3 million or 24.3% from fiscal year 2023 mainly due to more COVID-19 relief funding recognized from unearned revenue to match allowable expenses in fiscal year 2024 along with an increase in Federal Grant Funding related to Community Development projects. Investment earnings increased by \$24.0 million from the prior fiscal year as a result of both realized earnings and unrealized gains. Increased realized earnings were achieved as a result of a continuing favorable interest rate environment. The unrealized gains occurred due to declines in market interest rates relative to the rate existing when the securities were purchased.

The following chart shows changes in governmental activities’ expenses from fiscal year 2023 to fiscal year 2024.

**Governmental Activities Change in Expenditures from Prior Year
(in thousands)**



The cost of governmental programs and services was \$794.3 million, a decrease of \$20.8 million (2.6%) from 2023. Part of this decrease relates to a one time repayment of the TRZ 2 outstanding debt in the amount of \$41.0 million that occurred in the prior year. Offset by increasing payroll costs in Public Safety mainly due to a new collective bargaining agreement that went into effect on September 1, 2023. Culture and Recreation increased by \$15.5 million due to the opening of new facilities and amenities.

Revenues and Expenses – Business-Type Activities

- Operating revenues for the business-type activities for fiscal year ended August 31, 2024 were \$1.9 million higher in comparison to fiscal year 2023. This increase is mainly due to additional Airport ground rentals. ESD also experienced an increase in garbage collection and landfill fees.
- Operating expenses, excluding depreciation/amortization, increased by \$30.8 million or 20.5%. The increase in operating expenses is primarily due to the increase in personnel services of \$18.3 million, increase in outside contracts \$5.8 million, and increase in landfill utilization costs of \$6.1 million.
- Nonoperating revenues and expenses had an overall increase of \$17.4 million due to an increase in sales tax revenue of \$1.0 million, an increase to interest revenue of \$11.1 million, an increase to Mass Transit's operating subsidy grant funding of \$5.9 million.
- Capital grants and contribution decreased by \$16.5 million compared to the previous year, largely due to a reduction in COVID-19 related grant funding.

FINANCIAL ANALYSIS OF THE FUND LEVEL STATEMENTS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

On August 31, 2024, the City's governmental funds reported combined fund balances of \$678.3 million, a decrease of \$23.5 million in comparison with fiscal year 2023. Of this amount, \$32.3 million or 4.8%, constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted, or committed to indicate that it is (1) not in spendable form, \$7.8 million; (2) restricted for particular purposes, \$403.9 million; (3) committed or assigned for particular purposes, \$234.3 million.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$40.6 million, while the total fund balance increased to \$168.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 7.7% of total general fund expenditures, while total fund balance represents 32.0% of that same amount.

The primary variances between both years are due to increases in property tax revenues of \$15.5 million resulting from higher property values combined with additional properties added to the tax roll. Sales tax revenue increased by \$1.5 million, Charges for Services increased by \$2.9 million mainly due to ambulance service revenue collections, Interest Revenue increased by \$3.3 million, and Rents and Other increased by \$2.9 million mainly due to an increase in expenditure reimbursements. Expenditures in the General Fund increased by \$39.7 million mainly due to an increase in Personnel Services of \$39.1 million.

Community Development Block Grants Fund

The Community Development Block Grants fund is a Special Revenue fund designated by management 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 increased by \$10.3 million from fiscal year 2023 primarily due to an increase in advanced funding for subrecipient agreements related to community service construction projects. The City utilized \$18.1 million in program revenues in fiscal year 2024.

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Debt Service Fund

The Debt Service fund had a decrease in fund balance of \$3.4 million to bring the year end fund balance to \$12.1 million. This decrease is mainly due to a partial cash defeasance executed during the fiscal year paired with an increase in investment earnings and property tax collections. More information on this cash defeasance can be found in Note 8 of this report.

The City's debt management policy establishes a minimum and a maximum fund balance for a fiscal year. The minimum fund balance should remain in excess of the debt service portion of the largest taxpayer's tax levy for the ensuing fiscal year. The maximum fund balance should be three months of the annual debt service budget. At the end of the fiscal year, the largest taxpayer's levy was \$1.3 million and three months of the fiscal year 2024 budget was \$30.4 million. The ending fund balance was \$12.1 million, which is between the minimum and maximum limits.

Capital Projects Fund

The City's capital projects are adopted creating a project-length budget. The Capital Projects fund had a \$47.2 million decrease in fund balance during the current fiscal year which put the overall fund balance at \$334.7 million. The decrease in fund balance was mainly caused by no new debt issuances during the year along with a continuous spending related to the Public Safety bond projects and an increase in spending in the Community Progress bond projects.

The Capital Projects fund expenditures totaled \$120.1 million for the current fiscal year. These expenditures contributed to the completion of several capital projects placed in service during the current year.

COVID-19 Relief Grants Fund

In fiscal year 2022, the City Council approved a plan for distributing \$154.3 million of the Coronavirus State & Local Recovery Funds (CSLFRF) as follows: Public Health and Safety Response & Recovery \$128.3 million, Community Response and Recovery Programs \$12.0 million, and Economic Response and Recovery Programs \$14.0 million. As of August 31, 2024, the City has utilized \$100.6 million of the CSLFRF.

Nonmajor Governmental Funds

The Nonmajor Governmental funds had a \$11.2 million increase in fund balance during the current fiscal year which brings the overall fund balance to \$147.5 million.

Federal Grants

Funding for these activities is program specific and is provided by the U.S. Congress. Expenditures totaled approximately \$19.5 million primarily from programs relating to public safety.

The City has continued to experience migrant activity during the fiscal year. The federal government has been assisting border and sanctuary cities with FEMA funding to provide humanitarian services to individuals and families arriving at the southern border. The situation is dynamic, with people from all over the world crossing the U.S. - Mexico border. The City is

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assisting migrants with food, shelter, and travel arrangements to destination cities of their choice so they can unite with their sponsors, friends, and/or family.

In the previous fiscal year, the City received over \$35.1 million in advanced funding from the Emergency Food and Shelter Program to aid migrants arriving from the southern border. As of the end of the current fiscal year, the City recognized \$21.3 million of this advanced funding as intergovernmental revenues.

State Grants

Expenditures for these activities are program specific and are provided by state agencies or departments. Expenditures totaled \$11.5 million primarily from programs related to public safety.

Public Health Grants

Expenditures for preventative healthcare and nutrition programs were \$12.4 million. Grant funding from the state provided \$666.9 thousand while federal grant proceeds were \$9.8 million.

Public Health Waiver Program

The Medicaid Waiver Program funding ended in fiscal year 2022. However, the City still has available funding accumulated from prior years to continue community programs. Medicaid waiver expenditures totaled \$2.9 million in fiscal year 2024.

Destination El Paso

Destination El Paso is managed by ASM Global under a facility management and tourism agreement with the City. Revenues in this fund are available to conduct culture and recreation activities as outlined in the agreement. In fiscal year 2024, revenues and transfers totaled \$21.6 million which were used to support program expenditures in the amount of \$20.3 million.

Economic Development

Economic Development works with our local and state partner organizations to recruit, retain, and expand businesses. They ensure local businesses have the tools and resources they need to succeed and grow. Economic Development had revenues and transfers in totaling \$24.9 million and program expenditures and other financing uses of \$13.4 million for fiscal year 2024.

During the year, the City disbursed an \$8.0 million note receivable at 0% interest, funded by the Texas Economic Development Fund, pursuant to a Chapter 380 agreement entered into on July 2, 2024. The note may be forgiven if the developer meets specific performance milestones.

Tax Increment Fund

Tax increment financing (TIF) is a financing method local governments can use to pay for improvements that will draw private investment to an area. Tax increment financing isn't a new tax; instead, it redirects some of the ad valorem tax from property in a geographic area designated as a Tax Increment Reinvestment Zone (TIRZ) or Transportation Reinvestment Zone (TRZ) to pay for

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improvements in the zone. In fiscal year 2024, revenues totaled \$7.8 million and program expenditures and other financing uses of \$5.0 million.

Nongrants

Funding for these activities come from a variety of sources including property taxes, hotel occupancy 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 and other financing sources totaled \$70.5 million and expenditures and other financing uses were \$68.2 million, resulting in a \$2.3 million increase in fund balance from fiscal year 2023. The ending restricted and committed fund balance as of August 31, 2024 was \$72.0 million as stated below:

Fund Balances:	Total
Capital Projects	\$ 1,582,348
Community Development	4,453,487
Economic Development	6,379,075
Environmental Fee	4,186,291
Library	1,556,226
Museums	675,675
Mayor and Council	1,401,883
Municipal Court	4,164,682
Fire	93,853
Parks	4,608,091
PEG	9,160,853
Civic Center	7,007,722
Police	6,380,544
Public Works	15,665,422
Zoo	4,659,990
Total	<u><u>\$ 71,976,142</u></u>

Proprietary Funds

The City’s proprietary fund statements provide the same type of information for enterprise funds found in the business-type activities portion of the government-wide financial statements, but in more detail.

These funds had net position increases (decreases) as follows:

Enterprise Funds	2024	2023
El Paso International Airport	\$ 24,335,287	\$ 27,150,206
Environmental Services	4,042,265	6,818,613
Mass Transit	15,058,390	29,809,479
International Bridges	5,197,431	1,828,476
Tax Office	(393,464)	(134,805)
Net Position Increase	<u><u>\$ 48,239,909</u></u>	<u><u>\$ 65,471,969</u></u>

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An analysis of each fund activity for the current year is presented below:

El Paso International Airport

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

Operating revenues had a minor increase of \$0.1 million to \$52.5 million from the prior year

Operating expenses had an increase of \$6.4 million from fiscal year 2023. Payroll costs increased by \$2.7 million, outside contracts increased by \$1.8 million, and operating supplies increased by 0.7 million.

Environmental Services

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

Operating revenues had an increase of \$1.0 million from fiscal year 2023. This increase is attributable to higher receipts from garbage collections and landfill fees. Operations for this fund remained fairly steady in the current year.

Operating expenses increased by \$13.3 million mainly due to an increase in personnel services of \$6.9 million related to net pension liability along with an increase to compensation expense. Landfill Utilization costs increased by \$6.1 million due to the closure of 10 landfill cells during the fiscal year. The fund also experienced an increased in outside contracts of \$1.5 million mainly due to a division named "Clean El Paso" being moved from the Streets Department to Environmental Services.

Mass Transit

This fund accounts for operations of transit services of the City.

Operating revenues had a minor increase of \$981.2 thousand from fiscal year 2023.

Operating expenses had an increase of \$10.2 million from fiscal year 2023. Personnel Services increased by \$7.6 million related to net pension liability along with compensation increases and Outside Contracts increased by \$2.2 million.

Mass Transit's overall nonoperating revenues increased by \$11.6 million. This net increase is caused by an increase in investment earnings of \$4.8 million, an increase in sales tax of \$1.0 million, and an increase in operating subsidy grants of \$5.9 million.

Capital contributions decreased by \$17.2 million in comparison to prior year. This decrease largely due to a reduction in COVID-19 related grant funding.

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International Bridges

This fund accounts for operational activity related to the City’s International Bridges.

Operating revenues had a minor decrease \$297.2 thousand from fiscal year 2023 mainly caused by a decrease in charges for tolls. Vehicular and commercial traffic decreased by (3.0)% while pedestrian crossings increased 14.4% from the prior year.

Operating expenses had an increase of \$1.5 million of which \$0.8 million increased in personnel services, \$0.3 million in outside contracts, and \$0.2 million in maintenance and repairs from fiscal year 2023.

Transfers out decreased by \$4.5 million due to a decrease in available cash to transfer to the General Fund in accordance with the fiscal year 2024 Budget Resolution item No. 38.

Tax Office

This fund accounts for operational activity related to the Tax Office. The Tax Office collects property tax on behalf of 44 taxing entities, including the City of El Paso.

Operating revenues and expenses remained stable from the previous year with a slight increase of \$89.5 thousand in general revenues and a slight increase of \$346.0 thousand in operating expenses.

Internal Service Funds

These funds are allocated for operational activities that support services provided to various City departments. These activities encompass facilities maintenance, fleet services, risk management, employee health insurance, workers' compensation, and unemployment compensation.

The increase in operating revenues of \$3.8 million from the prior fiscal year can be attributed to an increase in employer health and workers compensation contributions to the City's self insurance fund.

Concurrently, operating expenses saw a \$3.7 million decrease in prescription benefit payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

Under the City Charter, the overall tax rate is \$1.85 per \$100 in taxable value. For fiscal year 2024, the General Fund property tax rate related to maintenance and operations decreased by \$0.022860, causing the tax rate to decrease to \$0.562409 per \$100 in taxable value. The taxable assessed valuation of real and personal property increased approximately 8.5% from 2023.

Original budget compared to final budget. As per the budget resolution for fiscal year 2024, the City's budget for the General Fund was approved by City Council at \$573.3 million. However, the City Council approved to authorize the City Manager or his/her designee to execute the necessary budget transfers for a special election proposed to be held on December 9, 2023 and January 20, 2024. This resulted in the final budget to end up in \$573.8 million

Final budget compared to actual results. The City adopted a conservative budgeting approach for the current fiscal year, carefully balancing the impact of the no-new-revenue tax rate with inflationary cost pressures to align revenues with expenses while prioritizing community needs. Variances in revenues are presented in the following table:

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Revenue Source	Estimated Revenues	Actual Revenues	Difference
Sales Taxes	\$ 137,439,887	\$ 137,424,692	\$ (15,195)
Franchise Fees	67,031,423	58,936,543	(8,094,880)
Licenses and Permits	12,712,880	12,906,974	194,094
Charges for Services	29,242,052	34,941,421	5,699,369
Investment Earnings	500,000	9,079,397	8,579,397

The City is experiencing a more stable growth in sales tax collections, with actual receipts closely aligning with the City's estimates.

The negative variance in franchise fees, when comparing actual figures to the budget, is due to economic factors such as account rate increases, inflationary pressures, rising fuel costs, supply chain disruptions, and infrastructure investments. These factors impacted the franchisee's revenues, ultimately affecting the amount remitted to the City in franchise fees.

Licenses and permits exceeded estimated revenues due to an increase in the amount of electrical permits and hazmat fees issued in the year.

Charges for services exceeded budget mainly due ambulance transportation services being higher than projected.

Lastly, the City has always adopted a conservative approach to budgeting for investment earnings. This current year in particular, investment earnings surpassed expectations due to a favorable interest rate environment.

A review of actual expenditures compared to the appropriations in the final budget shows an overall variance of 99.6% with expenditures being under appropriations in the amount \$2.5 million.

Additional information on excess of expenditures over appropriations can be found in Note 15 of this report.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2024 amounts to \$2.2 billion (net of accumulated depreciation/amortization). This investment in capital assets includes land, improvements to land, easements, buildings, vehicles, machinery and equipment, infrastructure, right-to-use assets and all other tangible assets that are used in operations and that have initial useful lives greater than one year and exceed the City's capitalization threshold of \$5,000 or more. The total increase in capital assets for the current fiscal year was 4.1% in comparison to the prior fiscal year.

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The schedule below presents governmental and business-type assets net of depreciation/amortization, as reported in the government-wide financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 227,556,597	\$ 224,958,418	\$ 44,223,215	\$ 35,286,298	\$ 271,779,812	\$ 260,244,716
Artwork	—	—	979,637	979,637	979,637	979,637
Construction in Progress	512,078,162	431,359,928	72,017,355	47,229,530	584,095,517	478,589,458
Intangibles	2,177,445	2,749,396	—	—	2,177,445	2,749,396
Buildings	320,125,738	317,517,427	161,989,856	170,326,647	482,115,594	487,844,074
Improvements other than Buildings	134,239,215	141,903,520	215,836,211	232,696,549	350,075,426	374,600,069
Right-to-use Asset	15,356,484	15,446,384	4,016,789	4,399,721	19,373,273	19,846,105
Vehicles and Major Equipment	54,286,719	42,631,672	98,623,158	89,994,107	152,909,877	132,625,779
Data Processing Equipment and Software	12,090,417	12,305,426	—	—	12,090,417	12,305,426
Infrastructure	370,718,306	388,279,065	—	—	370,718,306	388,279,065
Total	\$ 1,648,629,083	\$ 1,577,151,236	\$ 597,686,221	\$ 580,912,489	\$ 2,246,315,304	\$ 2,158,063,725

This year's net capital asset acquisitions included:

	Governmental Activities	Business-Type Activities	Total
Land	\$ 2,804,767	\$ 8,936,917	\$ 11,741,684
Buildings	20,142,738	2,529,544	22,672,282
Infrastructure/Improvements	161,521	1,577,785	1,739,306
Right-to-use Assets	3,232,839	131,309	3,364,148
Vehicles and Equipment	25,901,273	25,634,976	51,536,249
Total	\$ 52,243,138	\$ 38,810,531	\$ 91,053,669

Major capital projects completed during the current fiscal year include the following:

- Dorris Van Doren Library Improvements
- Wayne Thornton Community Center Renovation
- Zoo Penguin Oasis
- North Skies Park Improvements
- Fire Station 10 Renovation
- Fire Station 26 Renovation
- Landfill Maintenance Building Renovation
- Landfill Truck Scales Replacement
- Montana Rapid Transit System
- Transit Operations Center Renovation
- International Bridges HVAC

Additional information on the City of El Paso's capital assets can be found in Note 5 of this report.

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DEBT ADMINISTRATION

At the end of the fiscal year, the City had total debt payable of \$2.7 billion. Of this amount, \$1.4 billion is debt backed by the full faith and credit of the government. Revenue bonds of \$27.4 million and enterprise share of General Obligation and Certificates of Obligation bonds in the amount of \$78.0 million are secured solely by fees for services. Special Revenue bonds of \$59.4 million are secured by fees, hotel occupancy tax, and a portion of sales tax revenue at the Downtown Ballpark Venue.

City of El Paso's Outstanding Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ 927,950,000	\$ 961,005,000	\$ 39,135,000	\$ 31,585,000	\$ 967,085,000	\$ 992,590,000
Certificates of Obligation	438,775,000	478,710,000	38,840,000	52,355,000	477,615,000	531,065,000
Revenue Bonds	—	—	27,370,000	32,330,000	27,370,000	32,330,000
Special Revenue Bonds	59,375,000	61,045,000	—	—	59,375,000	61,045,000
Unamortized Premium (Discount), Net	120,165,112	131,551,874	5,126,857	5,707,502	125,291,969	137,259,376
Arbitrage Rebate Liability	2,935,764	—	—	—	2,935,764	—
Notes Payable - Direct Borrowing	—	530,000	—	—	—	530,000
Lease Obligations	13,094,178	11,666,732	3,693,233	3,884,107	16,787,411	15,550,839
SBITA	2,359,751	3,542,461	500,964	649,674	2,860,715	4,192,135
Chapter 380 Agreement Obligations	39,263,191	42,308,782	—	—	39,263,191	42,308,782
Due to Component Unit - Land	24,645,175	25,595,142	—	—	24,645,175	25,595,142
Compensated Absences	77,135,648	76,885,558	6,707,349	6,956,954	83,842,997	83,842,512
Landfill Closure and Post-Closure	—	—	18,799,297	17,529,698	18,799,297	17,529,698
Claims and Judgments	26,952,967	26,427,714	754,574	2,854,527	27,707,541	29,282,241
Net Pension Liability	659,421,034	652,624,638	77,116,269	57,689,659	736,537,303	710,314,297
Total OPEB Liability	105,586,888	86,723,178	33,118,889	27,204,315	138,705,777	113,927,493
Total	\$ 2,497,659,708	\$ 2,558,616,079	\$ 251,162,432	\$ 238,746,436	\$ 2,748,822,140	\$ 2,797,362,515

The City's total long-term liabilities decreased by \$48.5 million (1.7%) during the current fiscal year. The overall net decrease was a combination of the following:

- Market performance of investments affecting fiduciary net position and changes in actuarial valuation assumptions caused an increase of \$26.2 million to the City's Net Pension Liability. Actuarial assumptions related to OPEB also caused a \$24.8 million increase to the City's Other Post Employment Benefits Liability.
- Increases were offset by the debt services payments made for all debt instruments held by the City along with partial cash defeasance payments made during the year.

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

	Standard & Poor's	Fitch Ratings	Kroll Bond Rating Agency, LLC
General Obligation Bonds	AA	AA	AA+
Certificates of Obligation	AA	AA	AA+
Special Revenue Bonds	AA-	AA-	
Revenue Bonds, Series 2018 - El Paso International Airport	A+	A	
Revenue Refunding Bonds, Series 2020 - El Paso International Airport	A+	A	

Authorizations remain partially unissued from the 2012, 2019 and 2022 bond elections. To the extent premiums and issue costs were allocated against voted authorizations, the amounts referenced below include the net proceeds (cash received).

Authorized but Unissued Debt

August 31, 2024

	Voted Bonds	Issued Prior Years	Issued FY 2024	Unissued Balance
Election November 6, 2012				
Park, Recreation, Open Space and Zoo Improvements (Prop 1)	\$ 245,000,000	\$ 245,000,000	\$ —	\$ —
Museum, Cultural, Multi-Purpose Performing Arts and Entertainment, and Library Facilities Improvements (Prop 2)	228,250,000	99,794,364	—	128,455,636
Total	473,250,000	344,794,364	—	128,455,636
Election November 5, 2019				
Public Safety	413,122,650	167,297,000	—	245,825,650
Election November 8, 2022				
Streets (Prop A)	246,480,000	37,200,000	—	209,280,000
Parks and Recreation Facilities (Prop B)	20,800,000	6,800,000	—	14,000,000
Climate Action Plan (Prop C)	5,200,000	2,100,000	—	3,100,000
Total	272,480,000	46,100,000	—	226,380,000
Total Authorized/Unissued Debt	\$ 1,158,852,650	\$ 558,191,364	\$ —	\$ 600,661,286

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The focus of the budget for fiscal year 2025 will be property tax relief, public safety, animal services and improving customer service. The following economic factors currently affect the City of El Paso and were considered in developing the 2024-2025 fiscal year budget:

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- The property tax rate will decrease 7.0% in next year's budget from \$0.818875 to \$0.761405 per \$100 of taxable value. Overall the budget maintains all existing exemptions such as the over-65 and disabled person exemptions and includes a \$38.7 million in property tax relief to the residents of El Paso in 2025.
- The budget will raise more total property taxes than last year's budget by \$10.8 million or 3.4%. Included in the increase is \$3.8 million in tax revenue from new property added to the tax roll next year.
- Public safety is an even higher priority with an additional investment of \$14.8 million for new police collective bargaining benefits, three police academies, one fire academy, continued commitment in the Crisis Intervention Team, Public Safety capital replacement, and staffing for support of the Body Worn Camera Program. The budget plans for a total of 53 new police officers while facing unprecedented levels of attrition. Additionally, a total of 19 new firefighters are added for the new Fire Station 38 planned to open in 2025 to assist with the busy Upper East side of El Paso.
- Next fiscal year's budget will incorporate an \$1.8 million investment in animal care to increase capacity for humane livable space and increasing the number of spay/neuter surgeries with the opening of the Westside Adoption Center. This new addition expands our services to four locations across the city adding more employment opportunities and increasing capacity to accommodate more animals.
- Sales tax revenues, after a period of unprecedented growth, have flattened with a projected 2.5% increase for the next fiscal year. It is important to remember that sales tax revenues may be volatile, and cities have to remain diligent in monitoring revenue. We remain cautious as we enter this new fiscal year, due to leading indicators of a nationwide slowdown in the economy.
- The budget will include the operating and maintenance for the opening of the new Mexican American Cultural Center and La Nube STEAM Discovery Center. Additionally, we have the re-opening of the Public Library Main Downtown Branch. It also includes the expansion to Winterfest, our annual holiday celebration and market, to this area as part of Cleveland Square.
- Infrastructure investment includes \$10 million in street project funding, \$750 thousand in ADA on-demand requests, \$350 thousand in Neighborhood Traffic Management Plan projects, \$10 million in street project funding, \$1.5 million for continued intersection safety, \$4.4 million increase in facility renovations, \$1.5 million in city-wide vehicles replacement funding, \$400 thousand for sports court maintenance and park amenities, \$355 thousand for maintenance in parkland dedication parks, \$280 thousand for Phase III of the automated irrigation project, and \$1 million for park amenity replacements.
- Included in next fiscal year's budget we have workforce investments in compensation, healthcare, wellness, training and education that includes compensation increases to recruit and retain top performers. The City will continue providing incentives based on performance evaluation rating for employees and service time pay increases percentages (every five years of service) to compensate long-term employees. The City will also ensure that there is no healthcare cost increase for employees during the upcoming year and will continue to provide incentives to stay active through the wellness program.

CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2024

REQUEST FOR INFORMATION

The City of El Paso’s Annual Comprehensive 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: www.elpasotexas.gov/office-of-the-comptroller. If you have questions about this report or need 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, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	El Paso Water Utilities February 29, 2024	El Paso Housing Finance Corporation December 31, 2023
ASSETS					
Cash and Cash Equivalents	\$ 10,133,652	\$ 10,420,186	\$ 20,553,838	\$ 72,936,293	\$ 570,142
Cash with Fiscal Agent	5,913,582	—	5,913,582	—	—
Investments	221,390,515	244,030,647	465,421,162	13,005,662	2,950,391
Restricted Cash and Cash Equivalents	5,231,314	—	5,231,314	421,170,526	253,275
Restricted Investments	556,210,244	53,572,081	609,782,325	270,383,254	—
Receivables, Net of Allowances	140,249,847	40,635,321	180,885,168	80,673,952	166,270
Restricted Trade and Other Receivables	—	—	—	6,130,366	—
Intergovernmental Receivable	—	89,966,101	89,966,101	—	—
Leased Property Investment Cost	—	—	—	1,865,683	—
Interest Receivable	4,300,951	1,370,002	5,670,953	4,363,404	—
Other Assets	—	—	—	562,704	7,900
Lease Receivable	18,224,508	166,727,263	184,951,771	54,315,445	—
Due from Component Unit	8,070,868	7,344,548	15,415,416	—	—
Inventory	8,348,510	8,039,708	16,388,218	10,256,767	—
Prepays	451,661	72,584	524,245	3,116,057	—
Capital Assets not being Depreciated / Amortized	739,634,759	117,220,207	856,854,966	1,071,503,453	—
Capital Assets, Net of Accumulated Depreciation/Amortization	908,994,324	480,466,014	1,389,460,338	1,676,346,563	3,447,973
Total Assets	2,627,154,735	1,219,864,662	3,847,019,397	3,686,630,129	7,395,951
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	4,827,512	829,347	5,656,859	1,563,797	—
Deferred Chapter 380 Agreement Obligations	39,263,191	—	39,263,191	—	—
Pension Contributions Subsequent to Measurement Date	43,578,572	9,360,951	52,939,523	4,451,606	—
Difference in Expected and Actual Pension Experience	51,810,035	13,225,024	65,035,059	9,633,194	—
Change in Assumptions for Pensions	8,311,197	2,939	8,314,136	2,134	—
Difference in Projected and Actual Earnings on Pension Investments	126,276,865	14,574,132	140,850,997	10,868,908	—
Changes in Proportionate Share for Pension	—	—	—	700,887	—
Change in Assumptions for OPEB	18,000,470	5,656,231	23,656,701	3,140,289	—
Changes in Proportionate Share for OPEB	—	—	—	265,905	—
Difference in Expected and Actual OPEB Experience	6,051,036	1,897,248	7,948,284	—	—
Total Deferred Outflows of Resources	298,118,878	45,545,872	343,664,750	30,626,720	—

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

CITY OF EL PASO, TEXAS

Statement of Net Position (continued)

August 31, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	El Paso Water Utilities February 29, 2024	El Paso Housing Finance Corporation December 31, 2023
LIABILITIES					
Accounts Payable	59,846,824	20,272,952	80,119,776	67,321,452	1,640
Accrued Payroll	4,211,652	860,105	5,071,757	4,910,732	—
Taxes and Fees Payable	3,682,266	911,890	4,594,156	—	—
Accrued Interest Payable	2,592,704	187,474	2,780,178	33,162,165	—
Due to Primary Government	—	—	—	12,608,858	—
Unearned Revenue	89,848,533	3,832,438	93,680,971	41,019,772	74,545
Other Current Liabilities	1,522,604	7,505,393	9,027,997	3,977,223	21,650
Retainage Payable	4,306,520	1,525,170	5,831,690	12,409,276	—
Long-term Liabilities - Due Within One Year	107,435,282	13,846,980	121,282,262	69,585,992	—
Total OPEB Liability - Due Within One Year	2,857,602	896,329	3,753,931	—	—
Due to Component Unit - Due Within One Year	949,967	—	949,967	—	—
Intergovernmental Payable - Due Beyond One Year	—	89,966,101	89,966,101	—	—
Chapter 380 Agreement Obligations - Due Beyond One Year	39,263,191	—	39,263,191	—	—
Long-term Liabilities - Due Beyond One Year	1,561,308,138	127,080,294	1,688,388,432	1,726,340,071	265,781
Total OPEB Liability - Due Beyond One Year	102,729,286	32,222,560	134,951,846	13,283,979	—
Due to Component Unit - Due Beyond One Year	23,695,208	—	23,695,208	—	—
Net Pension Liability - Due Beyond One Year	659,421,034	77,116,269	736,537,303	55,945,936	—
Total Liabilities	2,663,670,811	376,223,955	3,039,894,766	2,040,565,456	363,616
DEFERRED INFLOWS OF RESOURCES					
Deferred Gain on Refunding	1,564,693	696,298	2,260,991	4,079,598	—
Difference in Expected and Actual Pension Experience	879,457	—	879,457	—	—
Changes in Proportionate Share for Pension	—	—	—	531,824	—
Difference in Expected and Actual OPEB Experience	4,423,386	1,396,951	5,820,337	7,266,108	—
Change in Assumptions for OPEB	34,513,191	10,821,354	45,334,545	4,031,524	—
Changes in Proportionate Share for OPEB	—	—	—	265,905	—
Leases	17,271,713	161,569,378	178,841,091	54,102,248	—
Total Deferred Inflows of Resources	58,652,440	174,483,981	233,136,421	70,277,207	—
NET POSITION					
Net Investment in Capital Assets	433,047,977	472,841,905	905,889,882	1,370,568,446	3,447,973
Restricted for:					
Debt Service	12,095,550	2,737,000	14,832,550	121,061,351	—
Cash Reserve	25,683,429	11,565,647	37,249,076	—	—
Municipal Court	4,164,682	—	4,164,682	—	—
Public Education in Government (PEG)	9,160,853	—	9,160,853	—	—
Civic Center	13,305,023	—	13,305,023	—	—
Public Health	24,683,991	—	24,683,991	—	—
Library	1,556,226	—	1,556,226	—	—
Museums	132,042	—	132,042	—	—
Parks	242,295	—	242,295	—	—
Zoo	163,400	—	163,400	—	—
Police	10,236,265	—	10,236,265	—	—
Fire	93,853	—	93,853	—	—
Economic Development	6,695,101	—	6,695,101	—	—
Capital Projects	24,074,824	—	24,074,824	—	—
Community Development	46,759,694	—	46,759,694	—	—
Passenger Facilities	—	20,470,137	20,470,137	—	—
Facilities, Infrastructure and Equipment	—	—	—	28,133,090	—
Unrestricted (Deficit)	(409,144,843)	207,087,909	(202,056,934)	86,651,299	3,584,362
Total Net Position	\$ 202,950,362	\$ 714,702,598	\$ 917,652,960	\$ 1,606,414,186	\$ 7,032,335

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

CITY OF EL PASO, TEXAS

Statement of Activities For the Fiscal Year Ended August 31, 2024

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 29, 2024	El Paso Housing Finance Corporation December 31, 2023
Primary Government:									
Governmental Activities:									
General Government	\$ 79,308,418	\$ 43,359,941	\$ 4,232,320	\$ 3,312,723	\$ (28,403,434)	\$ —	\$ (28,403,434)	\$ —	\$ —
Public Safety	369,785,368	24,999,205	35,364,116	12,655,930	(296,766,117)	—	(296,766,117)	—	—
Public Works	91,063,387	9,249,881	6,699,414	5,485,877	(69,628,215)	—	(69,628,215)	—	—
Public Health	39,979,939	6,546,547	14,279,790	1,884,935	(17,268,667)	—	(17,268,667)	—	—
Culture and Recreation	107,927,970	20,798,716	1,621,997	20,912	(85,486,345)	—	(85,486,345)	—	—
Community and Economic Development	53,235,197	13,019,614	22,841,422	390,944	(16,983,217)	—	(16,983,217)	—	—
Interest on Long-term Debt	53,048,301	—	—	—	(53,048,301)	—	(53,048,301)	—	—
Total Governmental Activities	794,348,580	117,973,904	85,039,059	23,751,321	(567,584,296)	—	(567,584,296)	—	—
Business-Type Activities:									
El Paso International Airport	64,147,108	55,848,491	5,592,113	16,906,281	—	14,199,777	14,199,777	—	—
Environmental Services	61,563,923	69,429,984	116,863	673,090	—	8,656,014	8,656,014	—	—
Mass Transit	94,317,709	8,331,773	18,766,435	9,870,845	—	(57,348,656)	(57,348,656)	—	—
International Bridges	9,685,217	29,103,117	—	—	—	19,417,900	19,417,900	—	—
Tax Office	2,710,087	2,491,997	—	—	—	(218,090)	(218,090)	—	—
Total Business-Type Activities	232,424,044	165,205,362	24,475,411	27,450,216	—	(15,293,055)	(15,293,055)	—	—
Total Primary Government	<u>\$ 1,026,772,624</u>	<u>\$ 283,179,266</u>	<u>\$ 109,514,470</u>	<u>\$ 51,201,537</u>	<u>(567,584,296)</u>	<u>(15,293,055)</u>	<u>(582,877,351)</u>	<u>—</u>	<u>—</u>
Component Units:									
El Paso Water Utilities	\$ 340,497,423	\$ 422,878,529	\$ 1,016,932	\$ 15,676,734				99,074,772	—
El Paso Housing Finance Corporation	474,651	583,350	—	—				—	108,699
Total Component Units	<u>\$ 340,972,074</u>	<u>\$ 423,461,879</u>	<u>\$ 1,016,932</u>	<u>\$ 15,676,734</u>				<u>99,074,772</u>	<u>108,699</u>
General Revenues and Transfers									
General Revenues:									
Taxes:									
Property Taxes, Levied for General Purposes					275,925,844	—	275,925,844	—	—
Property Taxes, Levied for Debt Service					121,681,454	—	121,681,454	—	—
Franchise Taxes					77,938,632	—	77,938,632	—	—
Sales Taxes					138,112,624	65,830,787	203,943,411	—	—
Hotel Occupancy Taxes					19,960,641	—	19,960,641	—	—
Investment Earnings					49,511,906	22,145,672	71,657,578	31,801,837	160,997
Gain on Sale of Capital Assets					10,533,401	—	10,533,401	3,272,198	—
Transfers					24,443,495	(24,443,495)	—	—	—
Total General Revenues and Transfers					718,107,997	63,532,964	781,640,961	35,074,035	160,997
Change in Net Position					150,523,701	48,239,909	198,763,610	134,148,807	269,696
Net Position - Beginning of Year, as Previously Presented					52,426,661	666,462,689	718,889,350	1,472,102,515	6,762,639
Restatement - Change in Accounting Principle					—	—	—	162,864	—
Net Position - Beginning of Year, As Restated					52,426,661	666,462,689	718,889,350	1,472,265,379	6,762,639
Net Position - End of Year					<u>\$ 202,950,362</u>	<u>\$ 714,702,598</u>	<u>\$ 917,652,960</u>	<u>\$ 1,606,414,186</u>	<u>\$ 7,032,335</u>

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

CITY OF EL PASO, TEXAS

Balance Sheet Governmental Funds August 31, 2024

	General Fund	Community Development Block Grants	Debt Service	Capital Projects	COVID-19 Relief Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 2,423,713	\$ —	\$ —	\$ 116,371	\$ —	\$ 7,143,416	\$ 9,683,500
Cash with Fiscal Agent	—	—	—	246,797	—	5,666,785	5,913,582
Investments	99,234,584	—	—	—	—	70,880,188	170,114,772
Receivables, Net of Allowances:							
Taxes	37,410,116	—	6,764,845	1,198,833	—	3,116,879	48,490,673
Interest	820,925	311,691	324,356	1,613,778	333,524	703,324	4,107,598
Trade	4,547,357	41,719	32,850	2,891,280	6,708	415,840	7,935,754
Notes	1,103,091	32,476,605	—	—	—	10,412,750	43,992,446
Other	10,918,011	—	—	—	—	11,549,516	22,467,527
Due from Other Government Agencies	698,304	1,576,289	58,211	1,571,744	3,447,996	9,975,846	17,328,390
Prepaid Items	—	—	—	—	—	451,661	451,661
Due from Other Funds	16,411,133	—	—	1,000,000	—	—	17,411,133
Due from Component Unit	2,468,149	—	—	3,430,658	—	2,172,061	8,070,868
Inventory	7,244,631	—	—	—	—	133,483	7,378,114
Lease Receivable	10,198,907	—	—	—	—	8,025,601	18,224,508
Restricted Cash	—	179,534	98,166	—	589,793	4,363,821	5,231,314
Restricted Investments	25,683,429	16,204,950	11,183,188	369,871,993	67,180,709	66,085,975	556,210,244
Total Assets	\$219,162,350	\$ 50,790,788	\$ 18,461,616	\$381,941,454	\$ 71,558,730	\$ 201,097,146	\$ 943,012,084
LIABILITIES							
Accounts Payable	\$ 18,110,198	\$ 552,303	\$ 16	\$ 18,508,673	\$ 12,369,400	\$ 8,795,776	\$ 58,336,366
Accrued Payroll	3,602,676	34,170	—	3,811	47,076	445,945	4,133,678
Due to Other Funds	—	2,741,612	—	3,352,793	—	11,316,728	17,411,133
Taxes Payable	3,513,397	10,350	1,731	1,372	12,196	119,076	3,658,122
Unearned Revenue	242,465	726,526	—	16,048,008	53,875,043	18,956,491	89,848,533
Retainage Payable	—	—	—	4,072,171	234,349	—	4,306,520
Due to Other Government Agencies	913,474	—	—	—	—	609,130	1,522,604
Total Liabilities	26,382,210	4,064,961	1,747	41,986,828	66,538,064	40,243,146	179,216,956
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenues Low Income Housing Loans	—	32,724,104	—	—	—	—	32,724,104
Unavailable Revenues Property Taxes	13,434,222	—	6,364,319	—	—	—	19,798,541
Unavailable Revenues 380 Agreement	1,103,091	—	—	—	—	—	1,103,091
Leases	9,750,097	—	—	—	—	7,521,616	17,271,713
Grants and Other	—	472,587	—	5,246,332	3,048,261	5,821,457	14,588,637
Total Deferred Inflows of Resources	24,287,410	33,196,691	6,364,319	5,246,332	3,048,261	13,343,073	85,486,086
FUND BALANCES (DEFICITS)							
Nonspendable	7,244,631	—	—	—	—	585,144	7,829,775
Restricted	25,683,429	13,529,136	12,095,550	289,410,534	1,972,405	61,207,823	403,898,877
Committed	92,786,737	—	—	45,297,760	—	93,997,130	232,081,627
Assigned	2,200,000	—	—	—	—	—	2,200,000
Unassigned (Deficits)	40,577,933	—	—	—	—	(8,279,170)	32,298,763
Total Fund Balances (Deficits)	168,492,730	13,529,136	12,095,550	334,708,294	1,972,405	147,510,927	678,309,042
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$219,162,350	\$ 50,790,788	\$ 18,461,616	\$381,941,454	\$ 71,558,730	\$ 201,097,146	\$ 943,012,084

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, 2024

Fund Balance - Total Governmental Funds Balance Sheet \$ 678,309,042

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental Capital Assets (excluding internal service funds)	2,434,186,292	
Accumulated Depreciation/Amortization	(785,747,844)	
		1,648,438,448

Other long-term assets are not available to pay for current period expenditures and therefore are omitted or deferred in the funds.

Unavailable Revenues Property Taxes	19,798,596	
Unavailable Revenues Low Income Housing Loans	32,724,104	
Unavailable Revenues Grants and Other	14,588,637	
Unavailable Revenues 380 Agreement	1,103,091	
		68,214,428

Internal service funds are used to charge the costs of certain activities, such as health insurance, workers' compensation, unemployment, 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.

21,758,682

Long-term liabilities (excluding internal service funds) including bonds payable and net pension liability, and total OPEB 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:

Accrued Interest Payable	(2,592,704)	
Claims and Judgments	(4,547,203)	
Compensated Absences	(76,368,011)	
Amount due to Component Unit	(24,645,175)	
Net Pension Liability	(653,219,180)	
Deferred Outflow - Pension Contributions Subsequent to Measurement Date	42,825,743	
Deferred Outflow - Difference in Projected and Actual Pension Earnings	125,104,780	
Deferred Outflow - Change in Assumptions for Pensions	8,310,960	
Deferred Outflow - Difference in Expected and Actual Pension Experience	50,746,466	
Deferred Outflow - Chapter 380 Agreement Obligations	39,263,191	
Deferred Outflow - Difference in Expected and Actual OPEB Experience	5,882,597	
Deferred Outflow - Change in Assumptions for OPEB	17,467,059	
Deferred Inflow - Difference in Expected and Actual OPEB Experience	(4,274,024)	
Deferred Inflow - Difference in Expected and Actual Pension Experience	(879,452)	
Deferred Inflow - Change in Assumptions for OPEB	(33,552,098)	
Total OPEB Liability	(102,638,010)	
Unamortized Bond Issuance Premium	(120,165,112)	
Deferred Charge on Refunding	4,827,512	
Deferred Gain on Refunding	(1,564,693)	
Chapter 380 Agreement Obligations	(39,263,191)	
Lease Liability	(13,094,178)	
SBITA Liability	(2,359,751)	
Arbitrage Rebate Payable	(2,935,764)	
Bonds and Notes Payable	(1,426,100,000)	
		(2,213,770,238)

Net Position of Governmental Activities		\$ 202,950,362
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CITY OF EL PASO, TEXAS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended August 31, 2024

	General Fund	Community Development Block Grants	Debt Service	Capital Projects	COVID-19 Relief Grants	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 264,776,059	\$ —	\$ 120,318,772	\$ —	\$ —	\$ 8,112,502	\$ 393,207,333
Penalties and Interest - Delinquent Taxes	1,582,472	—	739,161	—	—	1,729	2,323,362
Sales Taxes	137,424,692	—	—	—	—	687,932	138,112,624
Hotel Occupancy Taxes	—	—	—	5,107,763	—	14,852,878	19,960,641
Rental Vehicle Taxes	—	—	—	—	—	4,401,305	4,401,305
Franchise Fees	58,936,543	—	—	—	—	19,002,089	77,938,632
Charges for Services	34,941,421	1,885,659	833,304	—	—	32,755,193	70,415,577
Fines and Forfeitures	7,066,949	—	—	—	—	677,934	7,744,883
Licenses and Permits	12,906,974	—	—	—	—	1,161,209	14,068,183
Ticket Sales	—	—	—	—	—	303,941	303,941
Intergovernmental Revenues	5,261,278	15,208,410	—	7,080,084	41,626,577	38,996,121	108,172,470
Investment Earnings	9,079,397	811,438	2,905,934	22,666,737	4,726,402	6,856,929	47,046,837
Rents and Other	14,343,451	213,590	—	7,227,192	—	4,861,924	26,646,157
Total Revenues	546,319,236	18,119,097	124,797,171	42,081,776	46,352,979	132,671,686	910,341,945
EXPENDITURES							
Current:							
General Government	70,539,437	87,111	—	750,576	945,659	12,426,714	84,749,497
Public Safety	317,133,461	—	—	1,215,424	9,512,232	35,815,077	363,676,194
Public Works	49,305,489	—	—	9,620,101	—	7,339,975	66,265,565
Public Health	8,187,837	—	—	—	4,456,289	26,901,168	39,545,294
Culture and Recreation	62,778,468	—	—	3,630,850	1,460,724	26,119,028	93,989,070
Economic Development	11,120,123	—	—	104,201	2,933,004	14,609,171	28,766,499
Community and Human Development	1,887,359	16,351,941	—	205,415	4,093,458	729,483	23,267,656
Debt Service:							
Principal	1,043,494	—	68,847,594	—	670,446	2,376,091	72,937,625
Interest	108,697	—	62,825,086	—	71,046	2,703,102	65,707,931
Fiscal Fees	—	—	600,004	—	—	21,425	621,429
Capital Outlay	3,647,929	390,944	—	104,594,182	19,518,620	4,495,363	132,647,038
Total Expenditures	525,752,294	16,829,996	132,272,684	120,120,749	43,661,478	133,536,597	972,173,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,566,942	1,289,101	(7,475,513)	(78,038,973)	2,691,501	(864,911)	(61,831,853)
OTHER FINANCING SOURCES (USES)							
Transfers In	35,209,535	—	4,266,638	25,529,381	—	30,391,672	95,397,226
Transfers Out	(45,501,986)	—	(755,384)	(3,217,219)	—	(21,672,243)	(71,146,832)
Proceeds from Sale of Capital Assets	—	—	—	8,931,190	—	1,808,799	10,739,989
Capital Contributions Expense	—	—	—	(411,336)	—	—	(411,336)
Leases (as Lessee)	1,675,586	—	—	—	—	1,557,253	3,232,839
Payment to Refunded Bond Escrow Agent	—	—	(65,382,406)	—	—	—	(65,382,406)
Face Amount of Refunding Bonds Issued	—	—	60,710,000	—	—	—	60,710,000
Premium on Issuance of Bonds	—	—	5,236,757	—	—	—	5,236,757
Total Other Financing Sources (Uses)	(8,616,865)	—	4,075,605	30,832,016	—	12,085,481	38,376,237
Net Change in Fund Balances	11,950,077	1,289,101	(3,399,908)	(47,206,957)	2,691,501	11,220,570	(23,455,616)
Fund Balances (Deficits) - Beginning of Year	156,542,653	12,240,035	15,495,458	381,915,251	(719,096)	136,290,357	701,764,658
Fund Balances - End of Year	\$ 168,492,730	\$ 13,529,136	\$ 12,095,550	\$ 334,708,294	\$ 1,972,405	\$ 147,510,927	\$ 678,309,042

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 Fiscal Year Ended August 31, 2024

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance - Total Governmental Funds	\$ (23,455,616)
---	-----------------

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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period (excluding internal service fund).

Capital Acquisitions	132,647,038	
Depreciation/Amortization	(60,588,582)	
		72,058,456

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, donations, remeasurements)

Cost of Disposed Assets (Net)	(761,954)	
Donation of Capital Assets	10,000	
		(751,954)

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 Revenues Low Income Housing Loans	(1,344,788)	
Unavailable Revenues Property Taxes	2,076,603	
Unavailable Revenues 380 Agreement	(221,255)	
Unavailable Revenues Grants	7,996,169	
		8,506,729

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.

Premium on Issuance of Bonded Debt	(5,236,757)	
Principal Payments	72,937,625	
Repayment of Long Term Debt	65,382,406	
Issuance of Refunding Bonds	(60,710,000)	
Repayment of Chapter 380 Agreement Obligation	3,045,591	
Amortization of Deferred Charge on Refunding	(1,428,768)	
Amortization of Deferred Gain on Refunding	262,069	
Change in Lease Liability due to Remeasurement	568,074	
Amortization of Premiums on Bonds Issued	16,623,519	
Leases Issued	(3,232,839)	
		88,210,921

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	(223,480)	
Decrease in Accrued Interest Payable	138,577	
Increase in Claims and Judgments	(53,885)	
Decrease in Amount Due to Component Unit	949,967	
Increase in Arbitrage Rebate Payable	(2,935,764)	
Decrease in Deferred Outflow of Resources related to Chapter 380 Obligations	(3,045,591)	
Changes to total OPEB liability and related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	3,581,115	
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(568,039)	
		(2,157,099)

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

	8,112,264	
Change in Net Position of Governmental Activities		\$ 150,523,701

CITY OF EL PASO, TEXAS

Statement of Net Position

Proprietary Funds

August 31, 2024

	Business-Type Activities						Governmental Activities
	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current Assets:							
Cash	\$ 1,044,577	\$ 522,948	\$ 1,054,868	\$ 285,673	\$ 7,512,120	\$ 10,420,186	\$ 450,152
Investments	42,048,484	52,657,514	123,533,199	24,566,829	1,224,621	244,030,647	51,275,743
Receivables, Net of Allowances:							
Taxes	—	—	11,027,025	—	—	11,027,025	—
Interest	426,601	315,869	521,606	98,254	7,672	1,370,002	193,353
Trade	1,782,550	1,045,486	89,587	2,452	38,412	2,958,487	35,057
Leases Receivable	8,066,432	—	98,190	—	—	8,164,622	—
Due from Other Government Agencies	20,288,072	253,090	6,107,984	—	663	26,649,809	—
Due from Component Unit	—	7,344,548	—	—	—	7,344,548	—
Prepaid Items	—	7,152	65,432	—	—	72,584	—
Inventory	1,837,328	—	6,202,380	—	—	8,039,708	970,396
Total Current Assets	75,494,044	62,146,607	148,700,271	24,953,208	8,783,488	320,077,618	52,924,701
Noncurrent Assets:							
Restricted Investments	34,772,784	18,799,297	—	—	—	53,572,081	—
Uncollected Property Taxes Receivable - Other Taxing Entities	—	—	—	—	89,966,101	89,966,101	—
Leases Receivable	156,834,379	—	1,728,262	—	—	158,562,641	—
Capital Assets:							
Land	14,175,312	15,824,730	11,753,642	2,469,531	—	44,223,215	—
Construction in Progress	69,055,803	672,933	932,477	1,356,142	—	72,017,355	—
Lease Right of Use Asset, Net	—	—	2,425,608	—	1,111,005	3,536,613	—
SBITA Right of Use Asset, Net	—	—	358,900	121,276	—	480,176	—
Buildings, Improvements, Equipment & Other, Net	206,401,093	48,334,686	211,295,634	11,384,408	13,041	477,428,862	190,635
Total Noncurrent Assets	481,239,371	83,631,646	228,494,523	15,331,357	91,090,147	899,787,044	190,635
Total Assets	556,733,415	145,778,253	377,194,794	40,284,565	99,873,635	1,219,864,662	53,115,336
DEFERRED OUTFLOWS OF RESOURCES							
Pension Contributions Subsequent to Measurement Date	1,735,570	2,602,746	4,700,164	322,471	—	9,360,951	752,828
Difference in Projected and Actual Earnings on Pension Investments	2,702,124	4,052,233	7,317,717	502,058	—	14,574,132	1,172,083
Difference in Expected and Actual Pension Experience	2,451,990	3,677,120	6,640,332	455,582	—	13,225,024	1,063,584
Change in Assumptions for Pensions	545	817	1,475	102	—	2,939	237
Change in Assumptions for OPEB	1,354,929	1,575,466	2,318,478	351,981	55,377	5,656,231	533,411
Difference in Expected and Actual OPEB Experience	414,624	544,571	837,254	99,233	1,566	1,897,248	168,439
Deferred Charge on Refunding	154,081	180,286	494,980	—	—	829,347	—
Total Deferred Outflows of Resources	8,813,863	12,633,239	22,310,400	1,731,427	56,943	45,545,872	3,690,582
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 565,547,278	\$ 158,411,492	\$ 399,505,194	\$ 42,015,992	\$ 99,930,578	\$1,265,410,534	\$ 56,805,918

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

CITY OF EL PASO, TEXAS

Statement of Net Position (continued)

Proprietary Funds

August 31, 2024

	Business-Type Activities						Governmental Activities
	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office	Total Enterprise Funds	Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable	\$ 11,458,810	\$ 4,112,286	\$ 4,341,515	\$ 341,145	\$ 19,196	\$ 20,272,952	\$ 1,510,528
Accrued Payroll	200,903	248,652	354,761	41,536	14,253	860,105	77,974
Bond Obligations, Net	1,546,083	1,514,875	2,315,932	—	—	5,376,890	—
Revenue Bonds, Net	5,831,421	—	—	—	—	5,831,421	—
Lease Liability	—	—	68,286	—	130,499	198,785	—
SBITA Liability	—	—	307,062	120,617	—	427,679	—
Due to Other Government Agencies	—	—	—	—	1,838,347	1,838,347	—
Taxes Payable	129,944	649,996	108,213	18,978	4,759	911,890	24,144
Interest Payable on Bonds and Notes	116,247	10,111	61,116	—	—	187,474	—
Unearned Revenue	3,822,438	—	—	10,000	—	3,832,438	—
Retainage Payable	1,454,984	—	70,186	—	—	1,525,170	—
Property Taxes Subject to Refund - Other Taxing Entities	—	—	—	—	1,529,912	1,529,912	—
Prepaid Property Taxes	—	—	—	—	4,137,134	4,137,134	—
Compensated Absences	848,992	483,863	558,622	80,174	40,554	2,012,205	230,291
Claims and Judgments	—	—	—	—	—	—	6,721,729
Total OPEB Liability	195,932	257,359	395,310	47,105	623	896,329	79,808
Total Current Liabilities	25,605,754	7,277,142	8,581,003	659,555	7,715,277	49,838,731	8,644,474
Noncurrent Liabilities:							
Lease Liability	—	—	2,433,074	—	1,061,374	3,494,448	—
SBITA Liability	—	—	73,285	—	—	73,285	—
Bond Obligations, Net	27,995,745	7,252,286	40,235,916	—	—	75,483,947	—
Revenue Bonds, Net	23,779,599	—	—	—	—	23,779,599	—
Compensated Absences	1,980,980	1,129,013	1,303,450	187,074	94,627	4,695,144	537,346
Landfill Closure Costs	—	18,799,297	—	—	—	18,799,297	—
Claims and Judgments	—	189,049	565,525	—	—	754,574	15,684,035
Net Pension Liability	14,297,769	21,441,627	38,720,324	2,656,549	—	77,116,269	6,201,856
Total OPEB Liability	7,043,649	9,251,911	14,211,200	1,693,390	22,410	32,222,560	2,869,070
Uncollected Property Taxes - Other Taxing Entities	—	—	—	—	89,966,101	89,966,101	—
Total Noncurrent Liabilities	75,097,742	58,063,183	97,542,774	4,537,013	91,144,512	326,385,224	25,292,307
Total Liabilities	100,703,496	65,340,325	106,123,777	5,196,568	98,859,789	376,223,955	33,936,781
DEFERRED INFLOWS OF RESOURCES							
Difference in Expected and Actual OPEB Experience	401,595	362,028	472,332	118,585	42,411	1,396,951	149,362
Change in Assumptions for OPEB	2,366,462	3,105,416	4,773,727	566,682	9,067	10,821,354	961,093
Leases	159,808,167	—	1,761,211	—	—	161,569,378	—
Deferred Gain on Refunding	—	205,851	490,447	—	—	696,298	—
Total Deferred Inflows of Resources	162,576,224	3,673,295	7,497,717	685,267	51,478	174,483,981	1,110,455
NET POSITION							
Net Investment in Capital Assets	223,829,088	52,974,975	180,916,453	15,195,244	(73,855)	472,841,905	190,635
Restricted for:							
Debt Service	2,737,000	—	—	—	—	2,737,000	—
Cash Reserve	11,565,647	—	—	—	—	11,565,647	—
Passenger Facilities	20,470,137	—	—	—	—	20,470,137	—
Unrestricted	43,665,686	36,422,897	104,967,247	20,938,913	1,093,166	207,087,909	21,568,047
Total Net Position	302,267,558	89,397,872	285,883,700	36,134,157	1,019,311	714,702,598	21,758,682
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 565,547,278	\$ 158,411,492	\$ 399,505,194	\$ 42,015,992	\$99,930,578	\$1,265,410,534	\$ 56,805,918

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 Fiscal Year Ended August 31, 2024

	Business-Type Activities						Governmental Activities
	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:							
Charges of Rentals and Fees	\$ 50,463,763	\$ 68,689,135	\$ 401,879	\$ 583,102	\$ —	\$ 120,137,879	\$ —
Charges of Tolls	—	—	—	28,429,315	—	28,429,315	—
Charges of Fares and Fees	395,205	—	6,239,164	—	—	6,634,369	—
Sales to Departments	—	—	—	—	—	—	19,404,698
Premium Contributions	—	—	—	—	—	—	75,796,710
Tax Collection Fees	—	—	—	—	1,930,368	1,930,368	—
Penalties - Delinquent tax Collections	—	—	—	—	528,752	528,752	—
General Revenues	1,654,580	740,849	1,690,730	90,700	32,877	4,209,736	896,804
Total Operating Revenues	52,513,548	69,429,984	8,331,773	29,103,117	2,491,997	161,870,419	96,098,212
OPERATING EXPENSES:							
Personnel Services	22,667,148	25,791,031	38,790,889	4,241,342	1,593,193	93,083,603	9,196,632
Contractual Services	18,450	—	—	1,603,592	—	1,622,042	—
Professional Services	720,127	65,172	367,533	166,652	395	1,319,879	1,095,754
Outside Contracts	9,448,648	3,105,244	18,700,846	1,858,650	368,295	33,481,683	3,252,602
Fuel and Lubricants	316,398	3,170,381	2,096,944	7,999	62	5,591,784	7,483,399
Materials and Supplies	2,120,724	8,249,588	5,880,322	91,098	31,264	16,372,996	4,159,843
Communications	583,388	269,703	308,613	22,530	138,697	1,322,931	—
Utilities	2,334,341	163,500	1,664,316	91,278	—	4,253,435	28,663
Travel and Training	146,957	77,245	95,420	13,343	6,958	339,923	6,320
Benefits Provided	712	—	44,311	—	—	45,023	62,801,825
Maintenance and Repairs	512,355	242,592	613,412	327,258	—	1,695,617	2,545,076
Other Operating Expenses	4,359,835	3,005,299	6,039,481	557,755	391,940	14,354,310	46,514
Landfill and Transfer Station Utilization	—	7,966,626	—	—	—	7,966,626	—
Depreciation/Amortization	18,539,899	9,201,640	18,107,921	702,458	148,168	46,700,086	27,490
Total Operating Expenses	61,768,982	61,308,021	92,710,008	9,683,955	2,678,972	228,149,938	90,644,118
Operating Income (Loss)	(9,255,434)	8,121,963	(84,378,235)	19,419,162	(186,975)	(66,279,519)	5,454,094
NONOPERATING REVENUES (EXPENSES):							
Investment Earnings	10,135,510	4,130,964	6,576,259	1,205,313	97,626	22,145,672	2,465,069
Interest Expense	(2,385,762)	(327,198)	(1,473,233)	(5,180)	(31,115)	(4,222,488)	—
Gain (Loss) on Sale of Capital Assets	7,636	71,296	(134,468)	3,918	—	(51,618)	—
Customer Facility Charge	3,334,943	—	—	—	—	3,334,943	—
Sales Tax	—	—	65,830,787	—	—	65,830,787	—
FTA Subsidy	—	—	18,766,435	—	—	18,766,435	—
Other Revenues	5,592,113	116,863	—	—	—	5,708,976	—
Total Nonoperating Revenues (Expenses)	16,684,440	3,991,925	89,565,780	1,204,051	66,511	111,512,707	2,465,069
Income (Loss) Before Capital Contributions and Transfers	7,429,006	12,113,888	5,187,545	20,623,213	(120,464)	45,233,188	7,919,163
Capital Contributions	16,906,281	673,090	9,870,845	—	—	27,450,216	—
Transfers In	—	9,355,931	—	—	—	9,355,931	193,101
Transfers Out	—	(18,100,644)	—	(15,425,782)	(273,000)	(33,799,426)	—
Increase (Decrease) in Net Position	24,335,287	4,042,265	15,058,390	5,197,431	(393,464)	48,239,909	8,112,264
Net Position - Beginning of Year	277,932,271	85,355,607	270,825,310	30,936,726	1,412,775	666,462,689	13,646,418
Net Position - End of Year	\$ 302,267,558	\$ 89,397,872	\$ 285,883,700	\$ 36,134,157	\$ 1,019,311	\$ 714,702,598	\$ 21,758,682

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

CITY OF EL PASO, TEXAS

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended August 31, 2024

	Business-Type Activities						Governmental Activities
	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	\$ 49,432,880	\$ 72,026,643	\$ 8,331,101	\$ 29,102,312	\$ 2,462,325	\$ 161,355,261	\$ 76,693,480
Receipts from Interfund Services	—	—	—	—	—	—	19,394,172
Payments to Suppliers	(18,766,941)	(10,564,489)	(35,760,489)	(4,798,620)	(949,635)	(70,840,174)	(81,209,883)
Payments to Employees	(23,174,928)	(25,651,209)	(38,684,105)	(4,321,121)	(1,595,099)	(93,426,462)	(9,200,627)
Payments for Interfund Services	—	(10,090,495)	—	(20,976)	(138)	(10,111,609)	—
Property Taxes Collected for Other Governments	—	—	—	—	1,540,085,508	1,540,085,508	—
Property Taxes Distributed to Other Governments	—	—	—	—	(1,541,177,460)	(1,541,177,460)	—
Net Cash Provided by (used for) Operating Activities	7,491,011	25,720,450	(66,113,493)	19,961,595	(1,174,499)	(14,114,936)	5,677,142
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds	—	(18,100,644)	—	(15,425,782)	(273,000)	(33,799,426)	—
Transfers from Other Funds	—	9,355,932	—	—	—	9,355,932	193,101
Operating Grants	2,149,700	2,063	32,074,442	—	—	34,226,205	—
Sales Tax	—	—	65,126,447	—	—	65,126,447	—
Net Cash Provided by (used for) Noncapital Financing Activities	2,149,700	(8,742,649)	97,200,889	(15,425,782)	(273,000)	74,909,158	193,101
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Customer Facility Charge	3,460,958	—	—	—	—	3,460,958	—
Capital Contributions from Other Governments and Agencies	10,406,866	740,549	9,210,231	—	—	20,357,646	—
Interest Income on Leases	4,690,999	—	46,399	—	—	4,737,398	—
Acquisition and Construction of Capital Assets	(27,034,048)	(22,661,847)	(13,637,873)	(777,431)	—	(64,111,199)	(227,966)
Proceeds from Capital Debt	—	3,574,595	8,195,783	—	—	11,770,378	—
Principal Paid on Bonds, Notes, Leases and SBITAs	(6,470,763)	(5,046,526)	(10,274,138)	(138,527)	(124,252)	(22,054,206)	—
Interest Paid on Bonds, Notes, Leases and SBITAs	(3,095,921)	(270,941)	(1,593,608)	(5,180)	(31,115)	(4,996,765)	—
Proceeds from Sale of Capital Assets	7,636	—	—	3,918	—	11,554	—
Net Cash Used For Capital and Related Financing Activities	(18,034,273)	(23,664,170)	(8,053,206)	(917,220)	(155,367)	(50,824,236)	(227,966)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	(1,303,471,660)	(212,003,778)	(1,147,685,608)	(205,461,606)	(21,365,065)	(2,889,987,717)	(487,055,132)
Sale of Investments	1,310,065,238	216,386,671	1,124,439,337	201,299,999	21,806,759	2,873,998,004	480,304,029
Interest	1,891,185	824,901	1,138,320	195,727	32,978	4,083,111	314,940
Net Cash Provided by (used for) Investing Activities	8,484,763	5,207,794	(22,107,951)	(3,965,880)	474,672	(11,906,602)	(6,436,163)
Net Increase (Decrease) in Cash	91,201	(1,478,575)	926,239	(347,287)	(1,128,194)	(1,936,616)	(793,886)
Cash - Beginning of the Year	953,376	2,001,523	128,629	632,960	8,640,314	12,356,802	1,244,038
Cash - End of the Year	\$ 1,044,577	\$ 522,948	\$ 1,054,868	\$ 285,673	\$ 7,512,120	\$ 10,420,186	\$ 450,152
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (9,255,434)	\$ 8,121,963	\$ (84,378,235)	\$ 19,419,162	\$ (186,975)	\$ (66,279,519)	\$ 5,454,094
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:							
Depreciation/Amortization Expense	18,539,899	9,201,640	18,107,921	702,458	148,168	46,700,086	27,490
Compensated Absences	(308,231)	81,486	(2,407)	(44,391)	23,940	(249,603)	26,610
Total OPEB Liability and Related Outflows and Inflows	(252,580)	(331,451)	(509,515)	(60,485)	(968)	(1,154,999)	(102,580)
Net Pension Liability and Related Outflows and Inflows	503,540	755,132	1,363,655	93,559	—	2,715,886	218,418
Change in Assets and Liabilities:							
Receivables	(392,269)	2,225,654	(6,384)	(803)	(29,674)	1,796,524	(10,526)
Inventories	(256,347)	—	51,746	—	—	(204,601)	77,177
Prepays	—	7,801	(5,132)	—	—	2,669	—
Accounts and Other Payables	(1,087,567)	5,658,225	(735,142)	(147,905)	(37,038)	3,650,573	(13,541)
Due to Other Government Agencies	—	—	—	—	(1,091,952)	(1,091,952)	—
Net Cash Provided by (used for) Operating Activities	\$ 7,491,011	\$ 25,720,450	\$ (66,113,493)	\$ 19,961,595	\$ (1,174,499)	\$ (14,114,936)	\$ 5,677,142
Schedule of Non-Cash Capital and Related Financing Activities:							
Assets acquired through Lease Agreements	\$ —	\$ —	\$ 131,309	\$ —	\$ —	\$ 131,309	\$ —
Contributions of Capital Assets	—	—	411,336	—	—	411,336	—
Purchase of Capital Assets on Account	9,557,826	3,064,648	420,786	15,496	6,028	13,064,784	11,530
Increase in Fair Value of Investments	1,734,161	1,563,037	2,289,357	406,529	35,249	6,028,333	893,170

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

CITY OF EL PASO, TEXAS

Statement of Fiduciary Net Position

August 31, 2024

	Pension Trust Funds	Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ 41,802,904	\$ 57,602,149
Investments:		
Commingled Funds	207,032,520	—
U.S. Government Securities	10,223,415	13,046,927
Bank Collective Investment Funds	534,280,655	—
Private Equities	489,903,368	—
Real Estate Investment Funds	248,787,432	—
Fixed Income Securities	350,263,224	—
Domestic Equities	508,433,984	—
International Equities	474,322,611	—
Securities Lending Collateral	26,595,330	—
Receivables, Net of Allowances:		
Employer Contributions	2,405,532	—
Employee Contributions	2,091,128	—
Accrued Interest and Dividends	157,498	95,524
Due from Other Government Agencies	171	8,619,000
Prepaid Items	25,445	—
Lease ROU, Net of Accumulated Amortization	—	756,950
Capital Assets:		
Land	521,174	—
Construction in Progress	—	3,427,864
Buildings, Improvements & Equipment, Net	2,782,252	—
Total Assets	2,899,628,643	83,548,414
LIABILITIES		
Accounts Payable	1,325,271	4,613,145
Accrued Expenses	112,152,970	947,666
Taxes Payable	—	4,483
Lease Liability	—	778,314
Unearned Revenue	—	29,956,693
Due to Other Government Agencies	—	571,955
Compensated Absences	—	115,962
Bonds and Notes Payable	—	90,476,866
Total Liabilities	113,478,241	127,465,084
DEFERRED INFLOW OF RESOURCES		
Sale of Future Revenue	—	3,529,049
Deferred Gain on Bond Refunding	—	2,120,501
Total Deferred Inflow of Resources	—	5,649,550
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	—	3,406,500
Restricted for:		
Pensions	2,786,150,402	—
Debt Service	—	495,809
Unrestricted (Deficit)	—	(53,468,529)
Total Net Position (Deficit)	\$ 2,786,150,402	\$ (49,566,220)

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 Fiscal Year Ended August 31, 2024

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions:		
Employer	\$ 68,703,631	\$ —
Employee	56,100,146	—
Total Contributions	<u>124,803,777</u>	<u>—</u>
Federal Grant Proceeds	—	2,324,972
State Grant Proceeds	—	11,401,110
Bike Share Revenues	—	145,200
Local Governments	—	22,227,239
Investment Income:		
Net Change in Fair Value of Investments	270,663,039	—
Interest	16,946,876	3,578,018
Dividends	19,544,484	—
Securities Lending Income	295,862	—
Less Investment Expenses	(6,352,319)	—
Miscellaneous Income	583	—
Net Total Investment Income	<u>301,098,525</u>	<u>3,578,018</u>
Total Additions	<u>425,902,302</u>	<u>39,676,539</u>
DEDUCTIONS:		
Benefit Payments	192,274,337	—
Refunds of Contributions	19,654,863	—
Salaries and Benefits	—	1,377,985
Professional Services	—	526,548
Contract Services	—	933,153
Supplies and Other	—	23,852
Administrative Expenses	4,404,642	123,520
Interest Expense	—	3,710,968
Intergovernmental Transfers	—	26,363,558
Grants - Subrecipients	—	591,774
Bond Issuance Costs	—	540,329
Depreciation/Amortization Expense	402,575	91,966
Total Deductions	<u>216,736,417</u>	<u>34,283,653</u>
Increase in Fiduciary Net Position	209,165,885	5,392,886
Net Position (Deficit) - Beginning of Year, as Previously Presented	2,576,984,517	(55,782,762)
Error Correction	—	823,656
Net Position - Beginning of Year, As Restated	2,576,984,517	(54,959,106)
Net Position (Deficit) - End of Year	<u>\$ 2,786,150,402</u>	<u>\$ (49,566,220)</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of El Paso (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Reporting Entity

The accompanying financial statements include the City and its component units discussed below, collectively referred to as the financial reporting entity. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 84, 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 (EPWater)**

The Public Service Board (PSB), the governing board of EPWater, consists of the Mayor and six residents of El Paso County, Texas. With the exception of the Mayor, all other members are appointed by the City Council and serve staggered four-year terms. The City authorizes the issuance of the debt for EPWater and approves rate or fee changes. The financial information included in these statements is as of EPWater's latest fiscal year end, February 29, 2024.

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. The EPHFC board consists of seven directors, appointed by the City Council, who serve a six-year term 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. The financial information included in these statements is as of EPHFC's latest fiscal year end, December 31, 2023.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in the nongrants special revenue fund.

El Paso Children's Museum Development Corporation (CMDC)

The CMDC 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 children's museum. The City Council operates as the Board of the CMDC and certain City administrative staff (e.g. CFO, etc.) manage the activities for the CMDC. The City levies and collects ad valorem tax for the purpose of paying debt service on debt issued for the Children's Museum. The CMDC is reported in the nongrants 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 protecting the 26-acre arroyo. 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 in the nongrants special revenue fund.

Eastside Sports Complex Public Improvement District 2 (PID)

The Eastside Sports Complex PID was created after a majority of the property owners liable for the assessment petitioned for its creation to provide for the construction and infrastructure costs associated with the Eastside Sports Complex as well as other public amenities including open space, landscaping, hike and bike trails, community facilities, irrigation and lighting, trash receptacles and similar items. The PID, in combination with a tax increment reinvestment zone, funds the annual debt service. 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 in the nongrants special revenue fund.

El Paso Property Finance Authority, Inc. (Authority)

The Authority was incorporated on 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 is reported as a blended component unit of the City in the nongrants special revenue fund. The Authority had no assets or liabilities and had no financial transactions during fiscal year 2024.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fiduciary Component Units****City Employees Retirement Trust (CERT)**

Substantially all full-time employees of the City are eligible to participate in the CERT, except for uniformed fire fighters and police officers who are covered under a separate plan. 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 (CERT Board). The Fund is administered by the Board of Directors, which is comprised of two citizens, who are not officers or employees of the City, nominated by the Mayor and approved by City Council, four elected City employees, a retiree and two district representatives as designated by City Council. The CERT is included in the accompanying financial statements as a Pension Trust Fund and the financial information included in these statements is as of the fund's latest fiscal year end, August 31, 2024.

Firemen and Policemen's Pension Fund (FPPF)

Uniformed fire fighters and police officers participate in the 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 financial statements as a Pension Trust Fund. The financial information included in these statements is as of the fund's latest fiscal year end, December 31, 2023.

Camino Real Regional Mobility Authority (CRRMA)

The City created the CRRMA in 2007 to directly benefit the State of Texas, the City of El Paso, and the traveling public through the improvement of the state's transportation systems in and around the City of El Paso. CRRMA was established in accordance with Chapter 370 of the Texas Transportation Code, Chapter 26 of Title 43 of the Texas Administrative Code, and the Texas Transportation Commission Minute Order No. 110573. The Governor of the State of Texas appoints the Chair, while the remaining six board members are nominated by the Mayor and appointed by the City Council. All appointments to the board shall be residents of the City of El Paso and adequately represent all areas encompassed within the city limits. The City provides legal and administrative services to CRRMA. CRRMA is reported as a fiduciary component unit of the City in the custodial funds.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

§5303 (Metropolitan Transportation Planning) and 23 CFR 450.300 et seq. (Metropolitan Transportation Planning and Programming).

The City 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 fiduciary component unit of the City in the custodial funds.

For all other information regarding EPWater, EPHFC, CERT, FPPF, CRRMA or MPO please contact the respective entity's administrative offices.

EPWater - El Paso Water	El Paso Water 1154 Hawkins El Paso, Texas 79925 http://www.epwater.org
EPHFC - El Paso Housing Finance Corporation	El Paso Housing Finance Corporation P.O. Box 1648 El Paso, Texas 79949 http://www.elpasohfc.org
CERT - City Employees Retirement Trust	City of El Paso Employees Retirement Trust 1039 Chelsea Street El Paso, Texas 79903 http://www.eppension.org
FPPF - Firemen and Policemen's Pension Fund	El Paso Firemen & Policemen Pension Fund 909 E. San Antonio Avenue El Paso, Texas 79901 http://www.elpasofireandpolice.org
CRRMA - Camino Real Regional Mobility Authority	Camino Real Regional Mobility Authority 801 Texas Avenue El Paso, Texas 79901 http://www.crrma.org
MPO - Metropolitan Planning Organization	Metropolitan Planning Organization 211 N. Florence Street, Suite 202 El Paso, Texas 79901 http://www.elpasompo.org

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 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 (HFDC)

HFDC was 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 with the maintenance of public health and public welfare. Its

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

City of El Paso Industrial Development Authority (Authority)

The Authority was 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 a six-year term 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 (i.e., Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported exclusively in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely significantly on fees and charges to external customers 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. This method 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, if applicable.

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. 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/amortization and reduced by outstanding balance of any bonds, notes and other debt that are attributable to the acquisition, construction or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Restricted net position has external constraints placed on their use by

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

either: 1) creditors (such as 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 No. 34. Criteria for determination of major funds are percentage of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of the fund category and of the governmental and enterprise funds combined. Nonmajor 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. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of resources, liabilities, deferred inflows of resources, 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. They are used to account for activities primarily supported by taxes, grants and similar revenue sources.

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 of the general government that are not accounted for in another fund.

Community Development Block Grants Fund (CDBG)

CDBG is a special revenue fund that accounts for the proceeds of grants such as those from the Department of Housing and Urban Development (HUD) for community development projects that may extend over multiple fiscal years. This fund has been designated as a major fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources that are restricted for the payment of principal, interest and related costs on long-term obligations of governmental funds.

Capital Projects Fund

The capital projects 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**COVID-19 Relief Grants Fund**

This special revenue fund accounts for the proceeds of federal funds in response to the public health emergency and economic fallout as a result of the COVID-19 pandemic. The first wave of relief aid was the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, approved by the 116th U.S. Congress in March 2020. The second wave of federal funding to continue the relief aid is the Consolidated Appropriations Act of 2021, signed and approved on December 27, 2020. This Act was primarily to aid millions of Americans in the form of Emergency Rental Assistance and to extend some previously set timeframes. The third wave of federal funding in response to the pandemic is the American Rescue Plan Act (ARPA) authorized on March 11, 2021 to be effective on March 3, 2021. The ARPA provided the Coronavirus State and Local Fiscal Recovery Funds to continue the support of the public health response and lay the foundation for a strong and equitable economic recovery.

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 No. 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/amortization 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Mass Transit (Sun Metro)**

This fund accounts for the City's transit services, including public transportation buses, para-transit, streetcar and facilities.

International Bridges

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

Tax Office

This fund represents activity related to the operations of the Tax Office. It also includes the custodial fund used to account for tax collections of 44 taxing entities, including the City of El Paso. According to GASB Statement No. 84, custodial funds that hold assets upon receipt for three months or less are allowed to be reported in the enterprise fund's statement of net position rather than in a custodial fund. The assets pertaining to this custodial fund are reported with a corresponding liability and all cash inflows and outflows are reported in the operating activities category of the proprietary statement of cash flow.

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, OPEB plans or other employee benefit plans. The City has two pension trust funds to account for the activities of the CERT and FPPF.

Custodial Funds

Custodial funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, and other governmental units. Custodial funds include the CRRMA and the MPO.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the government-wide financial statements.

Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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 the 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 revenues to be available if they are collected within 60 days after year end, except for franchise fee revenues which are 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 leases and SBITAs are reported as other financing sources.

Revenues susceptible to accrual include property taxes, sales taxes, hotel occupancy tax (HOT), 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. Entitlements are recorded as

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Municipal Court revenues are recognized when they are received. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

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 nonspendable fund balance.

Proprietary and fiduciary 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, deferred outflows of resources, all liabilities and deferred inflows of resources 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 total net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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/amortization on capital assets and right-to-use assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 statements, the General Fund, Debt Service Fund, Community Development Block Grants Fund (Special Revenue Fund), Internal Service Fund and proprietary operating funds have legally adopted annual budgets. The capital projects fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary schedules are included in required supplementary information for the General Fund and the Community Development Block Grants Fund. The budgetary schedule for the Debt Service Fund is included in the combining and individual fund statements and schedules.

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 custodial funds. Earnings from pooled investments are allocated to funds based upon their positive average daily balance in the Pool. Each fund's equity in the pooled cash and investments is proportionately presented as Cash and Investments at fair value. Negative cash balances are reclassified to advances to/from other funds. The City reports cash in demand deposit accounts as Cash. Cash with fiscal agents pertains to Destination El Paso along with an escrow account for a land acquisition.

It is the policy of the City to: (i) invest public funds in a manner which will provide maximum safety of principal; (ii) meet the daily cash flow demands of the City (liquidity); and (iii) provide the highest possible investment return all while complying with the Texas Public Funds Investment Act of 1995, as may be amended and local ordinances and resolutions governing the investment of the City's public funds. Pursuant to Section 2256.005 of the Texas Government Code, the City is required to review its Investment Policy on an annual basis.

Interest earnings from general obligation bonds and certificates of obligation shall be used solely to fund direct or related capital expenditures or to service current and future debt payments as determined by City Council in accordance to the bond ordinance. Interest earnings will be allocated in accordance to the City's Investment Policy, adopted annually by City Council, and/or the bond ordinance which authorized the specified debt obligation. When projects are completed, any remaining cash is transferred to the Debt Service Fund as prescribed by the debt covenants.

Restricted Cash and Restricted Investments refer 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.

Although the City does not report cash equivalents, EPWater includes them in their Statement of Net Position. Therefore the City's government-wide Statement of Net Position reflects cash and cash equivalents.

G. Inventories and Prepaid Items

Inventories of materials and supplies consist primarily of expendable items held for consumption. They are stated at cost using the first-in, first-out method for all governmental and proprietary funds on the Statement of Net Position for governmental activities and business-type activities. The consumption method is used to account for inventories. Under this 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid items, recorded in both government-wide and fund financial statements, are goods or services that are paid in advance and are applicable to future accounting periods. Using the purchases method, prepaid items are recorded as expenditures or expenses as the goods or services are acquired in the governmental funds. Proprietary funds and government-wide financial statements report prepaid items using the consumption method.

H. Capital Assets

GASB standards require 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 infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable) are defined as assets with an initial cost of \$5,000 or more 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 which is the fair value at the date of the donation. The donor will provide the fair market value of the donated asset by appraisal or by consideration of other factors such as cost or selling price, sales of comparable properties or replacement cost. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. 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 life of the related capital assets.

Land and construction in progress are not depreciated. Capital assets of the primary government are depreciated or amortized using the straight-line method and half-year convention. The useful lives of assets vary according to their category and are accounted for as follow:

Land Improvements	20 years
Infrastructure	10 to 30 years
Buildings and Building Improvements	30 years
Vehicles	5 to 12 years
Furniture, Fixtures and Equipment	5 years
IT Equipment	3 to 5 years
Heavy Equipment	10 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 as of the date of the transfer.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**I. GASB 87 Leases**

The City is a lessee for noncancellable leases of building office space, equipment, parking spaces and land. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and the proprietary fund statement of net position. The City recognizes lease assets with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over the shorter of its useful life or the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The interest rate charged by the lessor will be used as the discount rate. When the interest rate charged by the lessor is not provided, the City will use the latest incremental borrowing rate as the discount rate for the leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

J. GASB 96 Subscription-Based Information Technology Arrangements

The City has several software subscriptions under GASB 96. The City recognizes a subscription liability and an intangible right-to-use subscription asset for these subscriptions. The City recognizes subscription assets with an initial, individual value of \$5,000 or more. At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at, and certain payments made before the subscription commencement date, plus certain initial direct costs. The subscription asset is amortized on a straight-line basis over the shorter of its useful life or the subscription term.

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The interest rate charged by the vendor will be used as the discount rate. When the interest rate charged by the vendor is not provided, the City will use the latest incremental borrowing rate as the discount rate for the subscriptions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liability.

K. Insurance

Activity for certain self-insurance programs is recorded in the City's Self-Insurance Internal Service 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 fund based upon actuarial determined estimates of the aggregate liability for unpaid benefits. The City records all health and workers' compensation claim 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 multiple liability matters. Additionally, the City maintains insurance policies 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. For additional information refer to Note 10 of this report.

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.

L. Unearned Revenue

In the governmental and proprietary funds, unearned revenue represents amounts reported in accordance with the City's revenue recognition criteria which is consistent with GAAP. The City records unearned revenues when resources are received without an exchange transaction taking place, such as receiving grant funds in advance without incurring allowable expenditures or receiving advanced payments on leases.

M. 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 assets 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Deferred Chapter 380 agreement charges are related to Economic Development's program for the purpose of stimulating business and commercial activity within the City.
- Pension contributions subsequent to measurement date are deferred and recognized in the following fiscal year.
- Difference in expected and actual pension experience is deferred and amortized over a closed five year period.
- Difference in projected and actual earnings on pension investments is deferred and amortized over a closed five year period.
- Change in assumptions for pensions are deferred and amortized over a closed five year period.
- Change in assumptions for OPEB are deferred and recognized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the OPEB plan (active and inactive employees) determined as of the beginning of the measurement period.
- Difference in expected and actual experience for OPEB is deferred and is recognized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the OPEB plan (active and inactive employees) determined as of the beginning 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 assets 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 expected and actual pension experience is deferred and amortized over a closed five year period.
- Difference in expected and actual OPEB experience is deferred and recognized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the OPEB plan (active and inactive employees) determined as of the beginning of the measurement period.
- Change in assumptions for OPEB benefits is deferred and recognized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the OPEB plan (active and inactive employees) determined as of the beginning of the measurement period.
- Deferred inflows - Leases represents the future inflow of resources related to GASB 87 lease revenue.
- Deferred inflows - Other in the Balance Sheet represents the future inflow of resources related to pending grant reimbursement that are not available as of the date of this financial statement, future inflow of resources related to an opioid settlement agreement, and future inflow of resources for reimbursements for construction projects.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 of property taxes and low income housing loans.

N. 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.

O. 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. There were no internal balances for the fiscal year ended August 31, 2024.

P. 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 occur and all eligibility requirements have been met. Amounts owed to the City at fiscal year end 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.

Q. 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 and proprietary fund financial statements, all of the outstanding compensated absences are recorded as a liability.

R. 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 CERT and FPPF and additions to/deductions from CERT and FPPF Fiduciary Net Position have been determined on the same basis as they are reported by CERT and FPPF. For this purpose, plan contributions are

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additional information on the pension plans is available in Note 13 of this report.

S. Other Postemployment Benefits (OPEB)

Contributions from the City for OPEB healthcare premiums are set by statute and are recognized in the period when the contribution is made on behalf of the retiree. Payment for insurance premiums are recognized when due and payable in accordance with the benefit terms. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they were reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Additional information on the OPEB plan is available in Note 12 of this report.

T. Long-term Obligations, Bond Premiums, Discounts, and Issue Costs

In the government-wide financial statements and proprietary 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 Statement of Net Position. 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 No. 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.

U. 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 proprietary fund financial statements when it is probable that a liability has been incurred.

V. 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 No. 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 proprietary fund. An explanation of the liability and its calculation is presented in Note 8 of this report.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**W. Classification of Net Position/Fund Balance**

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

Net investment in capital assets – Capital assets including restricted capital assets, leases and SBITA assets, net of accumulated depreciation/amortization and reduced by the outstanding proceeds of any bonds, notes, leases and SBITA liabilities, 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.”

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

Nonspendable – 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, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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, this would require a formal action by City Council in the form of a resolution to establish, modify or rescind a commitment.

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. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. This assignment occurs with the adoption of the budget adoption.

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. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balance are available unless there are legal constraints that prohibit this, such as in grant agreements requiring the City to match grant amounts spent with local funds. Additionally, the City would first use

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

X. Minimum Fund Balance

It is the desire of the City to attain an adequate General Fund balance to maintain liquidity in anticipation of economic downturns or natural disasters. The City strives to maintain an unrestricted budgetary General Fund balance sufficient for 60 days of General Fund expenditures.

Y. Cash Reserve

The City maintains a cash reserve fund of five percent of the prior years adopted General Fund operating expenditure budget in order to provide coverage for unexpected expenses in accordance to the City Charter.

Z. Stabilization Funds

On March 3, 2020, a stabilization fund was established in the adopted budget policy approved via City Council resolution. The language was amended on May 10, 2022 by City Council resolution from stabilization fund to the operating and debt stabilization fund. This fund serves as a reserve of surplus revenues to be used with the purpose of 1) minimizing future tax rate impact for maintenance and operations as well as debt service, 2) protecting against raising charges for services and fees and 3) providing available funding for specific circumstances as needed to maintain the same levels of service. In such case, the use of the fund resources will be determined and approved by City Council action. The operating and debt stabilization fund serves as a source of financial support for the City's budget in times of slow or declining revenue growth, as a safeguard to continue funding priorities included in the strategic plan, and as the primary source of protection against having to make drastic cuts in City services in periods of economic downturns. The amount of funds to be committed will be recommended by the Chief Financial Officer or designee to the City Council during the year. The City Council will have final approval of the amount maintained in the fund, as well as the planned uses of the fund. As of August 31, 2024, the general fund reported a committed fund balance of \$54.4 million related to this stabilization arrangement.

On May 10, 2022, a pension stabilization fund was established in the adopted budget policy approved via City Council resolution. This fund serves as a reserve of surplus revenues from all City funds (governmental and enterprise funds), to the extent permitted by law, to be used with the sole purpose of making payments to the civilian, firemen and policemen's retirement pension plans on an annual basis commencing in fiscal year 2023. The pension stabilization fund was created to fund additional contributions to the City Employees Retirement Trust and to the Firemen and Policemen's Pension Fund. The goal is to reduce the current unfunded pension liability and sustain the City's bond rating. The amount of funds to be committed and transferred will be recommended by the Chief Financial Officer or designee to the City Council for approval during the year. The balance in the fund should be invested in accordance with the City's investment policy and all investment earnings should be used for the purpose of the fund. As of August 31, 2024, the general fund reported a committed fund balance of \$22.9 million related to this stabilization arrangement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On May 9, 2023, the City Council signed a resolution to create a pay for futures fund by amending the adopted budget policy. The fund serves as a source of funds for the City's budget with a sole purpose to support police, fire and civilian compensation increases. The amount of funds to be committed and utilized each year will be recommended by the Chief Financial Officer and approved by City Council. The approved amount will be committed from September 1, 2023 to August 31, 2028 with any unused funds returning to the unassigned fund balance on September 1, 2028. As of August 31, 2024, the general fund reported a committed fund balance of \$15.5 million related to the pay for futures fund.

AA. 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.

AB. Fiscal Year Inconsistencies

The City's component unit, EPWater, 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 EPWater.

Primary Government - Due from Component Unit	
Governmental Funds	\$ 8,070,868
Proprietary Funds:	
Environmental Services	7,344,548
Due From Component Unit at August 31, 2024	<u>\$ 15,415,416</u>
Component Unit - EPWater - Due to Primary	
Government - at February 29, 2024	<u>\$ 12,608,858</u>
Primary Government - Due to Component Unit	
Governmental Funds	
Due to Component Unit at August 31, 2024	<u>\$ (24,645,175)</u>
Component Unit - EPWater - Due from Primary	
Government - at February 29, 2024	<u>\$ 25,544,562</u>

The Police and Fire pension plan (FPPF) within the Pension Trust Funds 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Firemen Division	Policemen Division
Primary Government		
Employer Contributions to FPPF:		
General Fund	\$ 14,101,077	\$ 19,698,676
Nonmajor Governmental Funds	507,454	1,019,789
COVID-19 Relief Grants	217,719	115,668
El Paso International Airport	598,944	551,356
Total Employer Contributions to FPPF - year ended August 31, 2024	<u>\$ 15,425,194</u>	<u>\$ 21,385,489</u>
Fiduciary Fund - FPPF		
Employer Contributions to FPPF - year ended December 31, 2023	<u>\$ 14,844,489</u>	<u>\$ 19,688,617</u>

AC. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

AD. Implementation of New Accounting Standards

In fiscal year 2024, the City adopted one new statement and one implementation guide issued by the Governmental Accounting Standards Board:

Statement No. 100: *Accounting Changes and Error Corrections*

This Statement was issued in June 2022 to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of this standard did not have an impact on the City's beginning net position as of September 1, 2023.

Implementation Guide No. 2023-1: *Implementation Guidance Update - 2023*

This Implementation Guide was issued in June 2023 and amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The objective of this implementation guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. There is also new guidance on the hierarchy of generally accepted accounting principles relating to leases, subscription-based information technology arrangements, and accounting changes and error corrections. This implementation guide did not have a material impact on the City's financial statements and had no effect on the City's beginning net position at September 1, 2023.

NOTE 2. CASH AND INVESTMENTS

A summary of cash and investments is presented below.

	Primary Government (Statement of Net Position)	Custodial Funds (Statement of Fiduciary Net Position)	Total City Treasury
Cash	\$ 20,553,838	\$ 57,602,149	\$ 78,155,987
Restricted Cash	5,231,314	—	5,231,314
Total Cash	25,785,152	57,602,149	83,387,301
Investments	465,421,162	13,046,927	478,468,089
Restricted Investments	609,782,325	—	609,782,325
Total Investments	1,075,203,487	13,046,927	1,088,250,414
Total Cash and Investments	\$ 1,100,988,639	\$ 70,649,076	\$ 1,171,637,715

Pooled Cash and Investments

The City maintains a cash and investment pool (Pool) that is available for use by the Primary Government. Each fund's portion of the Pool is reported in these statements as "Cash" and "Investments." Participation in the Pool is restricted and does not include cash on hand (change funds) nor 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 (Advances from Other Funds) on the Statement of Net Position. The City invests on a pooled basis and earnings from the Pool are allocated to the funds based upon each fund's positive average daily balance in the Pool in accordance with the City's Investment Policy.

	Cash	Restricted Cash	Investments	Restricted Investments	City Treasury	Non-Pooled	Pooled
Balance Sheet - Governmental Funds							
General Fund	\$ 2,423,713	\$ —	\$ 99,234,584	\$ 25,683,429	\$ 127,341,726	\$ 38,165	\$ 127,303,561
Community Development Block Grants	—	179,534	—	16,204,950	16,384,484	—	16,384,484
Debt Service	—	98,166	—	11,183,188	11,281,354	—	11,281,354
Capital Projects	116,371	—	—	369,871,993	369,988,364	—	369,988,364
COVID-19 Relief Grants	—	589,793	—	67,180,709	67,770,502	—	67,770,502
Nonmajor Governmental Funds	7,143,416	4,363,821	70,880,188	66,085,975	148,473,400	14,948	148,458,452
Total for Governmental Funds	9,683,500	5,231,314	170,114,772	556,210,244	741,239,830	53,113	741,186,717
Statement of Net Position - Proprietary Funds							
Enterprise Funds:							
El Paso International Airport	1,044,577	—	42,048,484	34,772,784	77,865,845	400	77,865,445
Environmental Services	522,948	—	52,657,514	18,799,297	71,979,759	1,680	71,978,079
Mass Transit	1,054,868	—	123,533,199	—	124,588,067	82,710	124,505,357
International Bridges	285,673	—	24,566,829	—	24,852,502	70,000	24,782,502
Tax Office	7,512,120	—	1,224,621	—	8,736,741	5,000	8,731,741
Total for Enterprise Funds	10,420,186	—	244,030,647	53,572,081	308,022,914	159,790	307,863,124
Internal Service Funds	450,152	—	51,275,743	—	51,725,895	—	51,725,895
Statement of Fiduciary Net Position							
Custodial Funds	57,602,149	—	13,046,927	—	70,649,076	70,649,076	—
Total	\$ 78,155,987	\$ 5,231,314	\$ 478,468,089	\$ 609,782,325	\$1,171,637,715	\$ 70,861,979	\$1,100,775,736

NOTE 2. CASH AND INVESTMENTS (continued)

Cash and Investments of the City Treasury, including restricted amounts at August 31, 2024 were:

	Pooled Cash and Investments	Non-Pooled Cash and Investments	Total
Cash in Bank	\$ 25,572,249	\$ 57,602,149	\$ 83,174,398
Cash on Hand	—	212,903	212,903
Total Cash	25,572,249	57,815,052	83,387,301
US Agencies	265,102,918	—	265,102,918
US Treasuries	716,569,347	13,046,927	729,616,274
Local Government Investment Pools	62,646,253	—	62,646,253
Money Market	30,884,969	—	30,884,969
Total Investments	1,075,203,487	13,046,927	1,088,250,414
Total Cash and Investments	\$ 1,100,775,736	\$ 70,861,979	\$ 1,171,637,715

The City follows GASB Statement No. 72 (Fair Value Measurement and Application), and GASB Statement No. 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, GASB Statement No. 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 preservation of capital. After consideration of the investments' safety and liquidity requirements, the 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 meet certain conditions and provide certain information prior to entering into investment activities with the City.

The City participates in TexSTAR, TexPool and TexasDAILY, which are local government investment pools, as well as a Morgan Stanley Government 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. 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. TexasDAILY, TexSTAR and the money market funds are carried at net asset value, while TexPool is carried at amortized cost.

Custodial Credit Risk (Deposits) - Collateralization is required for deposits in demand deposit accounts. The collateralization level is 102% of principal. Collateral is held in the City's name by an

NOTE 2. CASH AND INVESTMENTS (continued)

independent third party with whom the City is a party to 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
- interest-bearing banking deposits that are guaranteed or insured by (a) the Federal Deposit Insurance Corporation or its successors or (b) the National Credit Union Share Insurance Funds or its successor
- 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 rating organization. Below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's Investment Policy, and the actual rating as of year end for each investment type.

Investment Type	Carrying Value	Minimum Required Rating	Rating As of Year End
US Agencies	\$ 265,102,918	N/A	Aaa/AA+
US Treasuries	729,616,274	N/A	N/A
Money Market	30,884,969	Aaa-mf/AAAm	Aaa-mf/AAAm
TexSTAR LGIP	20,764,539	AAA/AAAm	AAAm
TexPool LGIP	20,701,828	AAA/AAAm	AAAm
TexasDAILY LGIP	21,179,886	AAA/AAAm	AAAm
Total Investments	<u>\$ 1,088,250,414</u>		

NOTE 2. CASH AND INVESTMENTS (continued)

Concentration of Credit Risk - The Investment Policy limits the percentage of authorized investment in the portfolio. The following is the fair value of investments that represent 5% or more of investments:

Federal Home Loan Bank	<u>\$ 225,449,533</u>
------------------------	-----------------------

Interest Rate Risk – The City will minimize interest rate risk, which is the risk that the fair value of securities will fall due to increases 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, 2024, investments of the City are as follows:

Investment type	Carrying Value	Maturity in Years	
		Less than 1	1 - 3
US Agencies	\$ 265,102,918	\$ 225,083,468	\$ 40,019,450
US Treasuries	729,616,274	431,904,574	297,711,700
Local Government Investment Pools	62,646,253	62,646,253	—
Money Market	30,884,969	30,884,969	—
Total Investments	<u>\$1,088,250,414</u>	<u>\$ 750,519,264</u>	<u>\$ 337,731,150</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. |

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying Statement of Net Position and Statement of Fiduciary Net Position measured at fair value on a

NOTE 2. CASH AND INVESTMENTS (continued)

recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2024:

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)
US Agencies	\$ 265,102,918	\$ 265,102,918	\$ —	\$ —
US Treasuries	729,616,274	729,616,274	—	—
Total Investments by Fair Value Level	994,719,192	\$ 994,719,192	\$ —	\$ —
Investments Measured at the Net Asset Value ^(a)				
TexasDAILY	21,179,886			
TexSTAR	20,764,539			
Money Market	30,884,969			
Total Investments Measured at the NAV	72,829,394			
Investments Measured at Amortized Cost				
TexPool	20,701,828			
Investments Measured at Amortized Cost	20,701,828			
Total Investments	\$ 1,088,250,414			

^(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 Statement of Net Position and Statement 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 for the year ended August 31, 2024.

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:

NOTE 2. CASH AND INVESTMENTS (continued)

	Fair Value at 8/31/2024	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
TexasDAILY	\$ 21,179,886	Daily	Same Day
TexSTAR	20,764,539	Daily	Same Day
Money Market	30,884,969	Daily	Same Day
Total Investments Measured at the NAV	<u><u>\$ 72,829,394</u></u>		

Investment in State Investment Pools

During the year, the City invested in multiple local government investment pools, including TexSTAR, TexPool, and TexasDAILY. 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.

Unrealized Gains (Losses)

GASB Statement No. 72 requires that entities value their investment portfolios at fair value and report a corresponding unrealized gain or loss. The intent is to provide the users of the financial report with information related to the potential effect of investment gains and losses. These effects result from changes in market interest rates. Adverse effects may result during periods of rising interest rates if an entity is required to sell fixed term debt securities prior to maturity. Leases, and the corresponding interest revenue shown below, are not subject to GASB Statement No. 72. As of August 31, 2024, the City recorded \$23.9 million in unrealized gains as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Interest Revenue - Leases	\$ 450,671	\$ 4,737,398	\$ 5,188,069
Interest Revenue - Investment	31,202,961	11,379,943	42,582,904
	31,653,632	16,117,341	47,770,973
Unrealized Gain/Loss ^(a)	17,858,274	6,028,331	23,886,605
Total Investment Earnings	<u><u>\$ 49,511,906</u></u>	<u><u>\$ 22,145,672</u></u>	<u><u>\$ 71,657,578</u></u>

(a) This is a gain/loss that would occur if the City had sold all fixed term debt securities on August 31, 2024.

Deposits, Cash Equivalents and Investments - Component Unit - CERT

The CERT'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 CERT. The cash equivalents and investments are held by the CERT's custodian in the CERT'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

NOTE 2. CASH AND INVESTMENTS (continued)

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 CERT'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 or Russell 1000 commingled funds or exchange traded funds (ETFs).

Large Cap 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 \$100 million and under \$5 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, as well as real estate investment trusts (REITs), preferred stocks, convertible securities, American depository receipts (ADRs) of non-U.S. issuers, publicly traded stocks of foreign corporations listed on U.S. stock exchanges, Exchange Traded Funds (ETFs), futures and short-term investments, money market instruments or equivalent. Leverage, short sales and buying and selling on margin are not permitted.

All Cap Equity Managers - For the year ended August 31, 2024, 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 - For the year ended August 31, 2024, investment passively managed 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 - For the year ended August 31, 2024, investment is made using commingled funds. As such, the investment guidelines are governed by the fund's

NOTE 2. CASH AND INVESTMENTS (continued)

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 - For the year ended August 31, 2024, investment was 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.

International Equity-All Country Small Cap Managers - For the year ended August 31, 2024, investment was made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The portfolio will invest primarily 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 markets weight is the MSCI ACWI ex-US Small Cap Index weight plus 15%.

International Equity-All Country ex-U.S. Investable Markets Index Managers - This investment will be passively managed. Permissible investments are MSCI ACWI ex-U.S. IMI Index commingled funds or EFTs. As such, the investment guidelines will be governed by the fund's governing documents.

International Equity-All Country ex-U.S. Investable Markets Managers - This investment will be made using a commingled fund. As such, the investment guidelines will be governed by the fund's governing documents. The Portfolio will invest primarily 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.

Fixed Income Core Index Managers - Investments are passively managed and are made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. For August 31, 2024 permissible investments are Bloomberg Aggregate Bond Index commingled funds or ETFs.

Fixed Income Core Plus Managers - Under current policies for the year ended August 31, 2024, 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 may invest up to 20% in non-investment grade bonds for the year ended August 31, 2024, defined as bonds that are rated non-investment grade by two of the three major ratings agencies. The dollar weighted credit quality of the

NOTE 2. CASH AND INVESTMENTS (continued)

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 +/- 1.5 years or +25% of the benchmark's duration for the year ended August 31, 2024. The account will not employ leverage.

Real Estate Managers - For the year ended August 31, 2024, real estate investments will be diversified to the extent possible by geographic location and property type. 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.

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

The following was the CERT Board's adopted asset allocation policy as of August 31, 2024:

Asset Class	Target Allocation
Domestic Equity	31%
International Equity	21%
Fixed Income	24%
Real Estate	10%
Private Equity	13%
Cash	1%
	100%

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 CERT's investment policy does not specifically address custodial credit risk for deposits. As of August 31, 2024, the CERT holds no deposits.

Investments

Interest rate risk is the risk that the fair value of securities will fall due to changes in market interest rates. The CERT'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, 2024, the CERT had the following investments subject to interest rate risk:

NOTE 2. CASH AND INVESTMENTS (continued)

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Cash Equivalents (Money Market Funds)	\$ 8,990,085	0.08
Bank Collective Investment Funds	534,280,655	—
Commingled Funds	144,776,170	—
Total	\$ 688,046,910	
Portfolio Weighted Average Maturity		0.001

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 CERT employs one core bond index fund which invests in investment grade fixed income securities in the United States and is designed to track the risk and return profile of its referenced benchmark (i.e., Bloomberg U.S. Aggregate). Additionally, the CERT employs two actively managed core plus bond managers. The investment guidelines governing the core plus bond managers permit them to purchase below investment grade securities as well as bonds domiciled outside the United States, up to prescribed limits. The CERT accesses all three of the aforementioned investment managers through commingled fund vehicles, each of which has its own investment management agreement governing permissible security types and maximum exposures.

For the year ended August 31, 2024, the CERT'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 CERT's fixed income strategies based on portfolio holdings as of August 31, 2024:

S&P Quality Rating	Total Fair Value	Corporates (a)	Government & Agency Obligations (b)
A+	\$ 534,280,655	\$ —	\$ 534,280,655
NR	144,776,170	137,679,917	—
Total	\$ 679,056,825	\$ 137,679,917	\$ 534,280,655

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

(b) Includes international and municipal holdings

At August 31, 2024, the CERT held various bond instruments in the aggregate fair value of \$671,960,572. Fixed income core plus portfolios held bond instruments with ratings of BBB or better by Standard & Poor's. Approximately 20% of the portfolio was of non-investment grade bonds as of August 31, 2024.

NOTE 2. CASH AND INVESTMENTS (continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the CERT's investment in a single issuer. The CERT'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 CERT's net position at August 31, 2024.

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, 2024	Shares/Par Value	Fair Value (Dollars)
BNYMM DB SL SCWI_EX US IMI		
Mellon Capital Management Corporation	7,798,922	\$ 82,453,499
Mellon DB SL Stock Index Fund		
Mellon Capital Management Corporation	15,082	135,346,516
EB MCM Aggregate Bond Index Fund		
Mellon Capital Management Corporation	132,348	73,623,137
Blackrock Total Return Bond Fund		
Blackrock Capital Management	5,937,046	68,513,315
Wellington Fund		
Wellington Capital Management	5,995,046	68,823,133
Arrowstreet International Equity ACWI EX US CIT Class A		
Arrowstreet CIT	324,068	67,438,971
BNYM Newton NSL Dynamic US Equity Fund		
Mellon Capital Management Corporation	101,558	69,391,075
AB US Small and Mid Cap Core		
Alliance and Bernstein	2,669,661	54,277,961
CIF II SMID CAP Research (SER1)		
Wellington Capital Management	2,048,246	56,859,318
Heitman American Real Estate Trust LP		
Heitman	40,558	50,530,096
Lazard Intl Strategic EQ		
Lazard Asset Management	2,569,466	64,056,780

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The CERT's investment policy allows 18% - 24% of equity securities to be invested in foreign markets. The CERT's exposure to foreign currency risk at August 31, 2024 was as follows:

NOTE 2. CASH AND INVESTMENTS (continued)

Local Currency Name	Equity
Australian Dollar	\$ 4,286,248
Brazilian Real	2,872,132
British Pound	15,173,040
Canadian Dollar	12,924,732
Cayman Islands Dollar	161
Chilean Peso	102,673
Chinese Renminbi	14,929,744
Czech Koruna	26,909
Danish Krone	8,258,589
Egyptian Pound	22,598
Euro Currency Unit	53,085,064
Hong Kong Dollar	5,917,709
Hungarian Forint	122,286
Indian Rupee	6,344,025
Indonesian Rupiah	841,031
Israeli Shekel	1,561,434
Japanese Yen	31,972,009
Kuwaiti Dinar	198,814
Malaysian Ringgit	430,009
Mexican Peso	3,616,249
New Zealand Dollar	129,786
Norwegian Krone	1,164,648
Pakistani Rupee	48,115
Philippine Peso	152,116
Polish Zloty	698,199
Qatari Riyal	195,986
Russian Ruble	7,604
Saudi Arabia Riyal	965,297
Singapore Dollar	1,069,747
South African Rand	798,003
South Korean Won	8,545,518
Swedish Krona	1,938,653
Swiss Franc	8,348,388
Taiwanese Dollar	13,796,724
Thai Baht	204,553
Turkish Lira	2,313,153
United Arab Emirates Dirham	289,250
	<u>\$ 203,351,196</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the CERT will not be able to recover the value of its investments that are in the possession of an outside party. Of the CERT's \$203,351,196 in foreign equity, none is in the name of the CERT. CERT's investment policy does not specifically address custodial credit risk for deposits.

Rate of Return

For the year ended August 31, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 12.08%. The money-weighted rate of

NOTE 2. CASH AND INVESTMENTS (continued)

return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Disclosures about Fair Value of Assets***Fair Value Measurements***

GASB 72, *Fair Value Measurements and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1** Inputs to the valuation methodology is unadjusted quoted prices for identical assets or liabilities in active markets that the Plan 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; inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are inputs that are unobservable and significant to the fair value measurement.

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, 2024:

Investments Measured at Fair Market Value	Fair Value Measurements Using			
	August 31, 2024	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bank Collective Investment Funds				
Large Cap Index	\$ 189,624,477	\$ —	\$ 189,624,477	\$ —
Large Cap Dynamic	151,844,574	—	151,844,574	—
Small/Mid Cap Equity	125,372,633	—	125,372,633	—
International Equity Developed	67,438,971	—	67,438,971	—
Total Bank Collective Investment Funds	534,280,655	—	534,280,655	—
Commingled Funds - Fixed Income				
Fixed Income Core Index	144,776,170	—	144,776,170	—
Commingled Funds - Corporate Stocks				
Fixed Income Core Index	62,256,350	—	62,256,350	—
US Governments - fixed income				
Fixed income securities	10,223,415	10,223,415	—	—
Real Estate				
Private Real Estate	83,351,202	—	—	83,351,202
Private Equity Investment	144,790,553	—	—	144,790,553
Total Investments Measured at Fair Value	\$ 979,678,345	\$ 10,223,415	\$ 741,313,175	\$ 228,141,755

NOTE 2. CASH AND INVESTMENTS (continued)

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, 2024.

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.

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.

Investments

The FPPF 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 last updated May 17, 2023, and there were no material changes to the investment policy.

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

NOTE 2. CASH AND INVESTMENTS (continued)

Asset Classification	Allowable Range	Target Percentage
Large Cap Domestic Equity	11-21%	16.00%
Mid Cap Domestic Equity	0-10%	5.00%
Small Cap Domestic Equity	1.5-11.5%	6.50%
International Equity	20-30%	22.50%
Emerging Markets Equity	4-9%	5.00%
Private Equity	5-20%	15.00%
Real Estate - Assets	5-15%	10.00%
Fixed Income	15-30%	20.00%
Cash Equivalents	0-5%	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 1.5 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 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 of the returns for the Bloomberg 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 Bloomberg 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

NOTE 2. CASH AND INVESTMENTS (continued)

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, 2023, the FPPF has four investment holdings in excess of 5% of the FPPF's fiduciary net position. These are funds holding hundreds of domestic or international equity securities.

Custodial Credit Risk - Custodial credit risk 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 of 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. As of December 31, 2023, the FPPF's security investments that are not subject to custodial credit risk consisted of investments not registered on an exchange. The FPPF's investments are held in their 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, 2023, the FPPF fixed income portfolio had the following credit ratings:

AAA	\$ 126,690,795
AA	23,082,214
A	35,917,965
BAA	19,770,418
BBB	4,166,427
BB	200,715
B	100,357
Below B	401,430
Committed Cash	667,556
Not Rated	139,521,511
	<u>\$ 350,519,388</u> ^(a)

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

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 Bloomberg Aggregate Bond Index.
- The return objective for the Domestic Core Fixed Income Portfolio, if passively managed, is to approximate the return of the Bloomberg 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

NOTE 2. CASH AND INVESTMENTS (continued)

domestic fixed income portfolio, if actively managed, is not expected to exceed 1.3 times the annual standard deviation of the returns for the Bloomberg 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 Bloomberg Aggregate Bond Index.

As of December 31, 2023, the FPPF fixed income portfolio had the following investment maturities:

1 - 3 years	\$ 6,523,234
3 - 5 years	14,050,044
5 - 7 years	87,133,169
7 - 10 years	14,527,857
10 - 20 years	28,697,702
20 - 30 years	60,065,048
No Contractual Maturity	139,522,334
	<u>\$ 350,519,388</u> ^(a)

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

The FPPF's exposure to foreign currency risk as of December 31, 2023, is summarized as follows:

Investment	Currency	Total
Limited Partnerships	European Union Euro	\$ 20,980,779
Common Stock	British Pounds	492,787
Common Stock	Canadian Dollar	3,515,464
		<u>\$ 24,989,030</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- 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.

NOTE 2. CASH AND INVESTMENTS (continued)

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, 2023:

	Fair Value December 31, 2023	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				
Equity:				
Domestic Equities	\$ 288,166,650	\$ 288,166,650	\$ —	\$ —
International Equities	261,379,531	261,379,531	—	—
Total Equity	549,546,181	549,546,181	—	—
Fixed Income:				
U.S. Treasury Securities	44,146,471	—	44,146,471	—
Government Mortgage Backed Securities	53,081,877	—	53,081,877	—
Corporate Bonds	13,216,607	—	13,216,607	—
Total Fixed Income	110,444,955	—	110,444,955	—
Real Estate Limited Partnerships	15,959,662	—	—	15,959,662
Private Equity Funds	3,362,108	—	—	3,362,108
Securities Lending Collateral	26,614,780	26,614,780	—	—
Total Investments by Fair Value Level	705,927,686	576,160,961	110,444,955	19,321,770
Investments Measured at NAV				
Domestic Equity Funds	220,687,237			
International Equity Funds	213,289,976			
Commingled Fixed Income Funds	240,074,434			
Private Equity Funds	341,955,042			
Real Estate Limited Partnerships	149,597,560			
Total Investments Measured at NAV	1,165,604,249			
Total Investments Measured at Fair Value	\$ 1,871,531,935	(a)		

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

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

Investments Measured at NAV	Fair Value at 12/31/2023	Redemption Frequency	Required Redemption Notice
Domestic Equity Funds	\$ 220,687,237	Daily	1 day
International Equity Funds	213,289,976	Daily	1-10 days
Commingled Fixed Income Funds	240,074,434	Daily	Various: 1 day, 30 days, 60 days
Private Equity Funds	341,955,042	Not Redeemable	Not Redeemable
Real Estate Limited Partnerships	149,597,560	Various: Quarterly, Not Redeemable	Various: 45 days, Not Redeemable
	\$ 1,165,604,249	(a)	

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

International Equity Funds - International equity funds include two investments with fund managers who focus on international equities. These funds focus on activity in separate areas of the international market, including emerging markets equity, international developed value equity, and international

NOTE 2. CASH AND INVESTMENTS (continued)

developed growth equity, respectively; they follow the specified index as described in their respective agreements. The two funds report fair value at NAV as a practical equivalent. One investment allows for daily redemptions with a one-day written notice, and one investment allows for monthly redemptions with notice required by the 15th day of the prior month.

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 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 thirteen real estate funds that generally invests in residential, office, retail, and industrial real estate. NAV is used in the measurement of the fair value of this investment. The funds have various redemption frequency. Some funds allow quarterly redemptions that require a 45-day written notice, while other funds do not allow redemptions.

Money-Weighted Rate of Return - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested during the year. For the year ended December 31, 2023, the annual money-weighted rate of return on the FPPF's investments was 11.79%.

Unfunded Commitments - As of December 31, 2023, the FPPF has unfunded capital commitments to private equities and real estate limited partnerships totaling \$161.9 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.

NOTE 2. CASH AND INVESTMENTS (continued)

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 determination 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. Non-cash collateral must have a market value equal to no less than 102% of the market value of the borrowed securities, or 105% of the borrowed securities if the collateral are denominated in different currencies.

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, 2023, 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, 2023:

Securities Lent		Fair Value of Underlying Securities		Collateral Received		Collateral Investment Value
Domestic Equities	\$	25,357,042	\$	26,212,516	\$	26,614,780 ^(a)

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

As of December 31, 2023, the FPPF also holds securities collateral that cannot be pledged or sold absent a borrower's default totaling \$22,342,556. 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, 2023 resulting from a default of a borrower or the lending agent.

NOTE 3. PROPERTY TAXES

The City's property tax is levied every October 1st on the assessed value listed as of the previous January 1st for all real and personal property located in the City. A receivable for property taxes is recognized and recorded at the levy date. The assessed value at the time of levy (October 2023) was \$49,025,199,583.

Taxes are due by January 31st following the October 1st levy date. As of the end of the fiscal year, 98.1% of the adjusted tax levy was collected. The statutory lien date is January 1st.

The methods of property assessment and tax collection are determined by Texas statute. The statute provides 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, through legal action.

In the summer of 2019, the Texas Property Tax Reform and Transparency Act was passed by the Texas Legislature, also known as Senate Bill 2 (SB2). This bill reforms the system of property taxation in three primary ways: (1) lowering the tax rate a taxing unit can adopt without voter approval and requiring a mandatory election to go above the lowered rate; (2) making numerous changes to the procedure by which a city adopts a tax rate; and (3) making several changes to the property tax appraisal process.

Through a contractual arrangement, the City also bills and collects property taxes for several other governmental entities. 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, 2024, was \$0.562409 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$1.287591 per \$100 assessed valuation and could levy \$824,174,886 in additional taxes from the assessed valuation of \$49,025,199,583 before the state legislative limit is reached.

The current total tax rate is \$0.818875 per \$100 assessed valuation, of which \$0.562409 is used for general governmental purposes and \$0.256466 is used for payment of 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

NOTE 3. PROPERTY TAXES (continued)

amounts, as deferred inflows of resources. Such deferred inflows of resources are recognized as revenue in the fiscal year in which they become available.

The balance of delinquent property taxes receivable and property tax assessments included in deferred inflows at August 31, 2024, is as follows:

	General Fund	Debt Service Fund
Property Taxes Receivable	\$ 16,599,507	\$ 7,855,176
Less Allowance for Uncollectibles	(2,304,080)	(1,090,331)
Net Property Taxes Receivable	<u>14,295,427</u>	<u>6,764,845</u>
Deferred Property Taxes	<u>13,434,222</u>	<u>6,364,319</u>
Net Property Tax Recognized-60 Days	<u>\$ 861,205</u>	<u>\$ 400,526</u>

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 4. RECEIVABLES

Receivables as of year end for the City's individual major funds and the nonmajor 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	COVID-19 Relief Grants	Nonmajor Governmental Funds	Internal Service Funds	Total
Property Taxes	\$ 16,599,507	\$ —	\$ 7,855,176	\$ —	\$ —	\$ —	\$ —	\$ 24,454,683
Sales Taxes	23,114,689	—	—	—	—	—	—	23,114,689
Hotel Occupancy Taxes	—	—	—	1,198,833	—	3,116,879	—	4,315,712
Trade	8,281,196	46,719	32,850	3,020,154	6,708	977,028	37,536	12,402,191
Interest	820,925	311,691	324,356	1,613,778	333,524	703,324	193,353	4,300,951
Due from Other Government Agencies	698,304	1,576,289	58,211	1,571,744	3,447,996	9,975,846	—	17,328,390
Due from Component Unit	2,468,149	—	—	3,430,658	—	2,172,061	—	8,070,868
Notes Receivable - Economic Development	1,103,091	—	—	—	—	8,000,000	—	9,103,091
Notes Receivable - Low Income Housing Loans	—	63,269,999	—	—	—	2,412,750	—	65,682,749
Leases Receivables	10,198,907	—	—	—	—	8,025,601	—	18,224,508
Other	10,918,011	—	—	—	—	11,549,516	—	22,467,527
Gross Receivables	74,202,779	65,204,698	8,270,593	10,835,167	3,788,228	46,933,005	230,889	209,465,359
Less: Allowance for Doubtful Accounts	(6,037,919)	(30,798,394)	(1,090,331)	(128,874)	—	(561,188)	(2,479)	(38,619,185)
Net Receivables	\$ 68,164,860	\$ 34,406,304	\$ 7,180,262	\$ 10,706,293	\$ 3,788,228	\$ 46,371,817	\$ 228,410	\$ 170,846,174

Business-Type Activities						
	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office	Total
Sales Taxes	\$ —	\$ —	\$ 11,027,025	\$ —	\$ —	\$ 11,027,025
Trade	6,864,378	2,785,071	217,693	2,452	38,412	9,908,006
Interest	426,601	315,869	521,606	98,254	7,672	1,370,002
Leases Receivable	164,900,811	—	1,826,452	—	—	166,727,263
Due from Other Government Agencies	20,288,072	253,090	6,107,984	—	663	26,649,809
Due from Component Unit	—	7,344,548	—	—	—	7,344,548
Gross Receivables	192,479,862	10,698,578	19,700,760	100,706	46,747	223,026,653
Less: Allowance for Doubtful Accounts	(5,081,828)	(1,739,585)	(128,106)	—	—	(6,949,519)
Net Receivables	\$ 187,398,034	\$ 8,958,993	\$ 19,572,654	\$ 100,706	\$ 46,747	\$ 216,077,134

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2024 for the government-wide financial statements was as follows:

	Balance August 31, 2023	Transfers	Additions	Reductions	Balance August 31, 2024
Governmental Activities:					
Capital Assets not Being Depreciated:					
Land	\$ 224,958,418	\$ —	\$ 2,804,767	\$ (206,588)	\$ 227,556,597
Construction in Progress	431,359,928	(14,703,591)	95,421,825	—	512,078,162
Total Capital Assets not Being Depreciated	656,318,346	(14,703,591)	98,226,592	(206,588)	739,634,759
Capital Assets Being Depreciated/ Amortized:					
Intangibles	5,842,802	—	—	—	5,842,802
Buildings	590,901,152	14,310,043	5,832,695	—	611,043,890
Improvements other than Buildings	199,774,889	161,521	—	—	199,936,410
Right-to-use Asset	19,531,281	—	3,232,839	(716,720)	22,047,400
Vehicles and Major Equipment	167,107,936	303,952	24,535,158	(3,177,772)	188,769,274
Data Processing Equipment and Software	37,452,020	56,935	1,005,228	(559,794)	37,954,389
Infrastructure	629,842,987	—	—	—	629,842,987
Total Capital Assets, Being Depreciated/ Amortized	1,650,453,067	14,832,451	34,605,920	(4,454,286)	1,695,437,152
Less Accumulated Depreciation/ Amortization for:					
Intangibles	3,093,406	—	571,951	—	3,665,357
Buildings	273,383,725	—	17,534,427	—	290,918,152
Improvements other than Buildings	57,871,369	—	7,825,826	—	65,697,195
Right-to-use Asset	4,084,897	—	2,777,512	(171,493)	6,690,916
Vehicles and Major Equipment	124,476,264	105,499	13,068,425	(3,167,633)	134,482,555
Data Processing Equipment and Software	25,146,594	—	1,277,172	(559,794)	25,863,972
Infrastructure	241,563,922	—	17,560,759	—	259,124,681
Total Accumulated Depreciation/ Amortization	729,620,177	105,499	60,616,072	(3,898,920)	786,442,828
Total Capital Assets, Being Depreciated/ Amortized, Net	920,832,890	14,726,952	(26,010,152)	(555,366)	908,994,324
Governmental Activities Capital Assets, Net	\$ 1,577,151,236	\$ 23,361	\$ 72,216,440	\$ (761,954)	\$ 1,648,629,083

The capital assets belonging to Internal Service Funds are included in governmental activities. In fiscal year 2024, Internal Service Funds had capital additions totaling \$198,895, resulting in a total cost of \$885,619. Depreciation expense of \$27,490 resulted in an ending accumulated depreciation balance of \$694,984, with a net book value of \$190,635.

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

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 5. CAPITAL ASSETS (continued)

Function/Program	Total
Community and Human Development	\$ 607,192
Culture and Recreation	13,917,475
General Government	3,473,709
Public Health	1,700,448
Public Safety	10,548,468
Public Works	30,341,290
Total Depreciation/Amortization Expense-Governmental Activities	60,588,582
Internal Service Funds	27,490
Depreciation/ Amortization Expense	<u>\$ 60,616,072</u>

	Balance August 31, 2023	Transfers	Additions	Reductions	Balance August 31, 2024
Business-Type Activities:					
El Paso International Airport					
Capital Assets not Being Depreciated:					
Land	\$ 14,175,312	\$ —	\$ —	\$ —	\$ 14,175,312
Artwork	979,637	—	—	—	979,637
Construction in Progress	36,757,608	—	32,298,195	—	69,055,803
Total Capital Assets not Being Depreciated	<u>51,912,557</u>	<u>—</u>	<u>32,298,195</u>	<u>—</u>	<u>84,210,752</u>
Capital Assets Being Depreciated:					
Buildings	218,114,353	—	—	—	218,114,353
Improvements Other than Buildings	375,496,428	—	—	—	375,496,428
Right-to-use Asset	30,073	—	—	—	30,073
Vehicles and Major Equipment	21,365,319	—	589,422	(87,863)	21,866,878
Total Capital Assets Being Depreciated	<u>615,006,173</u>	<u>—</u>	<u>589,422</u>	<u>(87,863)</u>	<u>615,507,732</u>
Less Accumulated Depreciation/Amortization for:					
Buildings	126,080,135	—	6,558,909	—	132,639,044
Improvements Other than Buildings	246,395,466	—	11,239,159	—	257,634,625
Right-to-use Asset	15,037	—	15,036	—	30,073
Vehicles and Major Equipment	19,143,602	—	726,795	(87,863)	19,782,534
Total Accumulated Depreciation/Amortization	<u>391,634,240</u>	<u>—</u>	<u>18,539,899</u>	<u>(87,863)</u>	<u>410,086,276</u>
Total Capital Assets, Being Depreciated, Net	<u>223,371,933</u>	<u>—</u>	<u>(17,950,477)</u>	<u>—</u>	<u>205,421,456</u>
El Paso International Airport Capital Assets, Net	<u>\$ 275,284,490</u>	<u>\$ —</u>	<u>\$ 14,347,718</u>	<u>\$ —</u>	<u>\$ 289,632,208</u>
Environmental Services					
Capital Assets not Being Depreciated:					
Land	\$ 6,887,813	\$ —	\$ 8,936,917	\$ —	\$ 15,824,730
Construction in Progress	7,917,608	(1,583,709)	1,036,060	(6,697,026)	672,933
Total Capital Assets not Being Depreciated	<u>14,805,421</u>	<u>(1,583,709)</u>	<u>9,972,977</u>	<u>(6,697,026)</u>	<u>16,497,663</u>
Capital Assets Being Depreciated:					
Buildings	6,629,729	583,212	—	—	7,212,941
Improvements Other than Buildings	40,784,935	1,000,497	—	—	41,785,432
Right-to-use Asset	60,146	—	—	—	60,146
Vehicles and Major Equipment	94,537,971	(89,943)	13,761,146	(2,118,779)	106,090,395
Total Capital Assets Being Depreciated	<u>142,012,781</u>	<u>1,493,766</u>	<u>13,761,146</u>	<u>(2,118,779)</u>	<u>155,148,914</u>
Less Accumulated Depreciation/Amortization for:					
Buildings	2,042,579	—	140,399	—	2,182,978
Improvements Other than Buildings	33,127,057	—	1,264,874	—	34,391,931
Right-to-use Asset	30,073	—	30,073	—	60,146
Vehicles and Major Equipment	64,598,240	(66,582)	7,766,294	(2,118,779)	70,179,173
Total Accumulated Depreciation/Amortization	<u>99,797,949</u>	<u>(66,582)</u>	<u>9,201,640</u>	<u>(2,118,779)</u>	<u>106,814,228</u>
Total Capital Assets, Being Depreciated, Net	<u>42,214,832</u>	<u>1,560,348</u>	<u>4,559,506</u>	<u>—</u>	<u>48,334,686</u>
Environmental Services Capital Assets, Net	<u>\$ 57,020,253</u>	<u>\$ (23,361)</u>	<u>\$ 14,532,483</u>	<u>\$ (6,697,026)</u>	<u>\$ 64,832,349</u>

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 5. CAPITAL ASSETS (continued)

	Balance August 31, 2023	Transfers	Additions	Reductions	Balance August 31, 2024
Mass Transit					
Capital Assets not Being Depreciated:					
Land	\$ 11,753,642	\$ —	\$ —	\$ —	\$ 11,753,642
Construction in Progress	1,197,787	(2,105,900)	1,840,590	—	932,477
Total Capital Assets not Being Depreciated	12,951,429	(2,105,900)	1,840,590	—	12,686,119
Capital Assets Being Depreciated/Amortized:					
Buildings	125,918,742	1,434,988	—	—	127,353,730
Improvements Other than Buildings	133,409,346	561,677	—	—	133,971,023
Right-to-use Asset	3,501,240	—	131,309	—	3,632,549
Vehicles and Major Equipment	144,103,752	70,318	11,124,509	(2,360,346)	152,938,233
Total Capital Assets Being Depreciated/Amortized	406,933,080	2,066,983	11,255,818	(2,360,346)	417,895,535
Less Accumulated Depreciation/Amortization for:					
Buildings	52,213,463	—	4,158,505	—	56,371,968
Improvements Other than Buildings	48,378,647	—	5,464,645	—	53,843,292
Right-to-use Asset	658,577	—	189,464	—	848,041
Vehicles and Major Equipment	86,645,636	(38,917)	8,295,307	(2,149,934)	92,752,092
Total Accumulated Depreciation/Amortization	187,896,323	(38,917)	18,107,921	(2,149,934)	203,815,393
Total Capital Assets, Being Depreciated/Amortized, Net	219,036,757	2,105,900	(6,852,103)	(210,412)	214,080,142
Mass Transit Capital Assets, Net	\$ 231,988,186	\$ —	\$ (5,011,513)	\$ (210,412)	\$ 226,766,261
International Bridges					
Capital Assets not Being Depreciated:					
Land	\$ 2,469,531	\$ —	\$ —	\$ —	\$ 2,469,531
Construction in Progress	1,356,527	—	(385)	—	1,356,142
Total Capital Assets not Being Depreciated	3,826,058	—	(385)	—	3,825,673
Capital Assets Being Depreciated:					
Buildings	—	—	511,344	—	511,344
Improvements Other than Buildings	24,586,964	—	15,611	—	24,602,575
Right-to-use Asset	393,902	—	—	—	393,902
Vehicles and Major Equipment	7,362,833	—	153,871	(12,800)	7,503,904
Total Capital Assets Being Depreciated	32,343,699	—	680,826	(12,800)	33,011,725
Less Accumulated Depreciation/Amortization for:					
Buildings	—	—	8,522	—	8,522
Improvements Other than Buildings	13,679,954	—	469,445	—	14,149,399
Right-to-use Asset	136,313	—	136,313	—	272,626
Vehicles and Major Equipment	7,000,116	—	88,178	(12,800)	7,075,494
Total Accumulated Depreciation/Amortization	20,816,383	—	702,458	(12,800)	21,506,041
Total Capital Assets, Being Depreciated, Net	11,527,316	—	(21,632)	—	11,505,684
International Bridges Capital Assets, Net	\$ 15,353,374	\$ —	\$ (22,017)	\$ —	\$ 15,331,357
Tax Office					
Capital Assets Being Depreciated/Amortized:					
Improvements Other than Buildings	\$ 32,500	\$ —	\$ —	\$ —	\$ 32,500
Right-to-use Asset	1,541,071	—	—	—	1,541,071
Vehicles and Major Equipment	93,266	—	6,028	—	99,294
Total Capital Assets Being Depreciated/Amortized	1,666,837	—	6,028	—	1,672,865
Less Accumulated Depreciation/Amortization for:					
Improvements Other than Buildings	32,500	—	—	—	32,500
Right-to-use Asset	286,711	—	143,355	—	430,066
Vehicles and Major Equipment	81,440	—	4,813	—	86,253
Total Accumulated Depreciation/Amortization	400,651	—	148,168	—	548,819
Total Capital Assets, Being Depreciated, Net	1,266,186	—	(142,140)	—	1,124,046
Tax Office Capital Assets, Net	\$ 1,266,186	\$ —	\$ (142,140)	\$ —	\$ 1,124,046

NOTE 5. CAPITAL ASSETS (continued)

	Balance August 31, 2023	Transfers	Additions	Reductions	Balance August 31, 2024
All Business-Type Activities:					
Capital Assets not Being Depreciated:					
Land	\$ 35,286,298	\$ —	\$ 8,936,917	\$ —	\$ 44,223,215
Artwork	979,637	—	—	—	979,637
Construction in Progress	47,229,530	(3,689,609)	35,174,460	(6,697,026)	72,017,355
Total Capital Assets not Being Depreciated	83,495,465	(3,689,609)	44,111,377	(6,697,026)	117,220,207
Capital Assets Being Depreciated/Amortized:					
Buildings	350,662,824	2,018,200	511,344	—	353,192,368
Right-to-use Asset	5,526,432	—	131,309	—	5,657,741
Improvements Other than Buildings	574,310,173	1,562,174	15,611	—	575,887,958
Vehicles and Major Equipment	267,463,141	(19,625)	25,634,976	(4,579,788)	288,498,704
Total Capital Assets Being Depreciated/Amortized	1,197,962,570	3,560,749	26,293,240	(4,579,788)	1,223,236,771
Less Accumulated Depreciation/Amortization for:					
Buildings	180,336,177	—	10,866,335	—	191,202,512
Improvements Other than Buildings	341,613,624	—	18,438,123	—	360,051,747
Right-to-use Asset	1,126,711	—	514,241	—	1,640,952
Vehicles and Major Equipment	177,469,034	(105,499)	16,881,387	(4,369,376)	189,875,546
Total Accumulated Depreciation/Amortization	700,545,546	(105,499)	46,700,086	(4,369,376)	742,770,757
Total Capital Assets, Being Depreciated/Amortized, Net	497,417,024	3,666,248	(20,406,846)	(210,412)	480,466,014
All Business-Type Activities Capital Assets, Net	\$ 580,912,489	\$ (23,361)	\$ 23,704,531	\$ (6,907,438)	\$ 597,686,221

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

Business-Type Activity	Total
International Airport	\$ 18,539,899
Environmental Services	9,201,640
Mass Transit	18,107,921
International Bridges	702,458
Tax Office	148,168
Depreciation/ Amortization Expense	\$ 46,700,086

NOTE 5. CAPITAL ASSETS (continued)**Right-to-use Assets:**

Right-to-use	Governmental Activities		Business-Type Activities		Total	
	Right-to-use Asset	Accumulated Amortization	Right-to-use Asset	Accumulated Amortization	Right-to-use Asset	Accumulated Amortization
Lease Land	\$ 292,972	\$ 172,968	\$ —	\$ —	\$ 292,972	\$ 172,968
Lease Land Improvement	86,136	49,318	2,701,945	276,336	2,788,081	325,654
Lease Building	15,019,748	3,611,962	1,541,070	430,066	16,560,818	4,042,028
Lease Equipment	42,566	42,566	—	—	42,566	42,566
Lease IT Equipment	1,195,933	166,694	—	—	1,195,933	166,694
SBITAs	5,410,045	2,647,408	1,414,726	934,550	6,824,771	3,581,958
Total	<u>\$ 22,047,400</u>	<u>\$ 6,690,916</u>	<u>\$ 5,657,741</u>	<u>\$ 1,640,952</u>	<u>\$ 27,705,141</u>	<u>\$ 8,331,868</u>

Construction Commitments

As of August 31, 2024:

	Remaining Commitment	Fund Equity and Other Sources Available
Governmental Funds	\$ 158,568,244	\$ 325,287,515
Proprietary Funds	74,875,106	25,135,983
Total	<u>\$ 233,443,350</u>	<u>\$ 350,423,498</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Receivables and Payables

Interfund receivable and payable balances at August 31, 2024, were as follows:

Receivable Fund	Payable Fund	Total
Capital Projects	Economic Development	\$ 1,000,000 (1)
General Fund	Capital Projects	3,352,793 (2)
	Community Development Block Grants	2,741,612 (2)
	Nongrants	2,879,734 (2)
	Federal Grants	2,712,076 (2)
	Other Grants	35,177 (2)
	Public Health	2,595,121 (2)
	State Grants	2,085,840 (2)
	Tax Increment Fund	8,780 (2)
Total		<u>\$ 17,411,133</u>

(1) 380 Agreement funding
(2) Loans for pending reimbursements

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (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					Business-Type Activities	
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Environmental Services	
Governmental Activities:							
General Fund	\$ —	\$ —	\$ 24,502,048	\$ 20,806,837	\$ 193,101	\$ —	\$ 45,501,986
Debt Service	755,384	—	—	—	—	—	755,384
Capital Projects	—	3,217,219	—	—	—	—	3,217,219
Nonmajor Governmental Funds	2,927,560	1,049,419	754,333	7,585,000	—	9,355,931	21,672,243
Total Governmental Activities	3,682,944	4,266,638	25,256,381	28,391,837	193,101	9,355,931	71,146,832
Business-Type Activities:							
Environmental Services	16,100,809	—	—	1,999,835	—	—	18,100,644
International Bridges	15,425,782	—	—	—	—	—	15,425,782
Tax Office Enterprise Fund	—	—	273,000	—	—	—	273,000
Total Business-Type Activities	31,526,591	—	273,000	1,999,835	—	—	33,799,426
Total	\$ 35,209,535	\$ 4,266,638	\$ 25,529,381	\$ 30,391,672	\$ 193,101	\$ 9,355,931	\$ 104,946,258
Transfer Bridges Excess Revenue to General Fund	\$ 15,425,782						
Environmental Franchise Fee	13,687,361						
Environmental Fee	9,355,931						
Transfer for Debt Service	1,049,419						
Animal Shelter subsidy from Environmental Services	1,999,835						
Animal Shelter subsidy from the General Fund	6,160,717						
Street Subsidy	2,413,448						
Transfer Sales Tax to DDC	250,389						
Transfer For City Wellness Clinic	193,101						
Transfer of HOT Tax	7,585,000						
Transfer From Council Discretionary Funds	52,166						
Transfer for Capital Projects	25,529,381						
Incentive Agreement Transfers	4,259,472						
Transfer to Council Discretionary Funds	80,000						
Transfer for Lobbyist Funding	211,399						
Waterparks Subsidy	2,692,844						
Transfer of Excess Meter Revenue to General Fund	755,384						
SAM Residential Street Resurfacing	7,031,316						
Unspent Bond Proceeds	3,217,219						
Transfer for Zoo Projects	120,700						
Transfer for TRZ 2 close out	2,875,394						
Total	\$104,946,258						

**NOTE 7. LEASES, SUBSCRIPTION BASED INFORMATION TECHNOLOGY
ARRANGEMENTS AND AVAILABILITY PAYMENT ARRANGEMENTS****A. LEASES****1. Lease Payable**

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City leases nonfinancial assets such as land, land improvements, buildings and equipment and capitalizes the right-to-use asset with an initial individual value of \$5,000 or more. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining noncancellable lease term. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. As of the end of the fiscal year the discount rate used to calculate the net present value for the primary government's new leases was 4.02%.

As the lessee, a lease liability and the associated right-to-use lease asset are recognized in the government-wide and proprietary fund financial statements. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently the lease asset is amortized on a straight-line basis over its useful life.

The City has obtained office space, parking facilities, equipment and land through long-term leases and office space through one sublease. The terms and conditions for these leases vary. Some leases have fixed, periodic payments over the lease term, which range between 1-31 years. The City has a variety of variable payment clauses, within its lease arrangements, which include payment increases based on the Consumer Price Index (CPI), variable payments based on usage of the underlying asset, and common area maintenance fees. Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below. The outflow of resources recognized as of August 31, 2024 for variable payments not previously included in the measurement of the lease liability are \$74.3 thousand.

The City did not incur expenses for its leasing activities related to lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include residual value guarantees, sale-leaseback and lease-leaseback transactions. The City monitors changes in circumstances that require a remeasurement of its leases and will remeasure the lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability. During the current year we remeasured the lease payable within the governmental activities and adjusted the lease payable and its related right-of-use asset by \$568.0 thousand and \$545.2 thousand respectively.

Lease assets are reported with capital assets net of accumulated amortization and lease liabilities are reported with long term debt on the statement of net position.

NOTE 7. LEASES, SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS AND AVAILABILITY PAYMENT ARRANGEMENTS (continued)

As of August 31, 2024, the principal and interest requirements to maturity for the lease liability are as follows:

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,192,664	\$ 360,017	\$ 198,785	\$ 88,990	\$ 1,391,449	\$ 449,007
2026	1,136,775	327,859	206,956	83,988	1,343,731	411,847
2027	618,314	303,101	215,396	78,781	833,710	381,882
2028	576,077	285,531	224,112	73,363	800,189	358,894
2029	583,226	268,074	233,112	67,726	816,338	335,800
2030-2034	3,416,572	1,036,965	878,481	257,305	4,295,053	1,294,270
2035-2039	2,349,414	559,490	459,366	187,134	2,808,780	746,624
2040-2044	966,860	337,819	519,683	126,817	1,486,543	464,636
2045-2049	572,778	252,282	587,921	58,579	1,160,699	310,861
2050-2054	523,784	182,936	169,421	2,979	693,205	185,915
2055-2059	671,577	107,251	—	—	671,577	107,251
2060-2064	486,137	19,550	—	—	486,137	19,550
Total	<u>\$ 13,094,178</u>	<u>\$ 4,040,875</u>	<u>\$ 3,693,233</u>	<u>\$ 1,025,662</u>	<u>\$ 16,787,411</u>	<u>\$ 5,066,536</u>

2. Lease Receivable

The City is a lessor of City-owned assets such as buildings, land, land improvements, and infrastructure under various leases, a majority of which are noncancellable and terminate no later than 2074. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements. Several leases were prepaid and are recognized as unearned revenue in the financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City uses its estimated incremental borrowing rate as the discount rate for leases. As of the end of the fiscal year the discount rate used to calculate the net present value for the primary government new leases was 4.02% excluding El Paso International Airport that used 2.89% as per True Interest Cost on debt instrument directly issued to the Airport. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City's variable payments clause within some lease arrangements, is similar to the arrangements made as lessee, however payment increases can be based on CPI or market value. In addition, certain agreements receive revenue from the operation of concessions which provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a minimum guarantee. As of August 31, 2024 the amount of inflows of resources recognized for variable payments not previously included in the measurement of the lease receivable is \$7.2 million.

NOTE 7. LEASES, SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS AND AVAILABILITY PAYMENT ARRANGEMENTS (continued)

The City entered into a lease-leaseback transaction with the The City of El Paso Downtown Development Corporation, a component unit of the City relating to the Ballpark. Due to the nature of the transaction that qualifies it as a non-exchange transaction, the lease does not meet the criteria to be included as GASB Statement No. 87.

The City did not incur revenue related to residual value guarantees, lease termination penalties or sale-leaseback agreement. The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. During the current year we remeasured the lease receivable within the governmental activities and adjusted the lease receivable and its related deferred inflow of resources by \$631.2 thousand and \$580.4 thousand respectively. We also remeasured the lease receivable within the business-type activities and adjusted the lease receivable and its related deferred inflow of resources by \$66.1 thousand and \$65.2 thousand respectively.

As of August 31, 2024, the principal and interest requirements to maturity for the lease receivable are as follows:

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 574,353	\$ 444,072	\$ 8,164,622	\$ 4,622,261	\$ 8,738,975	\$ 5,066,333
2026	605,037	430,409	7,612,542	4,390,667	8,217,579	4,821,076
2027	644,745	417,584	4,541,808	4,222,160	5,186,553	4,639,744
2028	668,773	402,281	4,651,100	4,092,262	5,319,873	4,494,543
2029	723,469	386,107	4,738,546	3,959,315	5,462,015	4,345,422
2030-2034	3,995,615	1,658,200	23,470,840	17,785,758	27,466,455	19,443,958
2035-2039	4,748,843	1,114,299	21,681,256	14,580,098	26,430,099	15,694,397
2040-2044	4,123,521	496,916	18,870,431	11,653,341	22,993,952	12,150,257
2045-2049	1,525,376	168,560	15,568,843	9,250,275	17,094,219	9,418,835
2050-2054	523,309	33,015	14,431,964	7,130,713	14,955,273	7,163,728
2055-2059	59,914	7,168	13,323,419	5,190,053	13,383,333	5,197,221
2060-2064	27,753	2,247	14,698,177	3,196,383	14,725,930	3,198,630
2065-2069	3,800	34	11,573,661	1,215,738	11,577,461	1,215,772
2070-2074	—	—	3,400,054	178,751	3,400,054	178,751
Total	<u>\$ 18,224,508</u>	<u>\$ 5,560,892</u>	<u>\$ 166,727,263</u>	<u>\$ 91,467,775</u>	<u>\$ 184,951,771</u>	<u>\$ 97,028,667</u>

NOTE 7. LEASES, SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS AND AVAILABILITY PAYMENT ARRANGEMENTS (continued)

As of August 31, 2024, the deferred inflows related to the lease receivable are as follows:

Year Ending August 31,	Business-Type Activities				Total
	El Paso International Airport	Mass Transit	Total Business- Type Activities	Governmental Activities	
2025	\$ 9,583,673	\$ 115,912	\$ 9,699,585	\$ 864,189	\$ 10,563,774
2026	8,847,951	115,912	8,963,863	871,907	9,835,770
2027	5,814,421	115,912	5,930,333	887,343	6,817,676
2028	5,794,725	115,912	5,910,637	887,343	6,797,980
2029	5,754,671	114,472	5,869,143	884,721	6,753,864
2030-2034	26,824,846	567,212	27,392,058	4,305,965	31,698,023
2035-2039	22,765,553	443,304	23,208,857	4,097,394	27,306,251
2040-2044	18,588,116	172,575	18,760,691	3,065,181	21,825,872
2045-2049	14,518,390	—	14,518,390	1,031,285	15,549,675
2050-2054	12,259,091	—	12,259,091	312,779	12,571,870
2055-2059	10,257,953	—	10,257,953	42,782	10,300,735
2060-2064	9,888,138	—	9,888,138	18,376	9,906,514
2065-2069	6,991,291	—	6,991,291	2,448	6,993,739
2070-2074	1,919,348	—	1,919,348	—	1,919,348
Total	\$ 159,808,167	\$ 1,761,211	\$ 161,569,378	\$ 17,271,713	\$ 178,841,091

3. Regulated Leases

The El Paso International Airport (EPIA) manages a variety of leases and agreements with airlines, concessionaires, service providers and tenants, all of which are regulated by the Federal Aviation Administration (FAA). There are two categories of agreements with airlines; Signatory and Non-Signatory, pertaining to usage of EPIA for conducting air transportation business. American Airlines, Delta Airlines, Federal Express Corporation, Southwest Airlines, United Airlines, and United Parcel Service all operate under Signatory Airline Agreements with EPIA, which have a benefit of preferential use of certain terminal space, facilities, and apron area(s) at EPIA. Alaska Airlines, Allegiant Airlines, DHL Express, and Frontier Airlines all operate under Non-Signatory Airline Agreements with EPIA, which do not include preferential use of certain terminal space, facilities, and apron area(s) at EPIA. The terms of both Signatory and Non-Signatory Airline Agreements stipulate monthly payments to EPIA based on total estimates of costs, expenses, estimated total number of passengers, estimated total landed weight, among several other factors. Final settlements are made each year after the issuance of the City's audited financial statements.

The Signatory Airline Agreements were renewed in FY 2024 and are valid from September 1, 2024 through August 31, 2029, with limited options for termination, and may be extended for one (1) additional two (2) - year renewal period. Non-Signatory Airline Agreements are valid until (1) termination by either party with or without cause pursuant to terms in the agreement, (2) the date upon which the Airline becomes a Signatory Airline, or (3) the date upon which the Signatory Airline Agreement expires or is earlier terminated for all Signatory Airlines.

Other regulated leases and agreements have differing terms, termination, and renewal clauses consistent with industry standards.

NOTE 7. LEASES, SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS AND AVAILABILITY PAYMENT ARRANGEMENTS (continued)

The total amount of resources recognized in the reporting period for regulated leases is \$2.5 million. The amount of inflows of resources recognized in fiscal year 2024 for variable payments not included in the expected future minimum payments is \$3.7 million.

As of August 31, 2024, the expected future minimum payments under these agreements are as follows:

Year Ending August 31,	Total
2025	\$ 4,276,912
2026	4,161,500
2027	3,766,883
2028	1,342,786
2029	1,221,851
2030-2034	4,069,530
2035-2039	1,417,241
2040-2044	1,027,317
2045-2049	684,035
2050-2054	94,510
2055-2059	65,999
2060-2064	39,528
Total	<u>\$ 22,168,092</u>

B. Subscription Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology asset such as software. The contract is for a noncancellable period of time and the arrangement is an exchange or exchange-like transaction. This type of transaction creates a subscription liability and a right-to-use asset that must be recognized at the commencement of the term.

It is the policy of the City to only capitalize the SBITA right-to-use assets that are above \$5,000 threshold and amortize using the straight-line method over the term of the contract. Any subsequent changes to subscription terms and/or payments after the liability was originally recorded will cause a remeasurement of the liability and the right-to-use asset as of that date.

For purposes of determining the net present value (NPV) of the SBITA, the City has used the latest debt instrument true interest cost (TIC) as the discount rate. As of the end of the fiscal year, the discount rate used to calculate the net present value for the primary government new SBITAs was 4.02%.

The City uses multiple SBITAs across all functions and City departments. The total amount of outflows of resources recognized in the reporting period for other payments not previously included in the measurement of the subscription liability were \$6,545. There were no variable payments during the current fiscal year.

CITY OF EL PASO, TEXAS**NOTES TO FINANCIAL STATEMENTS****Year Ended August 31, 2024****NOTE 7. LEASES, SUBSCRIPTION BASED INFORMATION TECHNOLOGY
ARRANGEMENTS AND AVAILABILITY PAYMENT ARRANGEMENTS (continued)**

As of the end of the fiscal year 2024 principal and interest requirements to maturity are as follows:

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 931,622	\$ 60,174	\$ 427,679	\$ 13,371	\$ 1,359,301	\$ 73,545
2026	705,075	36,417	73,285	2,946	778,360	39,363
2027	723,054	18,438	—	—	723,054	18,438
Total	<u>\$ 2,359,751</u>	<u>\$ 115,029</u>	<u>\$ 500,964</u>	<u>\$ 16,317</u>	<u>\$ 2,860,715</u>	<u>\$ 131,346</u>

C. Availability Payment Arrangements (APA)

The City has entered into APAs to procure governmental services for its constituents. As of the end of this fiscal year, all APAs in which the City was engaged were related to providing services for the operations and/or maintenance of a nonfinancial asset. As per GASB Statement No. 94, all payments made to operators under this type of arrangements were reported as outflows of current resources for the reporting period. As of August 31, 2024 the City reported two APAs with total outflows in the amount of \$9.6 million.

NOTE 8. LONG-TERM OBLIGATIONS**A. Long-term Liabilities**

The City of El Paso issues general obligation bonds, certificates of obligations, and revenue bonds to provide funds for the acquisition and construction of major capital assets. These obligations have been issued for both governmental and business-type activities. The general obligation and certificate of obligation bonds are direct obligations and pledge the full faith and credit of the City of El Paso. The governmental activities special revenue bonds are not ad valorem tax supported debt. These obligations are paid with hotel occupancy tax, lease payments, a portion of sales tax, ticket and parking revenues. All obligations generally are issued as serial bonds maturing each year with maturities that range from 1 to 26 years.

The City intends to retire ad valorem tax supported long-term liabilities, plus interest, from future ad valorem tax levies. The City 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 ad valorem tax supported long-term liabilities for the year ended August 31, 2024 was \$0.256466 per \$100 assessed valuation.

The City Charter states that all indebtedness of the City that is supported by ad valorem tax shall not exceed ten percent of the total assessed valuation of the City's tax rolls. Ten percent of the fiscal year 2024 total assessed valuation base is \$4,902,519,958. The City's legal debt margin is \$3,547,890,508. Long-term liabilities issued to acquire proprietary fund assets are 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 long-term liabilities, the City intends for the proprietary funds to meet the debt service requirements.

General Obligation Bonds, Certificates of Obligations and Revenue Bonds as of August 31, 2024, are as follows:

	Original Issuance	Interest Rates	Maturity Date	August 31, 2024
Governmental Activities				
Certificates of Obligation Bonds				
Combination Tax & Revenue, Series 2014	\$ 47,420,000	4.00% - 5.00%	2040	\$ 5,935,000
Combination Tax & Revenue, Series 2015	54,185,000	4.00% - 5.00%	2041	42,815,000
Combination Tax & Revenue, Series 2016	79,270,000	4.00% - 5.00%	2042	79,270,000
Combination Tax & Revenue, Series 2019	93,460,000	3.13% - 5.00%	2044	78,125,000
Combination Tax & Revenue, Series 2020	84,855,000	4.00% - 5.00%	2045	78,620,000
Combination Tax & Revenue, Series 2021A	60,050,000	4.00% - 5.00%	2047	60,050,000
Combination Tax & Revenue, Series 2021B	16,490,000	4.00% - 5.00%	2047	16,490,000
Combination Tax & Revenue, Series 2021C	84,060,000	3.00% - 5.00%	2047	77,470,000
Total Certificates of Obligation Bonds				<u>438,775,000</u>
General Obligation Bonds				
Taxable Pension Refunding, Series 2007	101,240,000	5.51% - 6.02%	2035	61,275,000
Pension, Taxable Series 2014	110,610,000	0.62% - 5.18%	2034	54,245,000
Refunding & Improvement, Series 2014	85,930,000	3.38% - 5.00%	2039	1,375,000
Refunding & Improvement, Series 2015	116,415,000	3.63% - 5.00%	2041	62,600,000
Refunding, Series 2016	121,260,000	3.50% - 5.00%	2034	94,590,000
Series 2016	175,305,000	4.00% - 5.00%	2042	175,305,000
Refunding & Improvement, Series 2019A	76,895,000	2.00% - 5.00%	2044	62,660,000
Series 2019B	17,045,000	2.25% - 5.00%	2044	14,115,000
Refunding & Improvement, Series 2020A	109,085,000	3.00% - 5.00%	2045	98,125,000
Refunding, Series 2020B	\$ 23,040,000	5.00%	2032	\$ 17,550,000

NOTE 8. LONG-TERM OBLIGATIONS (continued)

	Original Issuance	Interest Rates	Maturity Date	August 31, 2024
Improvement, Series 2021	42,625,000	3.00% - 5.00%	2047	42,625,000
Refunding, Series 2021A	81,770,000	0.26% - 2.76%	2039	58,005,000
Series 2021B	73,460,000	3.00% - 5.00%	2047	69,510,000
Series 2023	44,735,000	4.00 to 5.00%	2048	43,705,000
Refunding, Series 2023A	11,555,000	5.00%	2037	11,555,000
Refunding, Series 2024	60,710,000	5.00%	2038	60,710,000
Total General Obligation Bonds				<u>927,950,000</u>
Special Revenue Bonds (Downtown Ballpark Venue Project)				
Special Revenue, Taxable Series 2013B	15,660,000	7.25%	2043	15,140,000
Special Revenue Refunding, Series 2016	17,665,000	2.00% - 5.00%	2043	12,765,000
Special Revenue Refunding, Series 2021	26,820,000	0.68% - 2.94%	2038	26,255,000
Special Revenue Refunding, Series 2023	5,380,000	4.03% - 5.00%	2043	5,215,000
Total Special Revenue Bonds				<u>59,375,000</u>
Total Governmental Activities				<u>\$ 1,426,100,000</u>
Business-Type Activities				
Certificates of Obligation Bonds				
Combination Tax & Airport Revenue, Series 2014	\$ 40,000,000	1.38% - 5.00%	2038	\$ 29,575,000
Combination Tax & Revenue, Series 2014	17,185,000	4.00% - 5.00%	2040	2,240,000
Combination Tax & Revenue, Series 2015	3,525,000	4.00% - 5.00%	2041	2,940,000
Combination Tax & Revenue, Series 2016	4,935,000	4.00% - 5.00%	2042	4,085,000
Total Certificates of Obligation Bonds				<u>38,840,000</u>
General Obligation Bonds				
Refunding & Improvement, Series 2019A	4,550,000	2.00% - 5.00%	2044	3,565,000
Refunding & Improvement, Series 2020A	4,850,000	3.00% - 5.00%	2045	4,455,000
Refunding Taxable, Series 2021A	23,520,000	0.26% - 2.76%	2039	20,460,000
Refunding, Series 2024	10,655,000	5.00%	2038	10,655,000
Total General Obligation Bonds				<u>39,135,000</u>
Revenue Bonds				
Airport Revenue, Series 2018	41,475,000	5.00%	2028	19,160,000
Airport Revenue Refunding, Series 2020	10,905,000	5.00%	2033	8,210,000
Total Revenue Bonds				<u>27,370,000</u>
Total Business-Type Activities				<u>\$ 105,345,000</u>

B. Current Refunding

On July 02, 2024, the City issued \$71,365,000 in General Obligation Refunding Bonds Series 2024 with an interest rate of 5.00%. The proceeds were used to refund \$12,595,000 of General Obligation Series 2014; \$26,660,000 of General Obligation Series 2014A and \$41,210,000 of Certificate of Obligations Series 2014 bonds. The net proceeds of \$81,775,626 (including premium of \$6,352,135, additional cash provided by the City in the amount of \$4,753,220, and after payment of \$694,729 in underwriting fees, yield reduction, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the before mentioned bonds are considered defeased and the liability has been removed from the statement of net position. This refunding reduced its total present value debt service payments by \$7,575,691 to obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$4,212,205.

NOTE 8. LONG-TERM OBLIGATIONS (continued)

As part of this additional cash, the City provided \$3.4 million to defease the debt associated with the Plaza Theater project. This cash defeasance not only generated an economic gain but also freed up meter revenue that was previously dedicated to repaying this debt. The released meter revenue now serves as an additional funding source for General Fund expenditures, helping to reduce the property tax burden on our community.

C. Cash Defeasance

On June 17, 2024 the City issued a partial cash defeasance of \$11,820,000 of General Obligation Series 2014. The cash provided by the City in the amount of \$12,016,981 (after payment of \$12,000 in processing costs) was deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the before mentioned bond is considered defeased and the liability has been removed from the statement of net position. The cash defeasance reduced the present value debt service payments by \$14,167,346 to obtain an economic gain (difference between the present value of the debt service payments on the old debt and cash provided) of \$2,138,365.

D. Bonds Authorized and Unissued

As of August 31, 2024, there were \$128,455,636, \$245,825,650 and \$226,380,000 in voter approved and unissued bonds as part of the 2012 Quality of Life Bonds, the 2019 Public Safety Bond, and the 2022 Community Progress Bond respectively. Additionally, there were \$32,813,163 in unissued bonds for infrastructure and other capital projects approved by City Council.

E. Unspent Bond Proceeds

The following summarizes the unspent bond proceeds as of August 31, 2024 relating to the acquisition and construction of capital assets. The El Paso International Airport unspent bond proceeds includes \$2.7 million in a debt service reserve fund as established by the bond covenant.

	<u>Unspent Bond Proceeds</u>
Capital Projects Fund	\$ 280,436,044
El Paso International Airport	2,753,473
Total	<u><u>\$ 283,189,517</u></u>

F. Arbitrage

The City's tax-exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations along with the bond covenants as of the fiscal year ended August 31, 2024. Under U.S Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal Government every fifth anniversary of each debt issue. The City contracts an independent consultant to evaluate the City's outstanding tax-exempt debt for arbitrage

NOTE 8. LONG-TERM OBLIGATIONS (continued)

liability. As of the end of the current fiscal year, the City recognized \$2.9 million in arbitrage liability related to its GO 2021, CO 2021A, GO 2021B and CO 2021C in governmental activities. The amount due pertains to an interim calculation completed as of August 31, 2024, however, the fifth year report will be due at the end of our fiscal year 2026.

G. Changes in Long-term Liabilities

Changes in the City's long-term liabilities for the year ended August 31, 2024, are as follows:

	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 961,005,000	\$ 60,710,000	\$ 93,765,000	\$ 927,950,000	\$ 47,095,000
Certificates of Obligation	478,710,000	—	39,935,000	438,775,000	14,035,000
Special Revenue Bonds	61,045,000	—	1,670,000	59,375,000	1,875,000
Premium	131,551,874	5,236,757	16,623,519	120,165,112	12,443,573
Arbitrage Rebate Payable	—	2,935,764	—	2,935,764	—
Total Bonds Payable	1,632,311,874	68,882,521	151,993,519	1,549,200,876	75,448,573
Notes Payable - Direct Borrowing	530,000	—	530,000	—	—
Lease Liability	11,666,732	3,232,839	1,805,393	13,094,178	1,192,664
SBITA Liability	3,542,461	—	1,182,710	2,359,751	931,622
Chapter 380 Agreement Obligations	42,308,782	—	3,045,591	39,263,191	—
Due to Component Unit - Land	25,595,142	—	949,967	24,645,175	949,967
Compensated Absences	76,885,558	8,384,678	8,134,588	77,135,648	23,140,694
Accrued Health and Workers Compensation Claims	21,934,396	40,394,999	39,923,631	22,405,764	6,721,729
Net Pension Liability	652,624,638	20,617,952	13,821,556	659,421,034	—
Total OPEB Liability	86,723,178	24,725,110	5,861,400	105,586,888	2,857,602
Claims and Judgments	4,493,318	53,885	—	4,547,203	—
Total Other Obligations	926,304,205	97,409,463	75,254,836	948,458,832	35,794,278
Total Governmental Activities	\$ 2,558,616,079	\$ 166,291,984	\$ 227,248,355	\$ 2,497,659,708	\$ 111,242,851

The General Fund is used to liquidate the liability for Compensated Absences, Net Pension Liability and OPEB obligations for all governmental activities.

	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024	Due Within One Year
Business-Type Activities					
El Paso International Airport					
Bonds Payable					
Revenue Bonds	\$ 32,330,000	\$ —	\$ 4,960,000	\$ 27,370,000	\$ 5,205,000
Certificates of Obligation	31,070,000	—	1,495,000	29,575,000	1,550,000
Premium	2,974,464	—	733,444	2,241,020	626,421
Discount	(37,248)	—	(4,076)	(33,172)	(3,917)
Total Bonds Payable	66,337,216	—	7,184,368	59,152,848	7,377,504
SBITA	15,763	—	15,763	—	—
Compensated Absences	3,138,203	294,946	603,177	2,829,972	848,992
Net Pension Liability	10,695,971	3,601,798	—	14,297,769	—
Total OPEB Liability	5,946,155	1,695,325	401,899	7,239,581	195,932
Total El Paso International Airport	86,133,308	5,592,069	8,205,207	83,520,170	8,422,428

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 8. LONG-TERM OBLIGATIONS (continued)

	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024	Due Within One Year
Environmental Services					
Bonds Payable					
Certificates of Obligation	\$ 3,900,000	\$ —	\$ 3,275,000	\$ 625,000	\$ —
General Obligation Bonds	6,265,000	3,260,000	1,740,000	7,785,000	1,470,000
Premium	268,527	316,310	227,676	357,161	44,875
Total Bonds Payable	10,433,527	3,576,310	5,242,676	8,767,161	1,514,875
SBITA Liability	31,526	—	31,526	—	—
Landfill Closure and Post-Closure	17,379,591	1,264,195	—	18,643,786	—
Delta Transfer Station Post-Closure	150,107	5,404	—	155,511	—
Compensated Absences	1,531,391	260,582	179,097	1,612,876	483,863
Claims and Judgments	2,227,167	—	2,038,118	189,049	—
Net Pension Liability	16,040,197	5,401,430	—	21,441,627	—
Total OPEB Liability	7,811,958	2,224,708	527,396	9,509,270	257,359
Total Environmental Services	55,605,464	12,732,629	8,018,813	60,319,280	2,256,097
Mass Transit					
Bonds Payable					
Certificates of Obligation	17,385,000	—	8,745,000	8,640,000	260,000
General Obligation Bonds	25,320,000	7,395,000	1,365,000	31,350,000	1,765,000
Premium	2,501,759	799,067	738,978	2,561,848	290,932
Total Bonds Payable	45,206,759	8,194,067	10,848,978	42,551,848	2,315,932
Lease Liability	2,567,982	—	66,622	2,501,360	68,286
SBITA Liability	343,241	134,622	97,516	380,347	307,062
Compensated Absences	1,864,479	295,623	298,030	1,862,072	558,622
Claims and Judgments	627,360	—	61,835	565,525	—
Net Pension Liability	28,966,162	9,754,162	—	38,720,324	—
Total OPEB Liability	11,997,357	3,419,879	810,726	14,606,510	395,310
Total Mass Transit	91,573,340	21,798,353	12,183,707	101,187,986	3,645,212
International Bridges					
SBITA Liability	259,144	—	138,527	120,617	120,617
Compensated Absences	311,639	32,634	77,025	267,248	80,174
Net Pension Liability	1,987,329	669,220	—	2,656,549	—
Total OPEB Liability	1,430,767	405,968	96,240	1,740,495	47,105
Total International Bridges	3,988,879	1,107,822	311,792	4,784,909	247,896
Tax Office					
Leases	1,316,125	—	124,252	1,191,873	130,499
Compensated Absences	111,242	54,380	30,441	135,181	40,554
Total OPEB Liability	18,078	6,495	1,540	23,033	623
Total Tax Office	1,445,445	60,875	156,233	1,350,087	171,676
Total Business-Type Activities	\$ 238,746,436	\$ 41,291,748	\$ 28,875,752	\$ 251,162,432	\$ 14,743,309

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 8. LONG-TERM OBLIGATIONS (continued)

	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024	Due Within One Year
Business-Type Activities					
Bonds Payable					
Revenue Bonds	\$ 32,330,000	\$ —	\$ 4,960,000	\$ 27,370,000	\$ 5,205,000
Certificates of Obligation	52,355,000	—	13,515,000	38,840,000	1,810,000
General Obligation Bonds	31,585,000	10,655,000	3,105,000	39,135,000	3,235,000
Premium	5,744,750	1,115,377	1,700,098	5,160,029	962,228
Discount	(37,248)	—	(4,076)	(33,172)	(3,917)
Total Bonds Payable	121,977,502	11,770,377	23,276,022	110,471,857	11,208,311
Lease Liability	3,884,107	—	190,874	3,693,233	198,785
SBITA Liability	649,674	134,622	283,332	500,964	427,679
Landfill Closure and Post-Closure	17,379,591	1,264,195	—	18,643,786	—
Delta Transfer Station Post-Closure	150,107	5,404	—	155,511	—
Compensated Absences	6,956,954	938,165	1,187,770	6,707,349	2,012,205
Claims and Judgments	2,854,527	—	2,099,953	754,574	—
Net Pension Liability	57,689,659	19,426,610	—	77,116,269	—
Total OPEB Liability	27,204,315	7,752,375	1,837,801	33,118,889	896,329
Total Business-Type Activities	\$ 238,746,436	\$ 41,291,748	\$ 28,875,752	\$ 251,162,432	\$ 14,743,309

H. Bonded Debt Requirements: General Obligation and Certificate of Obligation Bonds

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 61,130,000	\$ 59,817,935	\$ 5,045,000	\$ 3,130,911	\$ 66,175,000	\$ 62,948,846
2026	65,930,000	56,875,673	5,395,000	2,980,802	71,325,000	59,856,475
2027	66,195,000	53,735,435	5,340,000	2,806,097	71,535,000	56,541,532
2028	70,180,000	50,609,876	5,515,000	2,628,453	75,695,000	53,238,329
2029	79,965,000	47,189,833	4,540,000	2,436,658	84,505,000	49,626,491
2030-2034	412,290,000	176,666,645	25,640,000	9,110,240	437,930,000	185,776,885
2035-2039	302,150,000	96,498,086	23,945,000	3,366,611	326,095,000	99,864,697
2040-2044	239,055,000	39,417,606	2,555,000	169,800	241,610,000	39,587,406
2045-2049	69,830,000	5,363,750	—	—	69,830,000	5,363,750
Total	\$ 1,366,725,000	\$ 586,174,839	\$ 77,975,000	\$ 26,629,572	\$ 1,444,700,000	\$ 612,804,411

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 8. LONG-TERM OBLIGATIONS (continued)

I. Debt Service Requirements: Revenue Bonds

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Special Revenue Bonds		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,875,000	\$ 2,406,952	\$ 5,205,000	\$ 1,368,500	\$ 7,080,000	\$ 3,775,452
2026	2,070,000	2,330,998	5,470,000	1,108,250	7,540,000	3,439,248
2027	2,270,000	2,243,664	5,735,000	834,750	8,005,000	3,078,414
2028	2,485,000	2,144,153	6,025,000	548,000	8,510,000	2,692,153
2029	2,705,000	2,077,730	920,000	246,750	3,625,000	2,324,480
2030-2034	17,200,000	8,910,738	4,015,000	502,000	21,215,000	9,412,738
2035-2039	20,100,000	5,346,668	—	—	20,100,000	5,346,668
2040-2044	10,670,000	1,516,677	—	—	10,670,000	1,516,677
Total	\$ 59,375,000	\$ 26,977,580	\$ 27,370,000	\$ 4,608,250	\$ 86,745,000	\$ 31,585,830

J. Long-term Debt Outstanding

	Issue Date	Maturity Date	Original Issuance	Interest Rates	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024
Certificates of Obligation								
Series 2014 - Combination Tax & Revenue(Airport)	4/30/2014	8/15/2038	40,000,000	1.375 - 5.000%	\$ 31,070,000	\$ —	\$ 1,495,000	\$ 29,575,000
Series 2014 - Combination Tax & Revenue	8/26/2014	8/15/2040	64,605,000	4.000 - 5.000%	51,630,000	—	43,455,000	8,175,000
Series 2015 - Combination Tax & Revenue	8/17/2015	8/15/2041	57,710,000	4.000 - 5.000%	48,000,000	—	2,245,000	45,755,000
Series 2016 - Combination Tax & Revenue	6/30/2016	8/15/2042	84,205,000	4.000 - 5.000%	83,495,000	—	140,000	83,355,000
Series 2019 - Combination Tax & Revenue	3/5/2019	8/15/2044	93,460,000	3.125 - 5.000%	80,460,000	—	2,335,000	78,125,000
Series 2020 - Combination Tax & Revenue	3/10/2020	8/15/2045	84,855,000	4.000 - 5.000%	80,800,000	—	2,180,000	78,620,000
Series 2021A - Combination Tax & Revenue	6/3/2021	8/15/2047	60,050,000	4.000 - 5.000%	60,050,000	—	—	60,050,000
Series 2021B - Combination Tax & Revenue	6/3/2021	8/15/2047	16,490,000	4.000 - 5.000%	16,490,000	—	—	16,490,000
Series 2021C - Combination Tax & Revenue	12/7/2021	8/15/2047	84,060,000	3.000 - 5.000%	79,070,000	—	1,600,000	77,470,000
Total Certificates of Obligation					531,065,000	—	53,450,000	477,615,000
General Obligation								
Series 2007 - Taxable Pension	6/15/2007	8/15/2035	101,240,000	5.512 - 6.018%	65,140,000	—	3,865,000	61,275,000
Series 2014 - Pension	1/16/2014	8/15/2034	110,610,000	0.622 - 5.177%	71,150,000	—	16,905,000	54,245,000
Series 2014 - Refunding & Improvement	5/20/2014	8/15/2039	88,515,000	3.375 - 5.000%	20,630,000	—	19,255,000	1,375,000
Series 2014A - Refunding	8/26/2014	8/15/2031	49,360,000	2.000 - 5.000%	29,390,000	—	29,390,000	—
Series 2015 - Refunding & Improvement	8/17/2015	8/15/2041	116,415,000	3.905 - 5.000%	74,255,000	—	11,655,000	62,600,000
Series 2016 - Refunding	6/15/2016	8/15/2034	121,260,000	3.500 - 5.000%	95,680,000	—	1,090,000	94,590,000
Series 2016	6/30/2016	8/15/2042	175,305,000	4.000 - 5.000%	175,305,000	—	—	175,305,000
Series 2019A - Refunding & Improvement	3/5/2019	8/15/2044	81,445,000	2.000 - 5.000%	69,725,000	—	3,500,000	66,225,000
Series 2019B	3/5/2019	8/15/2044	17,045,000	2.000 - 5.000%	14,585,000	—	470,000	14,115,000
Series 2020A - Refunding & Improvement	3/10/2020	8/15/2045	113,935,000	3.000 - 5.000%	105,140,000	—	2,560,000	102,580,000
Series 2020B - Refunding	5/19/2020	8/15/2032	23,040,000	5.000%	18,510,000	—	960,000	17,550,000
Series 2021 - Improvement	6/3/2021	8/15/2047	42,625,000	3.000 - 5.000%	42,625,000	—	—	42,625,000
Series 2021A - Refunding	6/3/2021	8/15/2039	105,290,000	0.257 - 2.759%	84,655,000	—	6,190,000	78,465,000
Series 2021B	12/7/2021	8/15/2047	73,460,000	3.000 - 5.000%	69,510,000	—	—	69,510,000
Series 2023	6/13/2023	8/15/2048	44,735,000	4.000 to 5.000%	44,735,000	—	1,030,000	43,705,000
Series 2023A - Refunding	6/13/2023	8/15/2037	11,555,000	5.000%	11,555,000	—	—	11,555,000
Series 2024- Refunding	7/2/2024	8/15/2038	71,365,000	5.000%	—	71,365,000	—	71,365,000
Total General Obligation Bonds					992,590,000	71,365,000	96,870,000	967,085,000
Total General Obligation and Certificates of Obligation Bonds					\$ 1,523,655,000	\$ 71,365,000	\$150,320,000	\$ 1,444,700,000

NOTE 8. LONG-TERM OBLIGATIONS (continued)

	Issue Date	Maturity Date	Original Issuance	Interest Rates	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024
Notes Payable - Direct Borrowing								
Tax Notes, Series 2017 (1)	8/22/2017	8/15/2024	\$ 3,500,000	1.940%	\$ 530,000	\$ —	\$ 530,000	\$ —
Revenue Bonds								
Series 2018 - El Paso International Airport	9/1/2018	8/15/2028	\$ 41,475,000	5.000%	\$ 23,395,000	\$ —	\$ 4,235,000	\$ 19,160,000
Series 2020 - El Paso International Airport Refunding	5/19/2020	8/15/2033	10,905,000	5.000%	8,935,000	—	725,000	8,210,000
Total Revenue Bonds					\$ 32,330,000	\$ —	\$ 4,960,000	\$ 27,370,000
Special Revenue Bonds								
Series 2013B - Taxable (Ballpark)	8/29/2013	8/15/2043	15,660,000	7.250%	\$ 15,355,000	\$ —	\$ 215,000	\$ 15,140,000
Series 2016 (Ballpark)	6/29/2016	8/15/2043	17,665,000	2.000 - 5.000%	13,490,000	—	725,000	12,765,000
Special Revenue Refunding, Series 2021	6/8/2021	8/15/2038	26,820,000	0.680 - 2.940%	26,820,000	—	565,000	26,255,000
Special Revenue Refunding, Series 2023	6/20/2023	8/15/2043	5,380,000	4.025 to 5.000%	5,380,000	—	165,000	5,215,000
Total Special Revenue Bonds					\$ 61,045,000	\$ —	\$ 1,670,000	\$ 59,375,000

(1) The Tax Note is supported by ad valorem taxes

K Notes Payable - Direct Borrowing

The 2017 Tax Note is a direct borrowing and was issued for vehicle replacement. This note was paid in full as of August 31, 2024.

L. Chapter 380 Agreement Obligations

In previous years, the City entered into Chapter 380 Agreements with developers for the redevelopment of the Paso Del Norte Hotel and Plaza Hotel in downtown El Paso. This program is for the purpose of promoting local economic development and stimulating business and commercial activity within the City. Each agreement contains events of default such as failure to obtain certificate of occupancy, failure to operate hotel, failure to file Hotel Occupancy Tax Return, quality of hotel, insolvency and failure to pay property taxes. In the event of default, the agreement may be terminated by the City after giving the developer notice and sufficient opportunity to cure any such alleged default pursuant to the agreement. Each liability obligation is dependent on the developers meeting specific objectives according to their Chapter 380 Agreement.

M. 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. 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.

The estimated total closure and post-closure costs is approximately \$18.8 million as of August 31, 2024. The recognized liability of approximately \$18.8 million, is computed based on the percentage of landfill capacity used which is approximately 26.1% as of August 31, 2024. The estimated total current cost of closure and post-closure care remaining to be recognized is \$75.0 million.

NOTE 8. LONG-TERM OBLIGATIONS (continued)

Clint Landfill (TCEQ Permit 1482) – The City closed this facility in fiscal year 2010. The total closure and post-closure costs are estimated at \$12.71 million. Approximately \$8.6 million has been expended for the closure cost. The resulting ending liability of \$4.1 million relates to the estimated post-closure cost.

Clint Landfill (TCEQ Permit 2284) – This landfill is currently accepting solid waste and capacity used is 54.1% at August 31, 2024. Closure and post-closure costs are estimated at \$19.4 million. The estimated closure and post-closure cost liability of \$10.5 million is included in the recorded liability. The estimated remaining useful life for this landfill is 14 years.

McCombs Landfill (TCEQ Permit 729A) – This landfill is currently accepting solid waste and capacity used is 7.4% at August 31, 2024. Closure and post-closure costs are estimated at \$54.7 million. The estimated closure and post-closure cost liability of \$4.1 million is included in the recorded liability. The estimated remaining useful life for this landfill is 43 years.

Delta Transfer Station (TCEQ Permit 728) – The City owns and operates a transfer process facility for solid waste near Delta Street in El Paso. 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, 2024, the estimated total cost of closure of the Delta Transfer Station is \$155.5 thousand and is recognized as a liability in these financial statements.

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 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, 2024, 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 the 2024 audited financial statements.

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 9. FUND BALANCE

Fund balance components of Governmental Funds are as follows:

	General Fund	Community Development Block Grants	Debt Service	Capital Projects	COVID-19 Relief Grants	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable						
Inventory and Prepaids	\$ 7,244,631	\$ —	\$ —	\$ —	\$ —	\$ 585,144
Restricted						
Cash Reserve	25,683,429	—	—	—	—	—
Debt Service	—	—	12,095,550	—	—	—
Municipal Court	—	—	—	—	—	4,164,682
Capital Projects	—	—	—	289,410,534	—	1,582,348
PEG	—	—	—	—	—	9,160,853
Civic Center	—	—	—	—	—	13,305,023
Library	—	—	—	—	—	1,556,226
Museums	—	—	—	—	—	105,226
Police	—	—	—	—	—	6,228,024
Economic Development	—	—	—	—	—	6,695,101
Zoo	—	—	—	—	—	163,400
Fire	—	—	—	—	—	93,853
Parks	—	—	—	—	—	242,295
Community Development	—	13,529,136	—	—	—	—
Public Health	—	—	—	—	1,972,405	17,910,792
Committed						
Cash Reserve	92,786,737	—	—	—	—	—
Parks	—	—	—	—	—	4,365,796
Community Development	—	—	—	—	—	4,453,487
Economic Development	—	—	—	—	—	58,704,692
Mayor and Council	—	—	—	—	—	1,401,883
Museums	—	—	—	—	—	570,449
Zoo	—	—	—	—	—	4,496,590
Capital Projects	—	—	—	45,297,760	—	—
Police	—	—	—	—	—	152,520
Environmental Fee	—	—	—	—	—	4,186,291
Public Works	—	—	—	—	—	15,665,422
Assigned						
Cash Reserve	2,200,000	—	—	—	—	—
Unassigned (Deficits)	40,577,933	—	—	—	—	(8,279,170)
Total Fund Balances (Deficits)	<u>\$ 168,492,730</u>	<u>\$ 13,529,136</u>	<u>\$ 12,095,550</u>	<u>\$ 334,708,294</u>	<u>\$ 1,972,405</u>	<u>\$ 147,510,927</u>

Federal, State and Other Grants had a fund balance deficit of \$8.3 million within the nonmajor governmental funds. The deficit is due to expenditures for grants being incurred and revenue not being available during the availability period as established by the City's accounting policies. Included in this deficit is a negative fund balance for Animal Services that resulted from appropriations not being sufficiently funded.

NOTE 9. FUND BALANCE (continued)**Business-Type Activities**

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

Restricted Net Position	
El Paso International Airport:	
Restricted for Passenger Facilities (by FAA)	\$ 20,470,137
Restricted for Debt Service	2,737,000
Restricted per Bond Covenants (Cash Reserve)	11,565,647
Total Restricted Net Position	<u>\$ 34,772,784</u>

El Paso International Airport

The Airport has restricted assets that are for specific use in accordance with an agreement with the United States Government. This agreement was established 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 (FAA). 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.

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to or 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 Fund and as expenditures or expenses in the governmental and proprietary funds. Accruals for unpaid claims and claims incurred but not reported are reflected in the accompanying proprietary funds Statement of Net Position 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, 2024, is \$22.4 million. The total claims liability reported in the Internal Service Fund at August 31, 2024, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements

NOTE 10. RISK MANAGEMENT (continued)

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 Self Insurance Fund's claims liability amount in fiscal 2024 and 2023 were:

	Workers' Compensation	Group Health	Unemployment Compensation	Total
Claims Liability at August 31, 2022	\$ 16,166,027	\$ 4,347,660	\$ —	\$ 20,513,687
Incurred Claims	3,254,866	41,374,593	51,900	44,681,359
Payment on Claims	(2,746,220)	(40,462,530)	(51,900)	(43,260,650)
Claims Liability at August 31, 2023	16,674,673	5,259,723	—	21,934,396
Incurred Claims	2,090,365	38,304,634	250,092	40,645,091
Payment on Claims	(2,878,618)	(37,045,013)	(250,092)	(40,173,723)
Claims Liability at August 31, 2024	<u>\$ 15,886,420</u>	<u>\$ 6,519,344</u>	<u>\$ —</u>	<u>\$ 22,405,764</u>

B. Property, Casualty & Liability, Self-Insurance Insurance, and Bonds

The City has third party insurance for property insurance procured competitively through a third-party broker of record. The third-party property insurance includes fine arts, building replacement, boiler and machinery, aircraft hull and liability, marine hull and liability, mass transit fleet and liability including railcar, and railroad property and liability.

The City has third-party insurance for auto liability and comprehensive and catastrophic coverage for some city-owned fleet and rental vehicles. The City has joined together with other government entities 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 re-insure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates a minimum to no contingent losses. TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool.

The City has third party liability insurance procured competitively through a third-party broker of record. The third-party liability insurance includes airport general liability, general liability for the fine arts museum, baseball park liability, and parking areas, crime, unmanned aerial vehicles (UAV/ Drones), medical professional liability for public health, public officials' liability (includes errors and omissions), cyber liability, and garage liability.

The City self-insurance includes most general liability, police liability, and a self-insurance retention along with various deductible levels as needed. The City is self-insured for workers' compensation claims.

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

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

The City maintains a group health insurance plan for active 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.

D. Unemployment Compensation Insurance

The City is self-insured 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**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Claims and lawsuits against the City for which a liability for losses is deemed as probable in the amount of \$5.3 million has been accrued as of August 31, 2024.

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. Opioid Settlement

The City is a participant in both the Johnson & Johnson and Distributor Settlements to allow the City to receive its allocation of settlement funds for use in opioid mitigation measures and to participate in other opioid litigation settlements. The settlement funds are distributed by the State of Texas Opioid Abatement Trust Fund which is part of the national opioid settlements agreement. These funds will be used to invest in harm reduction strategies to address the overdose crisis.

The City received a payment of \$459.1 thousand through August 31, 2024, and anticipate receiving additional payments of \$765.2 thousand. The funds are recorded as unearned revenue until allowable costs have been incurred.

NOTE 12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

Texas statute provides that retirees from a municipality with a population of 25,000 or more and who 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 establish and amend the requirements of this statute. The City provides certain healthcare benefits for retired employees. The postemployment Aetna Choice POS II Medical Plan is a single-employer plan administered by Aetna.

1. Benefits Provided

The City offers medical, dental and vision benefits for retired employees and their dependents. There are three medical plan options for retirees under age 65. Upon Medicare eligibility, retirees move to a Medicare Advantage plan. All plans are fully insured and are not pooled with active employees. Retirees are also eligible to continue fully insured dental and vision benefits.

To be eligible to continue coverage under the City's plan, employees must satisfy the retirement eligibility requirements of the pension plan to which they belong. In addition, they must be enrolled in the City's active employee health benefit plan at the time of retirement. Prior to January 1, 2019, election to continue coverage could only be made at retirement. Retirees were not eligible to rejoin at any other time. Effective with employees who retire on or after January 1, 2019, an employee must have been covered by the City prior to retirement to be eligible for coverage. The retiree has the option to continue coverage or to drop medical coverage but rejoin upon Medicare eligibility.

Retirees are required to contribute a portion of the medical and Medicare Advantage premium rates. To continue with dental and vision, retirees must pay the full premium amount. Retirees pay a premium ranging from \$144.18 to \$2,899.71 per month depending on the coverage elected. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

2. Employees Covered by Benefit Terms

At August 31, 2024, the following employees were covered by the benefit terms of the OPEB plan:

Inactive employees currently receiving benefits payments	863
Inactive employees entitled to but not yet receiving benefits payments	0
Active employees	4,268
Total	<u>5,131</u>

3. Total OPEB Liability

The City's total OPEB liability of \$138.7 million was measured as of August 31, 2024, and was determined by an actuarial valuation as of August 31, 2024.

NOTE 12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

4. Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on assumptions regarding the survival of plan members, the average per-capita claims cost, when current employees are expected to retire, and so forth. The assumptions were derived from a combination of plan experience, actuarial judgement, and the City's pension plans' valuations.

The City's total OPEB liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation:	2.40 percent
Salary Increases:	3.25 percent, including inflation
Discount Rate:	3.99 percent
Prior Year Discount Rate:	4.13 percent
Healthcare Cost Trend Rates:	Initial rates are based on actual changes in the fully-insured premiums

The discount rate was based on the August 31, 2024 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee and Retiree Mortality Tables for males or females, Generational with Projection Scale MP-2021.

B. Changes in Total OPEB Liability

The following table shows the changes in the City's total OPEB liability.

	Total OPEB Liability
Balance at 8/31/2023	\$ 113,927,493
Changes for the Year:	
Service Cost	4,329,820
Interest	4,793,299
Differences Between Expected and Actual Experience	(5,451,080)
Change in Assumptions/Inputs	25,584,138
Benefit Payments	(4,477,893)
Net Changes	24,778,284
Balance at 8/31/2024	\$ 138,705,777

1. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using discount rates that are one-percent lower or one-percent higher than the current discount rate.

NOTE 12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

	1% Decrease (2.99%)	Discount Rate (3.99%)	1% Increase (4.99%)
Total OPEB Liability	\$ 150,209,843	\$ 138,705,777	\$ 116,215,298

2. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Baseline

The following presents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are one-percent lower or one-percent higher than the median current healthcare cost trend baseline of 4.64%.

	1% Decrease (3.64%)	Healthcare Cost Trend Baseline (4.64%)	1% Increase (5.64%)
Total OPEB Liability	\$ 113,337,730	\$ 138,705,777	\$ 150,209,843

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended August 31, 2024, the City recognized OPEB income in the amount of \$360.8 thousand. As of August 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as presented below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 7,948,284	\$ 5,820,337
Changes of Assumptions or Other Inputs	23,656,701	45,334,545
Total	<u>\$ 31,604,985</u>	<u>\$ 51,154,882</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense as follows:

Year Ended August 31,	Amount
2025	\$ (4,619,347)
2026	(6,299,072)
2027	(6,299,072)
2028	(6,299,072)
2029	1,090,514
Thereafter	2,876,152
Total	<u>\$ (19,549,897)</u>

NOTE 13. EMPLOYEE BENEFIT PLANS**1. PENSION PLANS**

The employees of the City and EPWater participate in one of two single-employer defined benefit pension plans: the City Employees Retirement Trust (CERT) and the Firemen and Policemen's Pension Funds (FPPF), which consists of separate divisions for firemen (FPPF-Firemen Division) and policemen (FPPF-Policemen Division). Separate boards of trustees administer these pension plans as described in Note 1 (CERT Board and FPPF Board, respectively).

The CERT 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 are as follows:

	FPPF				Total Pension Trust Funds
	CERT	Firemen Division	Policemen Division	Total	
Net Pension Liability	\$ 225,189,417	\$ 204,007,150	\$ 307,340,736	\$ 511,347,886	\$ 736,537,303
Deferred Outflows of Resources					
Subsequent Contributions	27,370,591	10,562,996	15,005,936	25,568,932	52,939,523
Change in Experience	38,668,763	8,562,811	17,803,485	26,366,296	65,035,059
Change in Assumptions	8,597	2,846,484	5,459,055	8,305,539	8,314,136
Investment Earnings	42,613,469	41,114,477	57,123,051	98,237,528	140,850,997
Deferred Inflows of Resources					
Change in Experience	—	364,668	514,789	879,457	879,457
Pension Expense	35,536,850	12,122,588	20,154,694	32,277,282	67,814,132

The CERT amounts exclude an allocated portion for EPWater (19.9%).

A. Membership

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

	August 31, 2023	December 31, 2023		
	CERT	Firemen Division	Policemen Division	Total FPPF
Retirees and Beneficiaries Receiving Benefits	3,657	848	1,199	2,047
Inactive Plan Members Entitled but not yet Receiving Benefits	173	6	12	18
Active Plan Members	4,128	912	1,113	2,025
Total	7,958	1,766	2,324	4,090

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)**B. City Employees Retirement Trust****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 CERT.

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

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

The CERT 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 CERT.

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 5 years of service receive a refund of their contributions. Participants leaving the Plan with more than 5 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 10 years of service or 45 years of age and 7 years of service. Normal retirement is the earlier of: (i) 55 years of age with 10 years of service, or (ii) 60 years of age with 7 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 actuarial 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,

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

plus 0.2083 of 1% of such average for each additional completed or fractional part of a month of service.

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 7 years of service receive a refund of their contributions. Participants leaving the Plan with more than 7 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 7 years of service. Normal retirement is the earlier of: (i) 60 years of age with 7 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. A pension benefit is available to surviving spouses and dependents. The Plan includes no automatic increase in retirement benefits. However, the Board, at its discretion after consideration of a recent actuarial review of the funding status, may provide ad-hoc cost of living or other increases in retirement benefits.

2. Basis of Accounting

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

The preparation of financial statements in conformity with GAAP requires the CERT's management to make estimates and assumptions that affect the reported amounts in assets and liabilities, and disclosure of contingent assets and liabilities and the actuarial valuation of the CERT's benefits 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. Valuation of Investments

Investments are stated at fair value in the accompanying statements 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, 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

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

following acquisition of 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 GASB Statement No. 72 - *Fair Value Measurement*, 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.

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 in fair value of investments reflected in the accompanying statement 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

Concentration of credit risk is the risk of loss attributed to the magnitude of the CERT's investment in a single issuer. The CERT's investment policy does not allow for the investment portfolio to hold more than 10% in any one company. The following table represents the fair value of investments that represents 5% or more of the CERT's net position at August 31, 2024. 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, 2024	Shares	Fair Value
BNYMM DB SL SCWI_EX US IMI		
Mellon Capital Management Corporation	7,798,922	\$ 82,453,499
Mellon DB SL Stock Index Fund		
Mellon Capital Management Corporation	15,082	135,346,516
EB MCM Aggregate Bond Index Fund		
Mellon Capital Management Corporation	132,348	73,623,137
Blackrock Total Return Bond Fund		
Blackrock Capital Management	5,937,046	68,513,315
Wellington Fund		
Wellington Capital Management	5,995,046	68,823,133
Arrowstreet International Equity ACWI EX US CIT Class A		
Arrowstreet CIT	324,068	67,438,971
BNYM Newton NSL Dynamic US Equity Fund		
Mellon Capital Management Corporation	101,558	69,391,075
AB US Small and Mid Cap Core		
Alliance and Bernstein	2,669,661	54,277,961
CIF II SMID CAP Research (SER1)		
Wellington Capital Management	2,048,246	56,859,318
Heitman American Real Estate Trust LP		
Heitman	40,558	50,530,096
Lazard Intl Strategic EQ		
Lazard Asset Management	2,569,466	64,056,780

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)**5. Contributions Required and Contributions Made**

Contribution rates for the CERT are based upon local statutes as enacted by the El Paso City Council 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 (30) years. As of the most recent actuarial valuation, the contribution rate was 23.00% of annual covered payroll.

Contributions to CERT for the year ended August 31, 2024, were made as follows:

	Amount	Stated Percentage of Covered Payroll
Employer Contributions	\$ 34,170,525	14.05%
Employee Contributions	21,776,219	8.95%
Total	<u>\$ 55,946,744</u>	<u>23.00%</u>

6. Actuarial Assumptions

The total pension liability as of August 31, 2024 was measured as of August 31, 2023 and determined based on September 1, 2022 valuation using the following assumptions:

Cost of living benefits increases	None
Inflation	2.5%
Salary increases	2.5%, average, including inflation
Investment rate of return	7.25%, compounded annually, net of expenses
Actuarial cost method	Entry-age-normal-level percentage of pay
Asset valuation method	Plan invested assets are reported at fair value

Mortality rates for active and deferred vested participants are based on the RP-2014 employee tables with Blue Collar adjustment projected with Scale MP-2019 on a fully generational basis. Mortality rates for healthy retirees and survivors are based on RP-2014 healthy annuitant tables with Blue Collar adjustment (92% of male rates and 100% of female rates) projected with Scale MP-2019 on a fully generational basis. Mortality rates for disabled participants are based on the RP-2014 disabled annuitant table projected with Scale MP-2014 on a fully generational basis. Five percent of deaths among active participants are assumed to be job-related deaths. The remaining 95% of deaths are assumed not to be job-related.

The actuarial assumptions used in the September 1, 2022 valuation was based on the results of an actuarial experience study performed for the period September 1, 2014 through August 31, 2018, and the funding policy that was formalized in 2019.

The long-term expected rate of return on pension fund investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

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 CERT's target asset allocation as of August 31, 2024 (measurement date) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	5.34 %
International Equity	7.02 %
Fixed Income	2.19 %
Real Estate	3.87 %
Private Equity	8.59 %

7. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be based on the rates established by Ordinance. Based on those assumptions, 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 in accordance with the method prescribed by GASB Statement No. 67.

In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 4.30% as of August 31, 2024.

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 CERT and as apportioned to the City and EPWater, as determined by the City at August 31, 2024:

Changes in Net Pension Liability - City Employees Retirement Trust			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 1,118,495,801	\$ 908,273,911	\$ 210,221,890
Changes for the Year:			
Service Cost	21,447,197	—	21,447,197
Interest on Total Pension Liability	79,707,205	—	79,707,205
Benefit Payments	(81,066,555)	(81,066,555)	—
Employer Contributions	—	33,055,632	(33,055,632)
Difference in Expected and Actual Experience	56,863,598	—	56,863,598
Plan Member Contributions	—	18,582,860	(18,582,860)
Net Investment Income	—	37,732,148	(37,732,148)
Administrative Expense	—	(2,266,105)	2,266,105
Net Changes	76,951,445	6,037,980	70,913,465
Balances as of August 31, 2024	<u>\$ 1,195,447,246</u>	<u>\$ 914,311,891</u>	<u>\$ 281,135,355</u>

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)**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 September 1, 2023	\$ 895,915,135	\$ 727,527,402	\$ 168,387,733
Changes for the Year:			
Service Cost	17,179,204	—	17,179,204
Interest on Total Pension Liability	63,845,471	—	63,845,471
Difference in Expected and Actual Experience	45,547,742	—	45,547,742
Benefit Payments	(64,934,311)	(64,934,311)	—
Employer Contributions	—	26,477,561	(26,477,561)
Plan Member Contributions	—	14,884,871	(14,884,871)
Net Investment Income	—	30,223,451	(30,223,451)
Administrative Expense	—	(1,815,150)	1,815,150
Net Changes	61,638,106	4,836,422	56,801,684
Balances as of August 31, 2024	<u>\$ 957,553,241</u>	<u>\$ 732,363,824</u>	<u>\$ 225,189,417</u>

Changes in Net Pension Liability - EPWater

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 1, 2023	\$ 222,580,666	\$ 180,746,509	\$ 41,834,157
Changes for the Year:			
Service Cost	4,267,993	—	4,267,993
Interest on Total Pension Liability	15,861,734	—	15,861,734
Diff in expected and actual experience	11,315,856	—	11,315,856
Benefit Payments	(16,132,244)	(16,132,244)	—
Employer Contributions	—	6,578,071	(6,578,071)
Plan Member Contributions	—	3,697,989	(3,697,989)
Net Investment Income	—	7,508,697	(7,508,697)
Administrative Expense	—	(450,955)	450,955
Net Changes	15,313,339	1,201,558	14,111,781
Balances as of August 31, 2024	<u>\$ 237,894,005</u>	<u>\$ 181,948,067</u>	<u>\$ 55,945,938</u>

8. Sensitivity to Interest Rate Changes

The following presents the resulting net pension liability as of August 31, 2023 (measurement date) calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's Net Pension Liability	\$ 415,718,563	\$ 281,135,355	\$ 168,485,761

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)**9. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended August 31, 2024, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$35,536,850 for the City and \$8,828,755 for EPWater. The reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the City Employees Retirement Trust in total and as apportioned to the City and EPWater, as determined by the City at August 31, 2024:

City Employees Retirement Trust	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in Expected and Actual Experience	\$ 48,275,611	\$ —
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	53,200,336	—
Change in Assumptions for Pensions	10,731	—
Contributions Subsequent to the Measurement Date	34,170,525	—
Total City Employees Retirement Plan	\$ 135,657,203	\$ —
City	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in Expected and Actual Experience	\$ 38,668,763	\$ —
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	42,613,469	—
Change in Assumptions for Pensions	8,597	—
Contributions Subsequent to the Measurement Date	27,370,591	—
Total City	\$ 108,661,420	\$ —
EPWater	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in Expected and Actual Experience	\$ 9,606,848	\$ —
Net Difference Between Expected and Actual Investment Earnings on Plan Investments	10,586,867	—
Change in Assumptions for Pensions	2,134	—
Contributions Subsequent to the Measurement Date	6,799,934	—
Total EPWater	\$ 26,995,783	\$ —

An amount of \$27.4 million reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's fiscal year ended, will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

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

Ending August 31,	Total	City	EPWater
2024	\$ 12,398,365	\$ 9,931,090	\$ 2,467,275
2025	19,962,026	15,989,583	3,972,443
2026	47,776,875	38,269,277	9,507,598
2027	15,622,145	12,513,334	3,108,811
2028	5,727,267	4,587,545	1,139,722
Total	\$ 101,486,678	\$ 81,290,829	\$ 20,195,849

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)**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. The Fund is established by state statute and administered by a Board of Trustees comprised of eleven trustees as follows: three citizens of the City appointed by the Mayor; two citizens of the City appointed by the City Manager; three member firemen of the Fire Department, to be elected by the firemen members of the Fund; and three member policemen of the Police Department, to be elected by the policemen members of the Fund. The Board contracts with an independent custodian bank, investment managers, investment consultants, and an actuary to assist in managing the Fund.

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 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 18% 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 18% of their compensation to the FPPF.

Any person duly appointed as a fireman or policeman in the fire or police departments of the City shall automatically become a member of the pension fund, provided such person shall have attained eighteen (18) years of age. 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.

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. Benefit provisions, contribution obligations and funding policy of the Fund are established and amended by the Board of Trustees 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.

Benefits are calculated as follows for the Base Plan and Second Tier Plan. Any member originally enrolled on July 1, 2007 or thereafter is automatically enrolled in the Second Tier Plan.

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)**a. Base Plan**

Retirement benefits for members with at least 20 years of vested service and the attainment of age 45 or more are calculated at 2.75% of the member's final wages multiplied by years of credited service. Retirement benefits for members with at least 20 years of vested service, under the age of 45 are calculated at 2.75% of the member's final wages multiplied by years of credited service reduced by a factor proportionate to the number of months and years below the age 45. Retirement benefits for members with at least 10 years of vested service and at least 50 years of age are calculated at 2.75% of the member's final wages multiplied by the member's years of credited service.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.75% of the member's final wages multiplied by years of credited service.

Death benefits are calculated as the greater of 50% of the member's final wages or the calculation of a retiree as mentioned in the preceding paragraph.

A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit.

Cost-of-living adjustment (COLA) is provided upon the earlier of the retiree having attained age 60 or the fifth anniversary for firemen or second anniversary for policemen of the pension commencement date and on each January 1st thereafter.

b. Second Tier Plan

Retirement benefits for members with at least 20 years of vesting service and the attainment of age 45 or more are calculated at 2.50% of the member's final wages multiplied by years of credited service. Retirement benefits for members with at least 10 years of vesting service, but less than 20 years of vesting service, and attainment of age 50 or more are calculated at 2.50% of the member's final wages multiplied by the member's years of credited service.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.50% of the member's final wages multiplied by years of credited service. Death benefits are calculated as the greater of 50% of the member's final wages or 75% of the calculation of a retiree as mentioned in the preceding paragraph. A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit. COLAs are not provided to retirees under the Second Tier Plan.

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)**c. Deferred Retirement Option Program (DROP)**

Base Plan and Second Tier Plan members who are at least 45 years old with at least 20 years of credited service are eligible to participate in a Forward DROP by an irrevocable written election. At the date participation in the Forward DROP begins, the participant's years of credited service and average final compensation become frozen for purposes of determining pension benefits. The participant is considered retired related to the Fund and does not accrue additional retirement benefits, except for annual benefit cost-of-living adjustments, if applicable. Upon retirement, the participant receives the lump sum of the total of the monthly retirement benefits between the benefit computation date and the retirement date and then begins receiving the monthly benefit.

Each Forward DROP participant's monthly pension is tracked by an individual DROP account between the date participation in the Forward DROP begins and the retirement date and accrued as a liability on the statement of fiduciary net position. Forward DROP balances are not credited with investment gains and losses. As of December 31, 2023 the DROP payable totaled \$84,818,130.

2. Basis of Accounting

The accounting policies of the Fund have been established to conform to GAAP for state and local governments as promulgated by authoritative pronouncements issued by GASB. 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 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 statement 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 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. EMPLOYEE BENEFIT PLANS (continued)**4. Contributions Required and Contributions Made**

Employee contributions are established by the Board of Trustees and a vote of active participants in accordance with Article 6243b of Vernon's Annotated Texas Statutes. The City's funding policies provide for periodic employer contributions.

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.

The sum of the City's contribution rate and the member contribution rate, after an increase, may not exceed the total contribution rate determined by the actuary necessary to amortize the unfunded actuarial liability over a forty (40) year period.

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 the Custodian under which Fund-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 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. Non-cash collateral must have a market value equal to no less than 102% of the market value of the borrowed securities, or 105% of the borrowed securities if the collateral are denominated in different currencies.

Each business day, the lending agent and the Fund determine the market value of the collateral and the borrowed securities. 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, 2023, the Fund's securities lending obligation exceeded the fair value of the underlying securities.

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

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

Securities Lent	December 31, 2023		
	Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
Domestic Equities	\$ 25,357,042	\$ 26,212,516	\$ 26,614,780 ^(a)

(a) This amount includes the FPPF's Staff Plan's portion of the investment portfolio which is not included in the Statement of Fiduciary Net Position.

As of December 31, 2023, the Fund also holds securities collateral that cannot be pledged or sold absent a borrower's default totaling \$22,342,556. 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, 2023 resulting from a default of a borrower or the lending agent.

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 total pension liability was measured as of December 31, 2023 based on actuarial valuation as of that date. The actuarial assumptions included a 7.75% investment rate of return; projected salary increases of 2.75% plus promotion, step and longevity increases that vary by service for fire and policy; and an inflation rate of 2.75% per year. Mortality rates were based on the PubS-2010 (public safety) total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using scale MP-2020.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan administrative and 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2023 are summarized in the following table (rates shown exclude inflation).

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

	Target Allocation	Long-term Expected Rate of Return
Equities		
Large Cap Domestics	16%	6.19%
Mid Cap Domestics	5%	6.45%
Small Cap Domestics	6%	6.06%
International Developed	21%	6.42%
Emerging Markets	5%	7.19%
Real Estate	10%	3.90%
Private Equity	15%	6.75%
Fixed Income		
Domestic Core	10%	2.11%
Bank Loans	4%	2.45%
Emerging Markets	3%	2.54%
Multi-sector	3%	1.65%
Cash	2%	—%

7. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the Fund's contributions will continue to follow the current funding policy. Based on the actuarial assumptions applied, the Fund's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.75%. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended August 31, 2024 were as follows:

	Firemen Division		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 902,694,383	\$ 683,895,052	\$ 218,799,331
Changes for the Year:			
Service Cost	12,441,095	—	12,441,095
Interest (On the Total Pension Liability)	68,966,764	—	68,966,764
Differences Between Expected and Actual Experience	10,671,878	—	10,671,878
Contributions by the City	—	14,844,489	(14,844,489)
Contributions by the Firefighters	—	14,645,760	(14,645,760)
Net Investment Income	—	78,455,685	(78,455,685)
Benefit Payments	(50,483,492)	(50,483,492)	—
Assumption Changes	—	—	—
Administrative Expenses	—	(1,074,016)	1,074,016
Net Changes	41,596,245	56,388,426	(14,792,181)
Amounts as of December 31, 2023	\$ 944,290,628	\$ 740,283,478	\$ 204,007,150

CITY OF EL PASO, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2024

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

Policemen Division			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 1,301,904,807	\$ 978,777,574	\$ 323,127,233
Changes for the Year:			
Service Cost	13,918,774	—	13,918,774
Interest (On the Total Pension Liability)	99,022,276	—	99,022,276
Differences Between Expected and Actual Experience	23,659,894	—	23,659,894
Contributions by the City	—	19,688,617	(19,688,617)
Contributions by the Policemen	—	19,678,167	(19,678,167)
Net Investment Income	—	114,095,380	(114,095,380)
Benefit Payments	(76,233,594)	(76,233,594)	—
Assumption Changes	—	—	—
Administrative Expenses	—	(1,074,723)	1,074,723
Net Changes	60,367,350	76,153,847	(15,786,497)
Amounts as of December 31, 2023	\$ 1,362,272,157	\$ 1,054,931,421	\$ 307,340,736
FPPF			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of January 1, 2023	\$ 2,204,599,190	\$ 1,662,672,626	\$ 541,926,564
Changes for the Year:			
Service Cost	26,359,869	—	26,359,869
Interest (On the Total Pension Liability)	167,989,040	—	167,989,040
Differences Between Expected and Actual Experience	34,331,772	—	34,331,772
Contributions by the City	—	34,533,106	(34,533,106)
Contributions by the Policemen and Firemen	—	34,323,927	(34,323,927)
Net Investment Income	—	192,551,065	(192,551,065)
Benefit Payments	(126,717,086)	(126,717,086)	—
Administrative Expenses	—	(2,148,739)	2,148,739
Net Changes	101,963,595	132,542,273	(30,578,678)
Amounts as of December 31, 2023	\$ 2,306,562,785	\$ 1,795,214,899	\$ 511,347,886

8. Sensitivity to Interest Rate Changes

The following table presents the resulting net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percent lower or one-percent point higher than the current rate:

Firemen Division		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 330,100,338	\$ 204,007,150	\$ 101,016,322

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

Policemen Division		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 487,422,809	\$ 307,340,736	\$ 160,051,794

FPPF		
1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 817,523,147	\$ 511,347,886	\$ 261,068,116

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

For the fiscal year ended August 31, 2024, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$12,122,588 for firemen division and \$20,154,694 for policemen division, 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
Net difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 41,114,477	\$ —
Change in Assumptions	2,846,484	—
Differences Between Expected and Actual Experience	8,562,811	364,668
Contributions Subsequent to Measurement Date	10,562,996	—
	<u>\$ 63,086,768</u>	<u>\$ 364,668</u>

Policemen Division		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 57,123,051	\$ —
Changes in Assumptions	5,459,055	—
Differences Between Expected and Actual Experience	17,803,485	514,789
Contributions Subsequent to Measurement Date	15,005,936	—
	<u>\$ 95,391,527</u>	<u>\$ 514,789</u>

FPPF		
	Outflows of Resources	Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 98,237,528	\$ —
Changes in Assumptions	8,305,539	—
Differences Between Expected and Actual Experience	26,366,296	879,457
Contributions Subsequent to Measurement Date	25,568,932	—
	<u>\$ 158,478,295</u>	<u>\$ 879,457</u>

NOTE 13. EMPLOYEE BENEFIT PLANS (continued)

Contributions of \$25,568,932 were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's reporting period will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

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

Fiscal Year Ending August 31,	Policemen Division	Firemen Division	FPPF Total
2025	\$ 20,728,824	\$ 11,341,849	\$ 32,070,673
2026	25,165,500	16,770,028	41,935,528
2027	41,684,290	27,073,401	68,757,691
2028	(7,707,812)	(3,152,718)	(10,860,530)
2029	—	126,544	126,544
Total	<u>\$ 79,870,802</u>	<u>\$ 52,159,104</u>	<u>\$ 132,029,906</u>

2. DEFERRED COMPENSATION PLANS

The City offers eligible employees two Deferred Compensation Plans created in accordance with the Internal Revenue Code Section 457 (one pre-tax, and one after tax – a “Roth” plan), which are entirely funded by employee contributions, and a Defined Contribution Plan created in accordance with Internal Revenue Code 401(a), which is funded by employer contributions.

All assets and income earned thereon are held in trust for the exclusive benefit of Plan participants and their beneficiaries; therefore these plans are not reported in the financial statements of the City. The Plans are administered by Empower Retirement, which also serves as trustee of the assets.

NOTE 14. TAX ABATEMENTS

The City provides Chapter 380, 351, and 312 type incentive agreement opportunities for new, expanding, and/or retaining business projects. Consideration for financial incentives is given to any business or commercial development project with the possibility of substantially enhancing the economic health of the City. An incentive is proposed if the project results in a net increase and/or retention of quality jobs, adds to the tax base, improves and/or enhances economic welfare of residents or businesses of the City, and/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.

Through the State of Texas, the City receives Chapter 351 Hotel Occupancy Tax (HOT) Rebates to disburse to hotels participating in the Chapter 380 Agreements upon completion of certain criteria. Per State Code, hotel projects in certain municipalities can receive rebates of the state hotel occupancy tax and sales tax revenue they collect, as well as their collections of local hotel taxes, sales taxes, mixed beverage taxes and property taxes. To be eligible, these hotel projects must be within 1,000 feet of a convention center facility, and the hotel or its land must be owned by the city. Tax receipts from meeting spaces, restaurants and shops, convention center entertainment-related facilities, parking facilities and water and sewer systems may be eligible for the rebates as well. The hotel owners can receive these rebates for 10 years after opening. As of the end of the fiscal year, three hotels were participating in this program.

Applicants must provide solid evidence of financial stability and capacity to complete the project, be compliant with all local, state and federal laws, and be current on all City taxes and any other obligation to the City.

The City has not entered into agreements with other governments that would reduce the reporting government's tax revenues. Other governments are not authorized to enter into tax abatement agreements that reduce the City's tax revenue without the City's consent.

The City's Incentives Policy, Guidelines and Criteria**• Qualification Criteria**

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

- Category 1: Related to Quality Jobs, is eligible for a 40% grant.
- Category 2: Related to Business-Type, is eligible for a grant up to 50%.
- Category 3: Related to Capital Intensive Projects. Policy guidelines for specified percentage of jobs above the Median County Wage and specified ranges of Capital Investment, companies may be eligible for grants ranging between 60% to 70%.
- Category 4: Related to Increased Productive Capacity, is eligible for a 50% grant.
- Category 5: 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)

- **Bonus Incentives**

An additional 10% rebate amount, not to exceed 100% may also be available to those companies that meet at least one of the criteria detailed in the Incentive Policy 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.

- **Economic Development Incentives**

Upon completion of an economic impact analysis, the Economic & International Development Department will consider and recommend projects for incentives. The majority of incentives are based on the Chapter 380 Agreement. However, the City reserves the right to use any other non restricted source in the award of incentives.

- **Ineligible and Restricted Areas and Use**

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 the Incentive Policy are not eligible for incentives.

Incentive Programs Available**1. Infill Development Programs (380 and 312)**

Program Policy - project consideration includes the potential impact of the reinvestment project on the immediate and surrounding area. 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.

Eligibility Criteria - the property must meet the definition for infill development per Section 20.02.471 of the City Code, located within the jurisdiction limits of the City and must meet the location criteria, as per Subsection 20.10.280(B) of the City Code.

Recapture - 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.

City Commitment – release of liens, if approved, as the result of condemnation, demolition, sanitation, or other city-imposed non-property tax liens, excluding Community Development or other federally-funded liens.

Infill 380 Agreements:

Purpose - facilitates loans or grants of public funds for the purposes of promoting local economic development and stimulating business and commercial activity within the City. It also provides financial incentives to develop vacant and underutilized properties within the city limits, in accordance with Title 20 of the City Code.

Tax Incentive - rebate 100% of the City's 1% portion of sales tax.

Authority - Chapter 380 of the Texas Local Government Code.

NOTE 14. TAX ABATEMENTS (continued)

Rebate Determination - 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 in accordance with their specific agreement.

Recipient Commitment – meet all the requirements of the agreement and demonstrate 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.

Infill 312 Agreements:

Purpose - provides financial incentives to develop vacant and underutilized properties within the city limits, in accordance with Title 20 of the City Code.

Tax Incentive - a percentage based upon the increased value of the Real Property over the value in the base year.

Authority - State of Texas Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code.

Abatement Determination - submit a detailed site development plan in accordance with Title 20 of the City Code to be reviewed by the City's Planning Division. If approved, must submit yearly application to CAD and report of compliance, the percentage of the incentive will be based on the project.

Recipient Commitment - 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.

2. 380 Strategic Agreements

Purpose - the majority of Strategic Agreements are for the purpose of retention and quality job creation, expansion, and promote tourism. Also designed to provide employment and training to residents and economically disadvantaged individuals.

Eligibility Criteria - mainly to create, expand, and retain quality jobs.

Tax Incentive - 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.

Authority - Chapter 380 of the Texas Local Government Code and State of Texas Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code.

Rebate Determination - 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 and the applicant has paid or caused to be paid all the City's local sales and use taxes associated with the qualified expenditures in accordance with their specific agreement. Incentives will be considered on a project-by-project basis. In relation to rebate of personal and real property taxes, applicant must submit a detailed site development plan in accordance with Title 20 of the City Code to be reviewed by the City's Planning Division. If approved, the percentage of the incentive will be based on the project.

NOTE 14. TAX ABATEMENTS (continued)

Recapture - 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.

Recipient Commitments - varies by agreement, including investment in real and personal property, to create quality job opportunities, to retain jobs, create a workforce which provides training that leads to a Bachelor's or Associates degree and/or Licensed Certification. Commitment to maintain business activities for a period of time.

City Commitment - after approval of the applicant's submitted package, payments will be processed within ninety (90) days.

3. Multi-Family

Incentives under this policy are no longer available. However, the City continues to make payments for incentives established prior to the expiration of this policy.

Purpose - 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.

Eligibility Criteria - project must construct one or more new multi-family housing structure each consisting of at least 150 housing units.

Tax Incentive - rebate 100% of the property tax increment for 5 years not to exceed the City's portion.

Abatement Authority - Texas Constitution and Chapter 380, Texas Local Government Code.

Rebate Determination - If approved, applicant shall be eligible for an annual grant payment in an amount not to exceed 100% of the total value of the city's portion of the incremental ad valorem property tax revenue generated by the subject property above the Base Year Value for the Development for the Grant Period. Incentives will be considered on a project-by-project basis.

Recapture - 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.

Recipient Commitments - subject to requirements specified in the Multi-Family Housing Needs Incentive Policy and Chapter 380 Grant Program, pursuant to Chapter 380, Texas Local Government Code. Minimum construction requirements, site development plan, businesses or individuals must be current on all city taxes or any other obligation to the City, demonstrate approved permits have been obtained under Federal, State, and local laws.

City Commitment - after approval of the applicant's submitted package, payments will be processed within ninety (90) days.

4. Transit Oriented Development (TOD)

Purpose - encourage the growth and development of a mix of commercial, residential, office and entertainment centered around or located near a transit station. To spur economic development and improve the quality of life for the City residents while reducing the City's carbon footprint.

NOTE 14. TAX ABATEMENTS (continued)

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 of the selective design requirements as identified in Subsection 20.10.280 (C) of the City Code.

Eligibility Criteria - project must be located within TOD incentive areas, meet mandatory design requirements and the project must be in compliance with all local, state and federal laws. TOD incentive areas are in accordance with the policy.

Tax Incentive – includes rebates of building and planning permit fees, lien waivers, construction materials sales tax, property and/or sales and use tax.

Authority – Chapter 312 of the Texas Tax Code.

Rebate Determination – the City Manager or designee will consider requests for financial incentives in accordance with these policies, the City Code, the Texas Tax Code, and the Texas Local Government Code.

Recapture – 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 paid, which can be secured by City liens against the property and all previously waived fees and abated taxes shall become due to the City.

Recipient Commitments – comply with procedural guidelines, submit a detailed site development plan in accordance with Title 20 of the City Code. Show financial stability and capacity to complete the project. Demonstrate compliance with all local, state and federal laws.

City Commitment - release of liens, if approved, as the result of condemnation, demolition, sanitation, or other city-imposed non-property tax liens, excluding Community Development or other federally-funded liens.

Incentive Programs	Amount of Tax Incentives during the Fiscal Year
380 Strategic Incentive	\$ 10,991,565
Infill Development Incentive	328,242
Transit Oriented Development Incentive	3,453
Total	<u>\$ 11,323,260</u>

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

A summary, by department, of expenditures exceeding appropriations at the legal level of budgetary control in the general fund is as follows:

Department	Total
Fire	\$ 4,379,096
City Attorney	605,548
Non Departmental	588,549
Human Resources	375,128
Police	450,696
Zoo	226,545
Public Health	165,676
Office of the Comptroller	20,726

Expenditures exceeding appropriations were funded through revenue surplus received during the year. As mentioned in the MD&A, there were several revenue collections that were received higher as expected and hence, were utilized to cover these shortages in expenditures.

The overages in Fire, Non Departmental, Police, Zoo, and the Office of the Comptroller departments were primarily caused by higher than expected payroll costs. The City Attorney's department exceeded its budget due to underestimation of costs for outside legal counsel. Additionally the Human Resources Department exceeded its appropriations by allocating additional tuition assistance funds to employees pursuing an advanced education along with higher than expected payroll costs. Finally, Public Health surpassed its budget due to unforeseen expenses for equipment and supplies along with higher than expected payroll costs. It's important to note while these departments exceeded appropriations, savings in other departments offset these overages. The General Fund's total expenditures did not exceed its appropriations by \$2.5 million.

According to the City Code Sections 7.2 and 7.3, City Council shall reduce appropriations if they are exceeding income. Expenditures in excess of gross revenues during the fiscal year is prohibited. As of August 31, 2024 total expenditures for the general fund did not exceed revenues collected for the year.

The Community Development Block Grants exceeded appropriations by \$2.0 million, primarily due to projects approved in a prior fiscal year that will be completed in the future. Notably, the Community Development Block Grant revenues surpassed appropriations by \$3.3 million, helping to offset the expenditure overage.

NOTE 16. IMPLEMENTATION OF FUTURE GASB STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements which are not yet effective.

Statement No. 101: *Compensated Absences*

This Statement was issued June 2022 to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The application of this Statement becomes effective for the City in fiscal year 2025.

Statement No. 102: *Certain Risk Disclosures*

This Statement was issued December 2023 to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The application of this Statement becomes effective for the City in fiscal year 2025.

Statement No. 103: *Financial Reporting Model Improvements*

This Statement was issued in April 2024 to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The application of this Statement becomes effective for the City in fiscal year 2026.

Statement No. 104: *Disclosure of Certain Capital Assets*

This Statement was issued in September 2024 to provide users of government financial statements with essential information about certain types of capital assets. The application of this Statement becomes effective for the City in fiscal year 2026.

The City of El Paso will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

NOTE 17. SUBSEQUENT EVENTS

1. A special election was ordered on November 5, 2024 for the purpose of determining whether to revoke the City's authority to issue the remaining \$128,455,636 general obligation bonds approved by the voters in the City's November 6, 2012 election for the Multipurpose Performing Arts and Entertainment Facility to be located in Downtown El Paso. The voters approved this revocation during the November 5, 2024 election and by Resolution the authority to issue the remaining general obligation bonds has been revoked.
2. Due to the unpredictable fluctuation of migrant traffic, the City had secured federal assistance to quickly and adequately respond to the humanitarian services needed. The funding use availability ended on December 31, 2024. The migrant influx decreased in the last few months of 2024. As a result, the City is required to return all the unexpended funds back to FEMA via the United Way non-profit organization. The total amount to be returned to the agency is approximately \$13.4 million. This amount is recorded as unearned revenue in the Statement of Net Position for governmental activities.
3. On January 20, 2025, United States President Donald J. Trump declared a national emergency at the southern border. The Secretary of Defense shall take all appropriate action to facilitate the needs of the Secretary of Homeland Security along the southern border, including through the provision of appropriate detention space, transportation (including aircraft), and other logistics services in support of civilian-controlled law enforcement operations. The City of El Paso will continue to work with federal, state and local agencies to ensure our City remains one of the safest cities in the country and continue to invest in public safety as one of our major budget priorities.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

Norton Rose Fulbright US LLP
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IN REGARD to the authorization and issuance of the “City of El Paso, Texas, General Obligation Refunding Bonds, Series 2025,” dated August 1, 2025, in the principal amount of \$[] (the “Bonds”), we have examined into their issuance by the City of El Paso, Texas (the “City”), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City’s outstanding obligations being refunded by the Bonds, and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 15 in each of the years specified in the pricing certificate (the “Pricing Certificate”) executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the “Bond Ordinance,” and, jointly, with the Pricing Certificate, the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, a special report of Public Finance Partners LLC (the “Accountants”), and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City, and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held by the paying agent for the outstanding obligations being refunded (the "Refunded Obligations' Paying Agent") and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Accountants as to the sufficiency of cash deposited with the Refunded Obligations' Paying Agent for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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