

# **SUMMARY INFORMATION**

CITY OF BROWNSVILLE, TEXAS  
MISSION STATEMENT

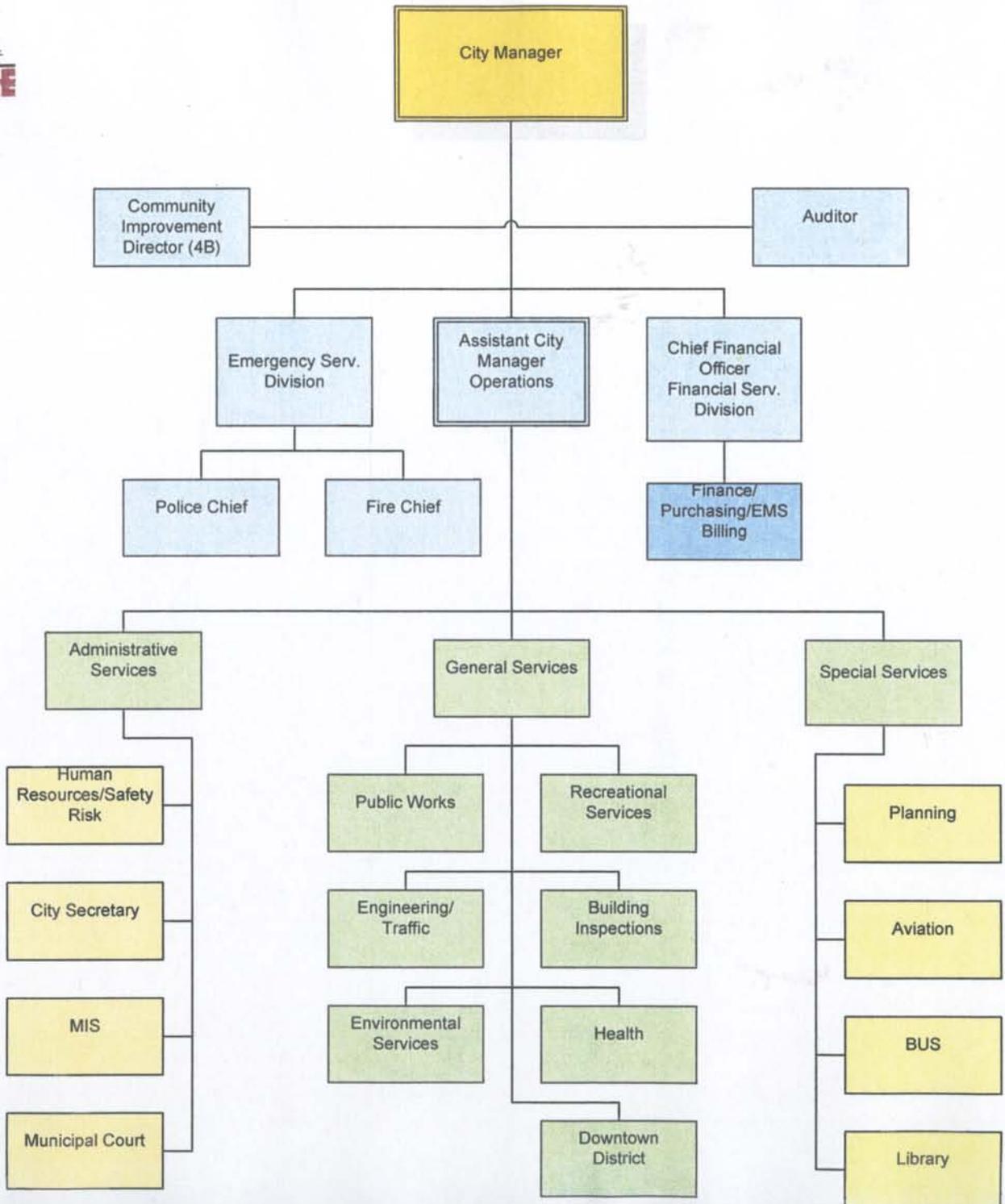
(This page is intentionally left blank)

**“To earn and maintain  
public trust by providing  
customers efficient and  
quality municipal services  
with courtesy and concern”**

**( This page is intentionally left blank.)**



**FY 2004  
Organizational  
Chart**



**( This page is intentionally left blank.)**

RESOLUTION NO. 2003-035

A RESOLUTION OF THE CITY COMMISSION OF THE  
CITY OF BROWNSVILLE, TEXAS ADOPTING THE FISCAL YEAR  
2004 ANNUAL BUDGET AND RESOLVING  
OTHER MATTERS THEREOF

WHEREAS, in accordance with the City Charter of the City of Brownsville, Texas, and the budgetary laws of the state of Texas governing home rules cities, the city manager has hereby submitted to the City Commission the fiscal year 2004 annual budget; and

WHEREAS, all prerequisites heretofore required by law have been met and said annual budget must be formally adopted by the City Commission.

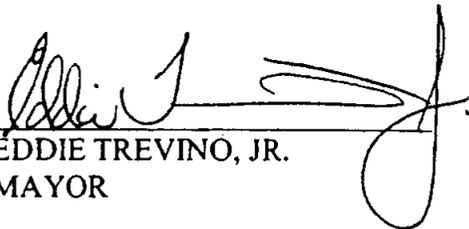
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF BROWNSVILLE, TEXAS:

SECTION 1. That the fiscal year 2004 annual budget as prepared and submitted to the city commission be and is hereby adopted.

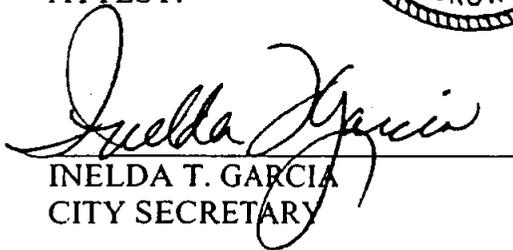
SECTION 2. That operation under the aforementioned budget shall take effect on October 1, 2003 and shall continue through September 30, 2004.

ADOPTED BY THE CITY COMMISSION OF THE CITY OF BROWNSVILLE, TEXAS AT A MEETING THEREOF HELD ON MONDAY, SEPTEMBER 8, 2003.



  
EDDIE TREVINO, JR.  
MAYOR

ATTEST:

  
INELDA T. GARCIA  
CITY SECRETARY

ORDINANCE NUMBER 2003-1409

AN ORDINANCE LEVYING AD VALOREM TAXES FOR THE YEAR 2003 FOR THE USE AND SUPPORT OF THE MUNICIPAL GOVERNMENT OF THE CITY OF BROWNSVILLE, TEXAS FOR THE FISCAL YEAR 2004, PROVIDING FOR THE INTEREST AND SINKING FUND FOR THE FISCAL YEAR 2004 FOR THE CITY OF BROWNSVILLE, TEXAS, BONDS AS FOLLOWS:

<u>Bond Series</u>	<u>Dated</u>
Public Improvement & Refunding Bonds, Series 1986	August 28, 1986
General Obligation Bonds, Series 1994	December 29, 1994
General Obligation Public Improvement Bonds Series 1997	February 15, 1997
Combination Tax and Revenue Certificates of Obligation, Series 1997-A	February 15, 1997
Combination Tax and Airport Revenues Certificates of Obligation, Series 1997-B	February 15, 1997
Certificates of Obligation, Series 1998	May 1, 1998
General Obligation & Refunding Bonds, Series 1998	May 1, 1998
Certificates of Obligation, Series 1999-A	July 15, 1999
Combination Tax and Airport Revenue Certificates of Obligation, Series 1999-B	July 15, 1999
Certificates of Obligation, Series 2000-A	April 15, 2000
General Obligation Refunding Bonds, Series 2000-B	April 15, 2000
Certificates of Obligation, Series 2001	April 1, 2001
General Obligation Public Improvement Bonds, Series 2002	April 1, 2002

General Obligation Refunding Bonds, Series 2002	October 1, 2002
Combination Tax & Revenue Certificates of Obligation, Series 2003	May 1, 2003
General Obligation Public Improvement Bonds, Series 2003	May 1, 2003

Long-Term Note Payable

Brownsville Navigation District Note	October 10, 2001
--------------------------------------	------------------

And apportioning each levy the specific purpose; providing for discounts in the payment of said taxes; providing that all receipts of the city not apportioned by this ordinance or general law shall be payable into the general fund and repealing all ordinance or parts or ordinance in conflict herewith.

WHEREAS, Pete Gonzalez, finance director for the City of Brownsville, Texas, has complied with Article 26.04 of the Texas Tax Code in the submission of the tax roll to the City Commission; and

WHEREAS, under Section 26.04 of the Texas Tax Code, Pete Gonzalez, has calculated the maintenance and operation rate for 2003 to be .313290/\$100, by using the statutory method so required under Article 26.04 of the Texas Tax Code; and

WHEREAS, Pete Gonzalez, has calculated the interest and sinking fund rate for 2003 as (\$.366710/\$100) using the formula set out under Section 26.04 of the Tax Code; and

WHEREAS, Pete Gonzalez, as finance director upon complying with Section 26.04 of the Texas Tax Code has totaled the calculated maintenance and operation rate for 2003 (.313290/\$100) plus the calculated interest and sinking Fund rate for 2003 (\$.366710/ \$100) to be a total of \$.6800/\$100; and

NOW, THEREFORE BE IT ORDAINED BY THE CITY OF BROWNSVILLE, TEXAS:

Section 1. That there is hereby levied for the year 2003, and there shall be collected for the use and support of the municipal government of the City of Brownsville, Texas, and provide interest and sinking fund for bonds of the City of Brownsville, Texas, for the fiscal year 2004 upon all property, real, personal and mixed, defined and described in Section 2 of Article III of the Charter of the City of Brownsville, Texas, a tax of \$.6800 on each one hundred (\$100.00) dollars assessed valuation of said property, being an increase in total tax revenues of 2.98 %, said tax being so levied and apportioned to the support purpose hereinafter set forth, to-wit:

(1) For the maintenance and support for the fiscal year 2004 of the general government (General Fund) of the City of Brownsville, Texas, \$.313290 on each one hundred (\$100.00) dollars assessed valuation of said property.

(2) For the payment of principal and interest to be deposited in the interest and sinking fund for services of the requirements for the fiscal year 2004 of the City of Brownsville, Texas, \$.366710 on each one hundred (\$100.00) dollars assessed valuation said property.

Section 2. All of said taxes hereby levied shall be payable and become due as provided in the City Charter, provided however, that discounts shall be allowed on the full amount of said taxes hereby levied when paid, if paid as follows:

Three (3%) percent discount during October, 2003  
Two (2%) percent discount during November, 2003  
One (1%) percent discount during December, 2003

Section 3. That all receipts for the City not specifically apportioned by this Ordinance or the Charter of the City of Brownsville, Texas, or general laws of the State of Texas applicable to home rule cities, are hereby made payable to the General Fund of the City.

Section 4. That all Ordinances or parts of ordinances in any manner in conflict with the Ordinance are hereby repealed.

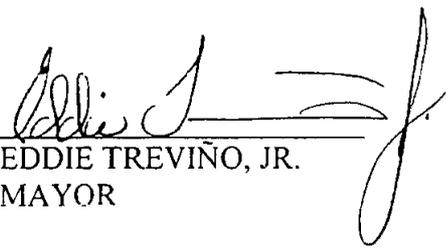
Section 5. That this Ordinance shall take effect and be in force from and after its passage and publications as provided by the Charter of the City of Brownsville, Texas.

INTRODUCED AND PASSED on the first reading on this the 8th day of September, 2003.

Passed on the second and final reading and approved on this the 16th day of September, 2003.

ATTEST:



  
EDDIE TREVIÑO, JR.  
MAYOR

  
INELDA T. GARCÍA  
CITY SECRETARY

## CITY OF BROWNSVILLE, TEXAS BUDGET POLICIES AND BUDGET PROCESS

Preparation and administration of the City's budget is one of the most important activities of the City's operation. The budget process is designed to identify and plan the functions, activities and accomplishments of the City as well as plan for its financial needs.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental funds. Budgets for the enterprise funds exclude depreciation as a budgeted expense. Annual appropriated budgets are adopted for the general fund and the following additional funds:

**Special Revenue Funds:**

- Community Development
- Convention and Tourism
- Landfill Tipping Fee Increase

**Debt Service Funds:**

- General Bonded Debt Service
- General Non-Bonded Debt Service
- Streetscape Assessment Fund

**Enterprise Funds:**

- Airport and Business-Industrial Parks
- Bridge
- Parking Revenue
- Public Transit
- Brownsville Golf Center

The City follows these procedures in establishing the budgetary data reflected in this budget document.

- As required by the Charter of the City, the city manager submits to the City Commission the proposed executive budgets for the fiscal year prior to the beginning of each fiscal year.
- Public hearings are conducted to obtain taxpayer comments.
- The original annual appropriated budgets are adopted by resolution by the City Commission prior to the beginning of the fiscal year as required by state law.
- The city manager or the finance director is authorized to transfer budgeted amounts between departments within any fund; however, the City Commission must approve any revisions that alter the overall fund total of appropriated expenditures of any fund.

<p><b>CITY OF BROWNSVILLE, TEXAS</b>  <b>2003 PLANNING CALENDAR TO CERTIFY THE 2003 TAX ROLL</b>  <b>AND TO ADOPT THE FISCAL YEAR 2004 BUDGET</b></p>
---

<u>DATE</u>	<u>ACTION REQUIRED</u>
June 2	Finance Director distributes information packets, including budget forms, instructions to department directors, computerized personnel schedules that show those employees that were on the May 23, 2003 payday, and CDs prepared by MIS with instructions for keying line-item expenditures or revenues.
June 23	Complete budget documents are due at the office of the Finance Director.
July 1	Finance Director prepares revenue estimates, and prepares budget allocations for community projects.
July 3-9	The City Manager and the Finance Director schedule budget meetings with various Department Directors.
July 14	The Cameron Chief Appraiser certifies the 2003 tax roll.
July 15	The City Secretary takes publication notice to the <i>Brownsville Herald</i> to announce a City Commission budget workshop and a special City Commission meeting to be held on July 29th. This publication notice is to be printed on July 18th. ( T.C.G.C. § 102.0065, all hearings on budget must be published in newspaper 10 to 30 days in advance of any public hearing on budget.)
July 17	Finance Director receives certified tax roll from the Cameron Chief Appraiser.
July 22	Finance Director receives effective tax rate calculation numbers from the Cameron Chief Appraiser.
July 29	During a workshop and special meeting, the Finance Director presents to the City Commission the effective tax rate and roll back tax rate calculations.
July 29	At a special meeting of the City Commission, the City Commission will acknowledge the 2003 tax roll and the Finance Director presents the tax roll calculations. The Finance Director certifies the estimated ad valorem tax collection rate for tax year 2003, and certifies the excess debt ad valorem tax collections for tax year 2003.

- July 29 During a workshop and special meeting, the Finance Director presents to the City Commission calculations of a tax increase if the proposed tax rate will exceed the rollback tax rate or 103 percent of the effective tax rate.
- July 29 The City Manager and the Finance Director present a report to the City Commission as to the initial review of all individual department budgets. (Notice to be published in *Brownsville Herald* on July 18th, 10-day notice requirement fulfilled.)
- Aug. 5 During a regular meeting, the Finance Director presents to the City Commission the revised effective tax rate and roll back tax rate calculations.
- Aug. 8 The Finance Director completes the first budget draft.
- Aug. 8 The City Manager and the Finance Director file the budget draft at the City Secretary's Office 30 days before September 8, 2003. (T.L.G.C. § 102.005).
- Aug. 13 The Finance Director takes publication notice to *Brownsville Herald* to publish the effective and rollback tax rates; statement and schedules; submission to the City Commission. (Notice to be published in the *Brownsville Herald* on August 19th)
- Aug. 19 The effective and roll back tax rates, as well the statement of increase/decrease, schedules and fund balances, are published in the *Brownsville Herald*.
- Aug 19 The Finance Director checks the *Brownsville Herald* to make sure that the notice of effective and rollback tax rates, statement of increase/decrease, schedules and fund balances have been published.
- Aug. 19 At a regular meeting, the city manager and the finance director present the proposed fiscal year 2004 budget that was filed with the City Secretary's Office on August 8th.
- Sept. 2 At a regular meeting the City Manager and the Finance Director present the proposed fiscal year 2004 funding levels for the City's secondary recipients.
- Sept. 5 The City Secretary will post a 72-hour notice for the public hearing of September 8th at which time the City Commission will adopt the 2003 tax rate.

- Sept. 8 At a special meeting, the City Commission conducts a public hearing on the tax levy and budget. Then approves the budget by resolution and then approves the first reading of the 2003 tax levy for fiscal year 2004.
- Sept. 12 The City Secretary will post a 72-hour notice for the September 16th meeting at which time the City Commission will approve the second reading of the 2003 tax levy for fiscal year 2004.
- Sept. 16 At a regular meeting, the City Commission approves the second reading on the tax levy. The law requires that the City adopt a tax rate before the later of September 30<sup>th</sup> or the 60<sup>th</sup> day after the certified tax roll is received by the City. The City received the Chief Appraisal's certified tax roll on July 17th.
- ASAP The City's fiscal year 2004 approved budget is filed at the City Secretary's office and at the County Clerk's office as soon as the budget books are printed.
- Oct. 1 New fiscal year begins.

( This page is intentionally left blank.)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
12																	
13																	
14																	
15																	
16																	
17																	
18																	
19																	
20																	
21																	
22																	
23																	
24																	
25																	
26																	
27																	
28																	
29																	
30																	
31																	
32																	
33																	
34																	
35																	
36																	
37																	
38																	
39																	
40																	
41																	
42																	
43																	
44																	
45																	
46																	
47																	
48																	
49																	
50																	
51																	
52																	
53																	
54																	
55																	
56																	
57																	
58																	
59																	
60																	
61																	
62																	
63																	
64																	
65																	
66																	
67																	
68																	
69																	
70																	
71																	
72																	
73																	
74																	
75																	

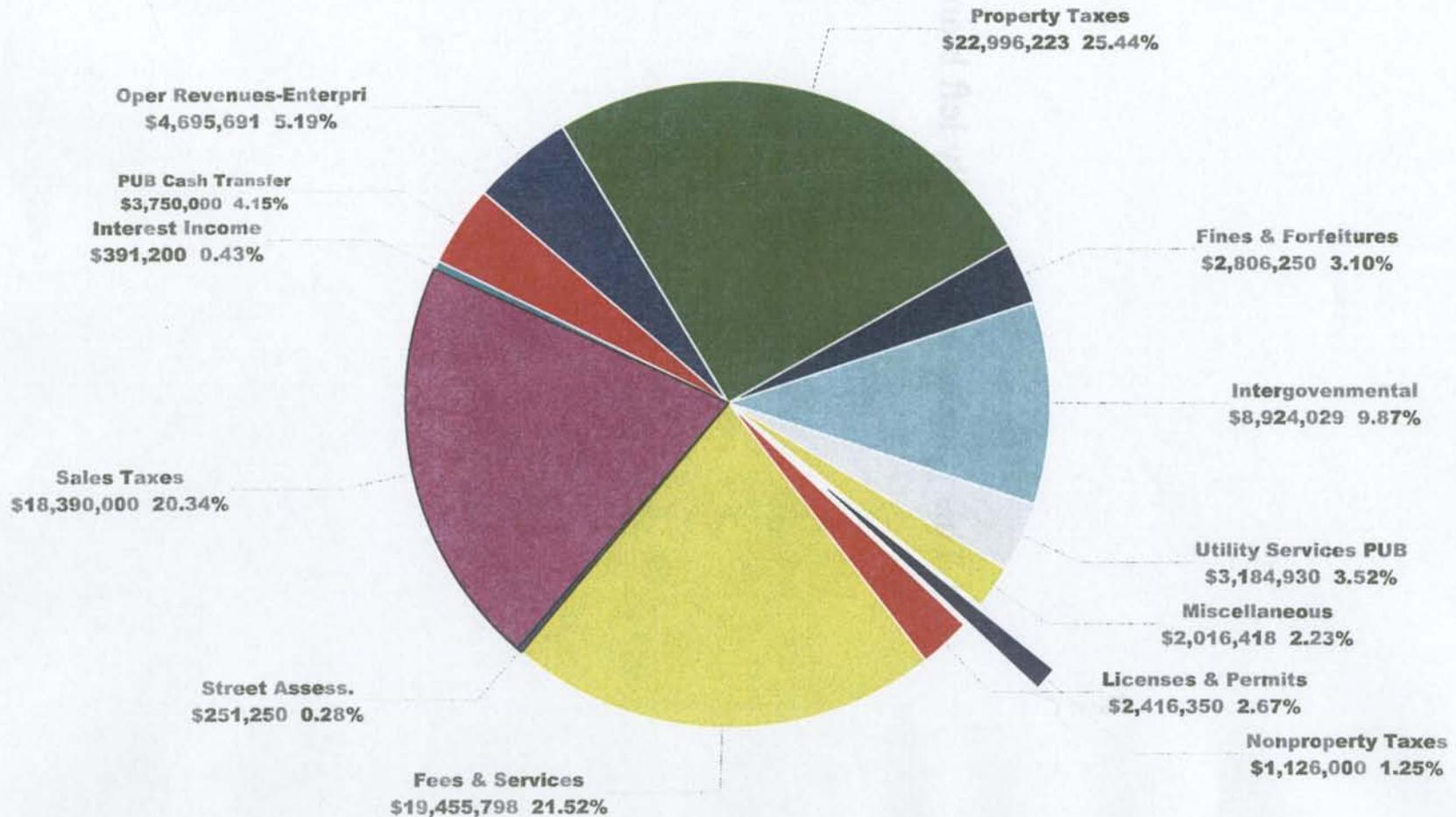
\* Includes \$3,750,000 from the BPUB Fund to the General Fund; BPUB Fund is not shown in this schedule.

	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK
1																			
2																			
3																			
4																			
5																			
6																			
7																			
8																			
9																			
10																			
11																			
12																			
13																			
14																			
15	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	22,996,223
16		0		0		0		0		0		0		0		0		0	251,250
17		0		0		0		0		0		0		0		0		0	18,390,000
18		0		0		0		0		0		0		0		0		0	1,126,000
19		4,396,500		2,270,228		0		0		0		0		0		0		0	19,455,798
20		0		0		0		2,298,312		0		0		0		0		0	8,924,029
21		0		0		0		0		0		0		0		0		0	2,806,250
22		0		0		0		0		0		0		0		0		0	2,416,350
23		8,000		3,500		4,000		0		700		12,000		45,000		5,000		0	391,200
24		0		0		530,700		1,253,791		611,200		0		0		0		0	2,395,691
25		0		0		0		0		0		2,300,000		0		0		0	2,300,000
26		0		64,250		0		0		0		0		0		0		0	64,250
27		0		4,000		0		0		0		0		0		0		0	126,679
28		0		677,700		0		0		0		0		0		0		0	1,825,489
29		4,404,500		3,019,678		534,700		3,552,103		611,900		2,312,000		45,000		5,000		0	83,469,209
30		0		0		0		0		0		0		0		0		0	3,184,930
31																			
32		4,404,500		3,019,678		534,700		3,552,103		611,900		2,312,000		45,000		5,000		0	86,654,139
33																			
34																			
35																			
36		0		0		0		0		0		0		0		0		0	9,729,687
37		0		0		0		0		0		0		0		0		0	36,179,359
38		1,332,536		0		0		0		0		0		0		0		0	9,300,959
39		2,261,686		0		0		0		0		0		0		0		0	2,689,402
40		286,158		0		0		0		0		0		0		0		0	1,659,779
41		0		0		0		0		0		0		0		0		0	1,657,964
42		0		0		0		0		0		0		0		0		0	318,000
43		0		0		0		0		0		0		0		0		0	5,846,771
44		0		0		0		0		0		0		0		0		0	1,096,633
45		0		0		0		0		0		0		0		0		0	4,000
46		0		2,763,580		510,693		4,563,415		810,138		0		0		0		0	8,647,826
47		0		0		0		58,115		0		0		0		0		0	58,115
48		0		0		0		0		0		0		45,000		5,000		0	50,000
49																			
50		0		0		0		0		0		0		0		0		0	4,627,763
51		0		0		0		0		0		0		0		0		0	8,194,783
52		0		0		0		0		0		0		0		0		0	0
53																			0
54		3,880,380		2,763,580		510,693		4,621,530		810,138		0		45,000		5,000		0	90,061,041
55																			
56																			
57		524,120		256,098		24,007		(1,069,427)		(198,238)		2,312,000		0		0		0	(3,406,902)
58																			
59																			
60		0		0		0		1,069,427		200,000		0		0		0		0	3,969,080 *
61		0		0		0		0		0		0		0		0		0	3,750,000 *
62		0		0		0		0		0		(2,300,000)		0		0		0	(3,969,080)
64		0		0		0		1,069,427		200,000		(2,300,000)		0		0		0	3,750,000 *
65																			
66																			
67																			
68		524,120		256,098		24,007		0		1,762		12,000		0		0		0	343,098
69																			
70		74,364		75,000		22,931		0		0		15,176		0		0		0	8,514,582
71																			
72	\$	598,484	\$	331,098	\$	46,938	\$	0	\$	1,762	\$	27,176	\$	0	\$	0	\$	0	8,857,680
73																			
74																			
75																			

	B	C	D	E	F	G	H	I	J
1									
2									
3				CITY OF BROWNSVILLE, TEXAS					
4				ALL OPERATING FUNDS					
5				COMBINED STATEMENT OF REVENUES, EXPENDITURES AND					
6				CHANGES IN FUND BALANCE/EQUITY					
7				FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004					
8									
9									
10									
11						Total All		Percent	
12						Funds		of	
13								Total	
14				Revenues:					
15				Property Taxes		\$ 22,996,223		26.54%	
16				Sales Taxes		18,390,000		21.22%	
17				Street Assessments		251,250		0.29%	
18				Non-Property Taxes Fees & Services		1,126,000		1.30%	
19				Fees & Services		19,455,798		22.45%	
20				Intergovernmental		8,924,029		10.30%	
21				Fines & Forfeitures		2,806,250		3.24%	
22				Licenses & Permits		2,416,350		2.79%	
23				Interest Income		391,200		0.45%	
24				Operating Revenues -Enterprise Funds		2,395,691		2.76%	
25				Veterans Bridge		2,300,000		2.65%	
26				Land Sale		64,250		0.07%	
27				Miscellaneous		1,952,168		2.25%	
28				Utility Services From PUB		3,184,930		3.68%	
29									
30				Total Revenues		86,654,139		100.00%	
31									
32				EXPENDITURES:					
33				General Government		9,729,687		10.80%	
34				Public Safety		36,179,359		40.17%	
35				Public Works		9,300,959		10.33%	
36				Sanitation		2,689,402		2.99%	
37				Public Health		1,659,779		1.84%	
38				Housing Assistance Programs		1,657,964		1.84%	
39				Public Assistance		318,000		0.35%	
40				Culture & Recreation		5,846,771		6.49%	
41				Convention & Tourism		1,096,633		1.22%	
42				Economic Development		4,000		0.00%	
43				Operating Expenses - Enterprise Funds		8,697,826		9.66%	
44				Planning & Cap. Grant		58,115		0.06%	
45				Debt Service:					
46				Principal		4,627,763		5.14%	
47				Interest & Fiscal Charges		8,194,783		9.10%	
48									
49				Total Expenditures		90,061,041		100.00%	
50									
51				Excess (Deficiency) of Revenues					
52				Over (Under) Expenditures		(3,406,902)			
53									
54				Other Financing Sources (Uses):					
55				Operating Transfers from Other Funds		3,969,080			
56				Transfer from Component Units - BPUB		3,750,000 *			
57				Operating Transfers to Other Funds		(3,969,080)			
58									
59				Net Other Financing Sources (Uses)		3,750,000 *			
60									
61				Excess (Deficiency) of Revenues and					
62				Other financing Sources Over (under)					
63				Expenditures and Other Financing Uses		343,098			
64									
65				Estimated Fund Balance, October 1, 2003		8,514,582			
66									
67				Estimated Fund Balance, September 30, 2004		\$ 8,857,680			
68									
69				* Includes \$3,750,000 from the BPUB Fund to the General Fund.					
70				The BPUB Fund is not shown in this schedule.					
71									
72									

# City of Brownsville, Texas

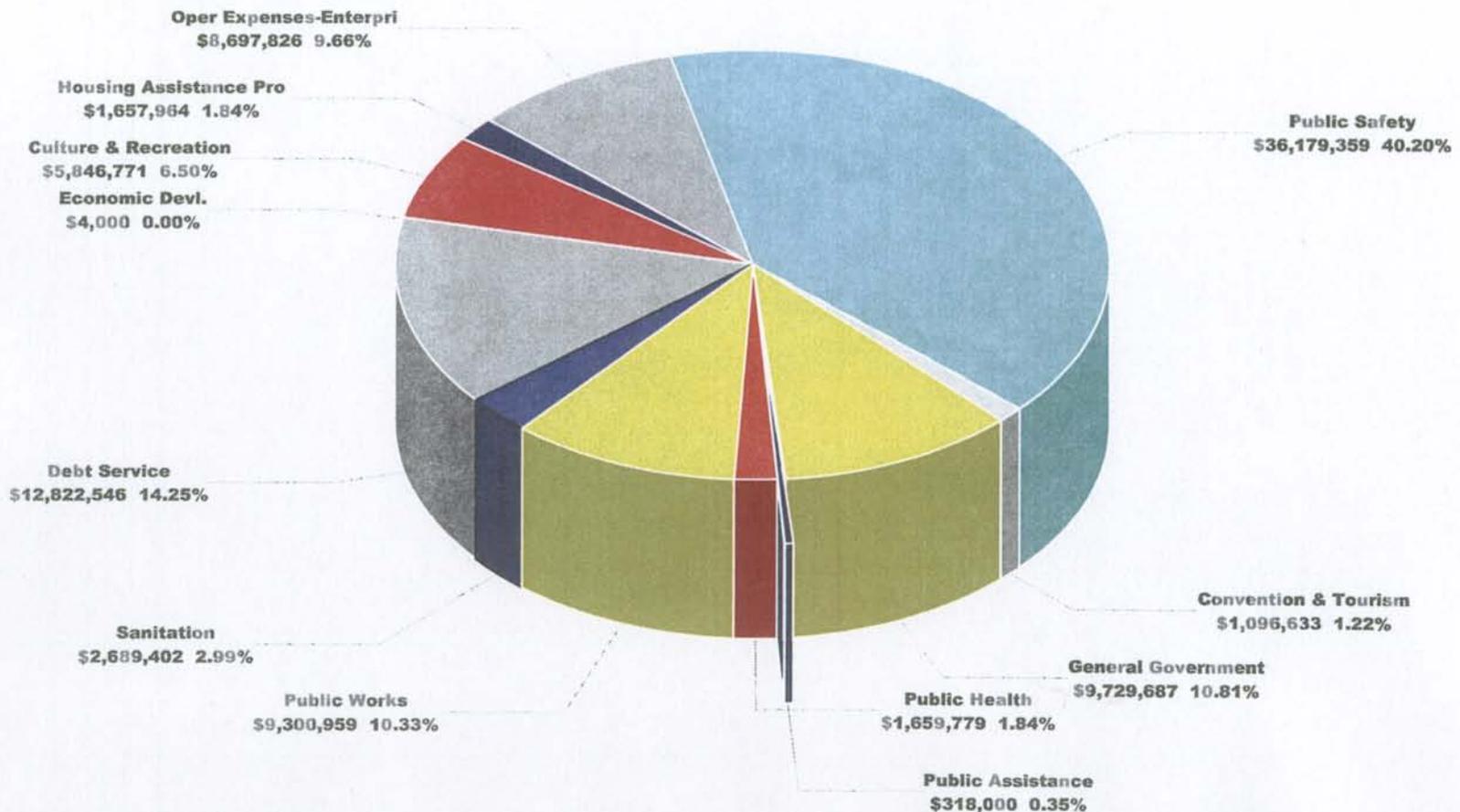
## Combined Statement of Revenues for All Governmental, Enterprise, and Internal Service Funds, Excluding Capital Projects For Fiscal Year 2004 Budget



**( This page is intentionally left blank.)**

# City of Brownsville, Texas

## Combined Statement of Expenditures for All Governmental, Enterprise, and Internal Service Funds, Excluding Capital Projects For Fiscal Year 2004 Budget



**( This page is intentionally left blank.)**

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	CITY OF BROWNSVILLE, TEXAS													
2	FISCAL YEAR 2003 AND FISCAL YEAR 2004													
3	ANNUAL REVENUE BUDGETS (EXCLUDES INTERFUND TRANSFERS)													
4	INCLUDES BPUB's CASH TRANSFER													
5														
6														Over
7														(Under)
8						Fiscal		Percentage		Fiscal		Percentage		Fiscal Year
9						Year 2003		of Total		Year 2004		of Total		2003
10	<b>FUNDS</b>					<b>Budget</b>		<b>Budget</b>		<b>Budget</b>		<b>Budget</b>		<b>Budget</b>
11														
12	General Fund					54,315,982		62.63%		57,002,689		63.05%		2,686,707
13														
14	Convention & Tourism Fund					1,241,500		1.43%		1,193,000		1.32%		(48,500)
15														
16	Community Development Fund					5,782,000		6.67%		5,500,464		6.08%		(281,536)
17														
18	General Non Bonded Debt Service Fund					57,162		0.07%		1,000		0.00%		(56,162)
19														
20	Debt Service Fund					11,863,933		13.68%		11,939,419		13.21%		75,486
21														
22	Streetscape Assessment Fund					165,461		0.19%		282,686		0.31%		117,225
23														
24	Landfill Tipping Fee Increase Fund					4,282,000		4.94%		4,404,500		4.87%		122,500
25														
26	Airport Fund					2,156,737		2.49%		3,019,678		3.34%		862,941
27														
28	Bridge Fund					2,310,000		2.66%		2,312,000		2.56%		2,000
29														
30	Motor Vehicle Parking System Fund					513,900		0.59%		534,700		0.59%		20,800
31														
32	Public Transit System Fund					3,339,779		3.85%		3,552,103		3.93%		212,324
33														
34	Brownsville Golf Center Fund					695,900		0.80%		611,900		0.68%		(84,000)
35														
36	Employee Medical Insurance Fund					0		0.00%		45,000		0.05%		45,000
37														
38	Workers' Compensation Fund					0		0.00%		5,000		0.01%		5,000
39														
40	<b>Total</b>					<b>86,724,354</b>		<b>100.00%</b>		<b>90,404,139</b>		<b>100.00%</b>		<b>3,679,785</b>

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	<b>CITY OF BROWNSVILLE, TEXAS</b>													
2	<b>FISCAL YEAR 2003 AND FISCAL YEAR 2004</b>													
3	<b>ANNUAL EXPENDITURE BUDGETS (EXCLUDES INTERFUND TRANSFERS)</b>													
4														
5														<b>Over</b>
6														<b>(Under)</b>
7														<b>Fiscal Year</b>
8														<b>2003</b>
9	<b>FUNDS</b>													<b>Budget</b>
10														
11	General Fund					56,750,440		63.97%		57,514,077		63.86%		763,637
12														
13	Convention & Tourism Fund					1,516,538		1.71%		1,532,633		1.70%		16,095
14														
15	Community Development Fund					5,782,000		6.52%		5,500,464		6.11%		(281,536)
16														
17	General Non Bonded Debt Service Fund					453,630		0.51%		34,653		0.04%		(418,977)
18														
19	Debt Service Fund					12,101,992		13.64%		12,593,327		13.98%		491,335
20														
21	Streetscape Assessment Fund					457,291		0.52%		249,566		0.28%		(207,725)
22														
23	Landfill Tipping Fee Increase Fund					3,531,729		3.98%		3,880,380		4.31%		348,651
24														
25	Airport Fund					2,691,530		3.03%		2,763,580		3.07%		72,050
26														
27	Bridge Fund					0		0.00%		0		0.00%		0
28														
29	Motor Vehicle Parking System Fund					446,571		0.50%		510,693		0.57%		64,122
30														
31	Public Transit System Fund					4,137,633		4.66%		4,621,530		5.13%		483,897
32														
33	Brownsville Golf Center Fund					847,576		0.96%		810,138		0.90%		(37,438)
34														
35	Employee Medical Insurance Fund					0		0.00%		45,000		0.05%		45,000
36														
37	Workers' Compensation Fund					0		0.00%		5,000		0.01%		5,000
38														
39	<b>Total</b>					<b>88,716,930</b>		<b>100.00%</b>		<b>90,061,041</b>		<b>100.00%</b>		<b>1,344,111</b>

**City of Brownsville, Texas  
Ad Valorem Tax Information  
Fiscal Year 2004**

Property within the City is assessed as of January 1 of each year (except for business inventory which may, at the option of the taxpayer, be assessed as of September 1); taxes become due January 1 of the following year, and become delinquent on February 1 of the following year. Discount of 3% for October, 2% for November, and 1% for December are allowed. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1. Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge.

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 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which adopts the Constitutional provisions. There is no constitutional or statutory limitation within the \$2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such 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 Obligations does not violate the constitutional restriction, City Charter provision, or the Texas Attorney General's administrative policy.

By later of September 30<sup>th</sup> or the 60<sup>th</sup> day after the certified appraisal role is received by the City from the Appraisal District, the City Commission adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: a rate for funding of maintenance and operation (General Fund), and a rate for debt service.

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A public hearing must be held if the proposed or adopted tax rate exceeds the effective rate by 1.03 or the rollback whichever is lower. If the proposed or adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

The "effective tax rate" is the rate that raises the same total levy as last year from properties taxable in both years. The "rollback tax rate" means the rate that will produce last year's maintenance and operation adjusted tax levy from this year's adjusted values multiplied by 1.08 plus a rate that will produce this year's debt service from this year's unadjusted values divided by the anticipated tax collection rate.

The Texas Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year. The City began collecting the additional one-half cent tax starting October 1, 1992 as authorized by an election held on August 10, 1991. The ad valorem tax reduction was effective beginning with fiscal year 1993.

In addition to the one-half cent sales tax the City was authorized to levy for ad valorem tax reduction, the voters also authorized an additional one-half cent for economic development. The City began collecting this tax on January 1, 1992.

**CITY OF BROWNSVILLE, TEXAS  
GENERAL & DEBT SERVICE FUNDS  
AD VALOREM TAX RATE DISTRIBUTION  
FISCAL YEAR 2004**

Increase Over Effective Tax Rate		
Effective 2003 Tax Year Rate	Adopted 2003 Tax Year Rate	% Tax Increase
\$0.660300	\$0.680000	2.98%

Tax Rate		
Adopted 2002 Tax Year Rate	Adopted 2003 Tax Year Rate	% Tax Rate Increase (Decrease)
\$0.68000	\$0.680000	0.00%

Rollback Tax Rate Distribution		
Fund	Tax Rate Distribution	Percentage Distribution
General (M&O)	(A) \$0.329706	47.34%
Debt Service	\$0.366710	52.66%
Adjusted Rollback Tax Rate	<u>\$0.696416</u>	<u>100.00%</u>

Adopted Tax Rate Distribution		
Fund	Tax Rate Distribution	Percentage Distribution
General (M&O)	\$0.313290	46.072059%
Debt Service	\$0.366710	53.927941%
Proposed Tax Rate	<u>\$0.680000</u>	<u>100.00%</u>

Maintenance & Operation (M&O) Rate, Line 31 of Rollback Tax Rate Truth-in-Taxation (TNT) Worksheet	\$0.463262
Truth-in-taxation (TNT) Laws Allow An 8% Increase in Maintenance and Operation (M&O) Rate Without Triggering A Rollback, Line 32 of TNT Worksheet	\$0.500323
Less Sales Tax Adjustment Rate, Line 45 of TNT Worksheet	<u>-\$0.170617</u>
Equals M&O Sales Tax Adjusted Rollback Rate	(A) <u>\$0.329706</u>

Ad Valorem Property Tax Rates for the Last Fifteen Fiscal Years	
Fiscal Year	Tax Rate
1990	0.7505
1991	0.7505
1992	0.7483
1993	0.6545
1994	0.6545
1995	0.6545
1996	0.6545
1997	0.6545
1998	0.6545
1999	0.6500
2000	0.6700
2001	0.6850
2002	0.6800
2003	0.6800
2004	0.6800

	A	B	C	D	E	F	G	H	I	J
1	<b>CITY OF BROWNSVILLE, TEXAS</b>									
2	<b>ANALYSIS OF ESTIMATED AD VALOREM</b>									
3	<b>TAX COLLECTIONS</b>									
4	<b>FISCAL YEAR 2004</b>									
5										
6										
7						GENERAL		DEBT SERVICE		
8						FUND		FUND		TOTAL
9	Estimated Fiscal Year 2004 Tax Collections									
10	Based on Tax Year 2003 Tax Levy of									
11	\$23,434,649 at 93% Collection Ratio.					10,041,047		11,753,176		21,794,223
12										
13	Less Estimated Tax Discounts									
14	Allowed for Early Payment					(165,000)		(208,000)		(373,000)
15										
16	Estimated Charges on Penalty & Interest					425,000		200,000		625,000
17										
18	Estimated Collections of Prior Years Levies					925,000		0		925,000
19										
20	Tax Collections					<u>11,226,047</u>		<u>11,745,176</u>		<u>22,971,223</u>
21										
22	The above tax levy was based on \$3,446,271,897 of certified taxable property values.									
23	The tax rate applied was \$.680000 per \$100 assessed valuation.									
24										
25	2003 Certified tax roll									3,446,271,897
26										
27	Percentage of 2003 tax roll to be collected									
28	during fiscal year 2004									93%
29										
30	2003 Tax Rate Per \$100 Valuation									0.68
31										
32	2003 Tax Levy (Fiscal Year 2004)									23,434,649
33										
34	Estimated Tax Levy to be Collected During Fiscal Year 2004									21,794,223
35										
36	General Fund (M&O) Ad Valorem Tax Distribution Per \$100 Valuation									0.31329
37										
38	Debt Service Ad Valorem Tax Distribution Per \$100 Valuation									0.36671
39										
40	2003 Tax Rate Per \$100 Valuation									<u>0.68</u>
41										
42	General Fund Ad Valorem Tax Allocation at 92% Collection Rate									10,041,047
43										
44	Debt Service Ad Valorem Tax Allocation at 92% Collection Rate									11,753,176
45										
46	Estimated Tax Levy to be Collected During Fiscal Year 2004									21,794,223

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	CITY OF BROWNSVILLE																
2	ANALYSIS OF ESTIMATED AD VALOREM																
3	TAX COLLECTIONS																
4	BETWEEN FISCAL YEARS 2003 & 2004																
5																	
6																	
7					General	Debt Service					General	Debt Service					Over
8					Fund	Fund					Fund	Fund					(Under)
9	Revenue Description				FY 2003	FY 2003			Total		FY 2004	FY 2004			Total		FY 2003
10								FY 2003							FY 2004		2003
11	Current Year Tax Collections			\$	8,859,801	\$	11,173,933	\$	20,033,734	\$	10,041,047	\$	11,753,176	\$	21,794,223	\$	1,760,489
12																	
13	Prior Year Tax Collections				390,000		475,000		865,000		925,000		0		925,000		60,000
14																	
15	Tax Discounts				(160,000)		(200,000)		(360,000)		(165,000)		(208,000)		(373,000)		(13,000)
16																	
17	Penalty & Interest				280,000		325,000		605,000		425,000		200,000		625,000		20,000
18																	
19	Total			\$	9,369,801	\$	11,773,933	\$	21,143,734	\$	11,226,047	\$	11,745,176	\$	22,971,223	\$	1,827,489
20																	
21																	
22	Tax Rate Distribution			\$	0.291400	\$	0.388600	\$	0.680000	\$	0.31329	\$	0.36671	\$	0.68	\$	0.000000

	A	B	C	D	E	F	G	H	I
1				CITY OF BROWNSVILLE					
2				ANALYSIS OF INCREASE IN					
3				AD VALOREM TAX COLLECTIONS					
4				BETWEEN FISCAL YEARS 2003 AND 2004					
5				WITH A TAX RATE OF \$0.680000 PER \$100 VALUATION					
6									
7									
8								Over	
9				Fiscal		Fiscal		(Under)	
10	Fund			Year 2003		Year 2004		FY 2003	
11									
12	General Fund			9,369,801		11,226,047		1,856,246	
13									
14	Debt Service Fund			11,773,933		11,745,176		(28,757)	
15									
16	Total			21,143,734		22,971,223		1,827,489	

## CITY OF BROWNSVILLE, TEXAS TYPES OF DEBT ISSUED & CREDIT RATINGS

The City of Brownsville issues debt in three ways as authorized by state statute: general obligation bonds, certificates of obligation and contractual obligations. General obligation bonds are payable from ad valorem taxes; certificates of obligations and contractual obligations from either ad valorem taxes or combination of ad valorem taxes or revenues generated from either special revenue or enterprise funds.

The City of Brownsville's bonds are currently rated as follows:

	Moody's Investors <u>Service</u>	Standard & <u>Poor's</u>	Fitch <u>Ratings</u>
General Obligation Bonds	A2	A	A+
Certificates of Obligation	A2	A	A+
Contractual Obligations	A2	A	A+

On February 13, 1997, Standard & Poor's upgraded the City's bonds from an "A-" to an "A". According to the report, the rating change was based on Brownsville's "strong tax base growth and an improving financial performance. The rating also reflected a developing, diverse economic base with large infrastructure needs, structurally high unemployment, low income levels, and a moderated debt burden."

On May 5, 1998, Moody's Investors Service upgraded the City's bonds from a "Baa-1" to an "A3". The rating upgrade stemmed from the strengthening of the City's financial position as evidenced by a trend of growing general fund reserves. Also supporting the rating upgrade was the continued growth and diversification of the City's economic base, making it less vulnerable to fluctuations in the Mexican economy. The growth in the tax base has allowed the City's debt position to remain manageable with the issuance of additional debt. According to the report, the outlook on the City's credit is stable. Key to this outlook is Moody's anticipation that management will maintain favorable financial operations and flexibility consistent with the vulnerability of its major revenue streams. Increased cross-border trade activity and the related commercial and residential development is expected to provide adequate increases in property and sales tax revenues to facilitate the maintenance of the City's financial position.

On April 19, 2000, Fitch Ratings upgraded the City's bonds from an "A" to an "A+". The upgrade resulted from the City's strong fund balance policy, quarterly financial monitoring, significant pay-as-you-go funding, conservative revenue estimation, and a declining debt service schedule, which adds flexibility for future debt issuance. According to the report, the City's financial position has improved in recent years, benefiting from steady annual gains in taxable values and a sizable prior period adjustment to correctly show cash transfers from the City's Public Utilities Board. Sales tax collections have rebounded from the effects of the most recent peso devaluation and

are now exhibiting healthy growth. Recent debt issuance to finance growing infrastructure requirements has increased the City's debt burden, but future capital plans

appear manageable. The risks that were cited were: (1) low wealth levels and high, but declining, unemployment, (2) ongoing operating and capital pressures associated with rapid population growth, and (3) Mexico's influence on the local economy.

On March 20, 2002, Moody's Investors Service upgraded the City's credit rating from an A3 to an A2. The City earned this upgrade because the City maintained a manageable debt position throughout the implementation of its current capital improvement program plan. Through fiscal year 2001, the City's financial condition remained satisfactory since its primary revenue sources continued to grow at a moderate and steady rate. For example, the City's tax base has grown every year for the last 12 years by an annual average rate of 7.5%.

A credit rating is an assessment of the City's ability and willingness as well as its legal obligation to make full and timely payments of principal and interest on the debt security over the course of its maturity schedule. Ratings are designed exclusively for the purpose of grading bonds according to their credit qualities and do not constitute a recommendation to buy or sell a security.

The ratings process looks at the past performance and trends as well as at estimated future prospects. Qualitative data as well as quantitative data is considered. Historical trends and current conditions, in addition to prepared projections, are utilized when making evaluations about future performance. Evaluations are generally based on what has taken place over the last five to ten years.

Moody's Investor Service has nineteen basic rating categories for long-term obligations. They range from "Aaa" to "C". "Aaa" rating indicates the issuer has an extremely strong ability to meet its debt obligations, whereas bonds rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing. An "A" bond possesses many favorable investment attributes and is to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present that suggests a susceptibility to impairment some time in the future.

Standard & Poor's has ten basic rating categories. They range from a "AAA" to a "D". "AAA" bonds have the highest rating. Capacity to pay interest and repay principal is extremely strong. "A" bonds have a strong capacity to pay interest and repay principal, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher-rated categories.

The City currently employs Estrada/Hinojosa & Company in the capacity of financial advisor. Estrada/Hinojosa coordinates the debt issuances of the City. In this regard, Estrada/Hinojosa determines the City's capacity to authorize, to issue and to service the debt. When the City accepts a bid for the debt instruments, Estrada/Hinojosa directs the closing of the bond sale. The City's bond counsel is McCall, Parkhurst & Horton LLP.



**Moody's Investors Service**

April 2, 2003

Mr. Pete Gonzales  
City of Brownsville  
P. O. Box 911  
Brownsville, TX 78520

*Plaza of the Americas  
600 North Pearl St., Suite 2165  
Dallas, Texas 75201  
Tel: 214-220-4350*

Dear Mr. Gonzales,

We wish to inform you that on March 28, 2003, Moody's Rating Committee assigned an **A2** rating to the City of Brownsville's General Obligation Public Improvement Bonds, Series 2003 and Combination Tax and Revenue Certificates of Obligation, Series 2003.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor the rating and reserves the right, at its sole discretion, to revise or withdraw the rating at any time in the future.

The rating as well as any revisions or withdrawals thereof will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's rating's desk.

Should you have any questions regarding the above please do not hesitate to contact me or the analyst assigned to this transaction, Kristin Button at 214-220-4383.

Sincerely,

Douglas Benton  
Vice President/Senior Credit Officer

cc: Noe Hinojosa  
Estrada Hinojosa & Company  
1717 Main Street, Suite 4760  
Dallas, TX 75201

DB/mjd



## Brownsville (City of) TX

### Contacts

Kristin Button	214-220-4383
Douglas Benton	214-220-4381

### Moody's Rating

Issue	Rating
General Obligation Public Improvement Bonds, Series 2003	A2
Sale Amount	\$9,015,000
Expected Sale Date	04/15/03
Rating Description	General Obligation, Limited Tax
Combination Tax and Revenue Certificates of Obligation, Series 2003	A2
Sale Amount	\$3,025,000
Expected Sale Date	04/15/03
Rating Description	General Obligation, Limited Tax

Moody's Investors Service Assigns A2 Rating to City of Brownsville [TX] \$9,015,000 GO Public Improvement Bonds, Series 2003 and \$3,025,000 Combination Tax and Revenue Certificates of Obligation, Series 2003

Rating Affects \$110.7 Million in Debt Including Current Issues

### Opinion

Moody's Investors Service has assigned an A2 rating to the City of Brownsville, TX \$9,015,000 of General Obligation Public Improvement Bonds, Series 2003 and \$3,025,000 Combination Tax and Revenue Certificates of Obligation, Series 2003. Both issues carry a general obligation limited tax pledge; the Certificates are additionally secured by surplus revenues of the City's landfill system. Proceeds from both issues will be used to make various improvements throughout the City consistent with the City's capital improvement plant. At the same time, Moody's has affirmed the A2 rating on \$98.7 million of general obligation debt outstanding. The rating assignment incorporates continued economic expansion and diversification of the city's tax base as well as the City's maintenance of a manageable debt position and satisfactory financial flexibility.

Although economic expansion in the area has slowed somewhat over the last year, the city continues to experience growth as a result of NAFTA-facilitated trade. The twin-plant (maquila) operations between Brownsville and Matamoros have been primarily responsible for the broadening of industrial development and job opportunities. Unemployment improved to 11.3% for July of 2002 compared to last year's 12.4% during the same month. The certified tax roll for fiscal 2003 totals over \$3 billion, which is a 9.4% increase over fiscal 2002. The City's full valuation has averaged a steady 9.1% growth

annually over the last five years due to residential and commercial development. The majority of development has occurred in the commercial sector, as additional businesses and warehousing operations are constructed. Given ongoing projects, Moody's anticipates that NAFTA-related activity will continue to drive tax base growth.

Growth in the tax base allowed the city's debt burden, while high, to remain at an adequate and manageable 5.2% of full value. This takes into consideration State funding provided to the school district, which accounts for over 66% of the overlapping debt. Direct debt approximates 3.5%. The current Capital Improvement Plan (CIP) was presented to and approved by voters in November, 2001 as a bond authorization for \$48 million. Projects include street, technology, and community service improvements. Funding for the plan is expected to come from a mix of grants, local sources and debt to be issued in varying amounts annually through 2005. The first installment was issued in March of 2002 and the current bond issue is the second installment. The City anticipates issuing another \$5 million in fiscal 2004, and the remaining \$15 million during 2005 and beyond. Overall, Moody's expects that the debt position will remain manageable, despite future debt plans, given the continued growth expected in the tax base, the consistent repayment of over 64.8% of outstanding principal in ten years, and management's prudent debt practices as they implement the CIP.

Through conservative budgeting and expenditure controls, the City has maintain adequate financial reserves. In fiscal 2001, the undesignated General Fund balance was \$8.6 million, or 16.9% of operating revenues. In fiscal 2002, the General Fund balance was \$7.9 million, or 15.9% of General Fund revenues which provides adequate financial cushion and Moody's expects the fund balance to stabilize at least equal to current levels. Sales taxes and property taxes accounted for approximately 34% and 17% respectively of total operating revenues in fiscal 2002. Recent sales tax growth compares favorably with those in neighboring cities. Ongoing commercial development resulted in a 14.5% increase in sales taxes in fiscal 2000 and an 11.3% increase in fiscal 2001. The 2002 fiscal year ended with an increase in sales tax revenue of 3.7% over the 2001 fiscal year. Results for the first four months reported for the 2003 fiscal year indicate sales tax revenues are on track with the 5% budgeted increase. Moody's believes the city will maintain an adequate financial cushion, especially given that the funds in the capital improvement fund may be discretionary in the event of a contingency. In addition, management has a budget directive to maintain General Fund reserves equal to at least 15% of General Fund expenditures and management has asserted its position that expenditures will be reduced if sales tax revenues fall short.

#### KEY STATISTICS:

2003 Population: 146,145

2003 Full valuation: \$3.2 billion

Direct debt burden: 3.5%

Overall debt burden: 5.2%

2001 General Fund balance: \$8.6 million (16.9% of General Fund revenues)

2002 General Fund balance: \$7.9 million (15.9% of General Fund revenue)

City Unemployment (December 2002): 11.8%

**Ratings Services**  
55 Water Street, 38th Floor  
New York, NY 10041-0003  
Tel 212 438-2066  
Reference No.: 608218

**Steven J Murphy**  
Managing Director  
Public Finance Ratings

**Standard & Poor's**  
A Division of The McGraw-Hill Companies



April 10, 2003

Mr. Peter Gonzalez  
Director of Finance  
City of Brownsville  
City Hall/Market Square  
P.O. Box 911  
Brownsville, TX 78520

Re: **\$12,020,000 City of Brownsville (Cameron County, Texas), Consisting of: \$9,015,000 General Obligation Public Improvement Bonds, Series 2003 & \$3,005,000 Combined Tax & Revenue Certificate of Obligation, Series 2003, dated: April 15, 2003, due: February 15, 2004-2023**

Dear Mr. Gonzalez:

Pursuant to your request for a Standard & Poor's rating on the above debt obligations, we have reviewed the information furnished to us and, subject to the terms and conditions of the *MEMORANDUM OF AGREEMENT* on the reverse side hereof, have assigned a rating of 'A' to the obligations. S&P views the outlook for this rating over the intermediate to longer term as stable.

Please note that the ongoing information required includes annual audits and budgets and, for revenue bond ratings in connection with construction financing, progress reports, not less often than quarterly, covering the project being financed and should be forwarded to:

*Standard & Poor's Ratings Services*  
*Public Finance*  
*55 Water Street, Muni Drop Box No. 1, 38-3-10 - New York, NY 10041-0003*

S&P relies on the issuer and its counsel, accountants and other experts for the accuracy and completeness of the information submitted in connection with the rating. In addition, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell these securities. Please note that the rating, as is the case with all of S&P's municipal ratings, does not address the likelihood that interest payable on the Bonds may be deemed or declared includable in the gross income of Bondholders by the relevant authorities at any time.

In the event that you decide to include this rating in an Official Statement, prospectus or other offering literature, we request that you include S&P's definition of the rating together with a statement that the rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information.

We are pleased to have been of service to you. Thank you for choosing Standard & Poor's Ratings Services. If you have any questions, please contact us.

Very truly yours,

ed  
cc: Mr. Noe Hinojosa, Jr., Vice Chairman  
Estrada Hinojosa & Company, Inc.

Publication date: 14-Apr-2003  
Reprinted from RatingsDirect

## Brownsville, Texas

Credit Analysts: Edward R McGlade, New York (1) 212-438-2061; Peter V Murphy, New York (1) 212-438-2065

### Credit Profile

\$12.02 mil GO pub imp bnds &  
comb tax & rev cert of oblig ser  
2003 dtd 04/15/2003 due  
02/15/2004-2023  
A

Sale date: 15-APR-2003

AFFIRMED  
Outstandig GO bnds  
A (SPUR)

OUTLOOK: STABLE

### Rationale

The 'A' rating on Brownsville, Texas' public improvement GO bonds and combination tax and revenue certificates of obligation series 2003 reflects:

- A steadily expanding local economy anchored by trade and services, manufacturing and distribution, and government employment;
- Strong tax-base growth resulting from solid commercial and residential construction trends; and
- Sound financial performance with healthy reserves.

These factors are tempered by:

- Low wealth and income levels coupled with a high, but decreasing, unemployment rate; and
- A high debt burden as a percent of true property value.

The series 2003 bonds are secured by the city's full faith and credit pledge.

Brownsville (population: 146,145), located along the Rio Grande Valley in Cameron County, is the southernmost city in Texas. The local economy is experiencing continual expansion, as it acts as a retail hub for more than 330,000 county residents. The city also benefits from its location as a border town, with more than 500,000 residents in nearby Matamoros, Mexico. The city's \$3.2 billion tax base grew 43% over the past five years, thanks to strong residential and commercial development trends that are expected to continue, although at slightly lower rates. Wealth and income levels are below average as measured by median household effective buying income that is 60% of the state level and 61% of the national level. The city's 11.6% unemployment rate, even though high, remains below the last five-year high of 14%.

Financial operations remain sound despite a small general drawdown in fiscal 2002 (unaudited). The \$795,667 drawdown after transfers was the second general fund drawdown in a row following fiscal 2001's drawdown of \$2.9 million. The city had budgeted a \$4.1 million drawdown for fiscal 2002, but expenditure controls and some revenue growth enabled the loss to be much lower than anticipated. The city has budgeted another general fund decline in fiscal 2003 of \$1.1 million.

Overall net debt is manageable at \$1,479 per capita, but is a high 7.4% of market value. The city's direct debt is much lower at \$791 per capita and 3.9% of market value. The city is authorized for \$33 million in additional GO bonds, and plans to issue bonds incrementally over the next five years for road improvements.

### Outlook

The stable outlook reflects the expectation that the city will maintain a sound financial position and operations, which will adequately address future growth pressures and capital needs.

### Economy

Brownsville, located about 25 miles inland from the Gulf of Mexico, is the county seat of Cameron County. The city is directly across from Matamoros, Mexico, which it joins by three bridges, resulting in the creation of

"maquiladoras," or similar manufacturing assembly facilities located in each city. Although maquiladora operations are important to the local economy, the employment base is anchored by trade and services, representing 21.5% and 26.2%, respectively, of the county's employment. Brownsville serves as a trade and distribution center for much of the lower Rio Grande Valley, and is a destination point for tourists due to its proximity to Mexico and easy access to South Padre Island. Major employers in the city include Brownsville Independent School District (7,372 employees); Cameron County (1,450); City of Brownsville (1,040); Valley Regional Medical Center (875), and Walmart (828).

Beginning in fiscal 1997, total building permit activity soared, adding \$1.25 billion in assessed value (AV) to the tax base in just six years. Most of the growth is attributable to new residential and commercial development. Total AV increased by 64.5% during that time. Healthy AV growth has resulted in a tax base of \$3.2 billion for fiscal 2003. The city's \$3 billion tax base is roughly 50% residential and 40% commercial/industrial. Population and tax base growth have been robust. Since 1990, the city's population has increased by 46%.

Wealth and income levels remain well below the state and national averages as evidenced by the median household effective buying income of 60.3% of the state's and 61% of the nation's.

### **Finances**

In the early 1990s, the city adopted an informal policy to maintain general fund reserves at 15% of budget. From 1993 to 2000, the general fund has maintained no less than a 15% balance. For fiscal 2001, the general fund balance was drawn down (\$2.9 million) as a result of slightly increased public safety costs with new hires and salary adjustments designed to provide Brownsville police officers with a more competitive salary. Additionally, the city spent roughly \$3 million on one-time capital equipment purchases. The fiscal 2001 general fund balance of \$8.6 million (mostly unreserved) is a still solid 17% of expenditures.

The fiscal 2002 (unaudited) results show another draw on reserves of \$795,666, well below the budgeted draw down of \$4.1 million. The drawdown reflects lower than anticipated sales-tax revenues, interest income and utility services for the Brownsville Public Utility Board. The general fund balance is now at \$7.86 million or 14.6% of general fund expenditures. The city reacted to the lower than anticipated revenue collection by reducing expenditures, ending fiscal 2002 with an expenditure of \$53 million, approximately \$2.6 million less than budgeted. This reflects the city's typically conservative budget practices and its willingness to make cuts to ensure financial stability.

The 2003 budget indicates that the city will have a \$1.1 million drawdown, primarily due to flat revenue growth assumptions and increasing public safety cost resulting from continued salary adjustments for police. General fund revenues are fairly diverse, with property taxes comprising 17% of total revenues, while sales taxes (34% of revenues) and fees, fines, and services (33% of total revenues) account for the bulk of revenues. Additionally, the city receives annual transfers from the Brownsville Public Utility Board and from the county.

This report was reproduced from Standard & Poor's RatingsDirect, the premier source of real-time, Web-based credit ratings and research from an organization that has been a leader in objective credit analysis for more than 140 years. To preview this dynamic on-line product, visit our RatingsDirect Web site at [www.standardandpoors.com/ratingsdirect](http://www.standardandpoors.com/ratingsdirect).  
**Standard & Poor's.**  
**Setting The Standard.**

# Fitch Ratings

One State Street Plaza  
New York, NY 10004

T 212 908 0500 / 800 75 FITCH  
www.fitchratings.com

April 14, 2003

Mr. Pete Gonzalez  
City of Brownsville, TX  
City Hall, Market Street P.O. Box 911  
Brownsville, Texas 78520

Re: Brownsville, TX  
\$9,015,000  
General Obligation Public Improvement Bonds, Series 2003  
\$3,005,000  
Combination Tax and Revenue Certificates of Obligation, Series 2003

Dear Mr. Gonzalez:

Fitch Ratings has assigned a rating of "A+" to the above referenced issues. The Rating Outlook is Stable.

Ratings assigned by Fitch are based on the documents and information provided to us by Brownsville, TX, its experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to the ratings so that they continue to accurately reflect the condition of the issue. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,



David T. Litvack  
Managing Director  
Public Finance

DTL/dn  
cc: Noe Hinojosa – Estrada Hinojosa & Co. Inc.



	A	B	C	D	E	F	G	H	
1			<b>City of Brownsville, Texas</b>						
2			<b>Full-Time Authorized Personnel Positions</b>						
3			<b>Collective Bargaining and</b>						
4			<b>Regular (Non-Collective Bargaining) Personnel Positions</b>						
5			<b>Including All Operating Funds</b>						
6			<b>Fiscal Year 2004 Budget</b>						
7									
8						<b>Number of</b>			
9						<b>Full-Time</b>			
10					<b>Collective</b>	<b>Authorized</b>			
11					<b>Bargaining</b>	<b>Personnel</b>		<b>Percentage</b>	
12					<b>Employees</b>	<b>Positions</b>		<b>Distribution</b>	
13									
14			<b>Collective Bargaining Employees All Funds</b>						
15									
16					<b>240</b>				
17					<b>167</b>				
18									
19						<b>407</b>		<b>38.84%</b>	
20									
21						<b>641</b>		<b>61.16%</b>	
22									
23			<b>Total Authorized Personnel Positions</b>						
24						<b>1,048</b>		<b>100.00%</b>	
25									
26									
27									
28									

( This page is intentionally left blank.)