

BUDGET MESSAGE



September 8, 2003

The Honorable Mayor Eddie Trevino, Jr.
The Honorable Mayor Pro Tem David A. Betancourt, District 2
The Honorable Deputy Mayor Pro Tem Carlos A. Cisneros, District 3
The Honorable City Commissioner at Large "A" Sally Arroyo
The Honorable City Commissioner at Large "B" Joseph A. Zavaletta, M.D.
The Honorable City Commissioner Ricardo Longoria, Jr., District 1
The Honorable City Commissioner Ernesto De Leon, District 4

Mayor & City Commissioners:

This budget was approved in accordance with the City Charter and budgetary laws of the state of Texas.

Below is a brief summary of the City of Brownsville's budget for the fiscal year 2004.

ALL OPERATING FUNDS

The total revenue and expenditure (expense) operating budget for all funds is \$90,404,139 and \$90,061,044, respectively. These revenue and expenditure (expense) totals are listed on pages 27 and 28. The revenue budget includes a Brownsville Public Utilities Board (BPUB) cash transfer of \$3,750,000. This budget does not include an ad valorem tax rate increase. The adopted tax rate is 68 cents per \$100 valuation; this is the same tax rate as the one approved for fiscal year 2003. The 68 cents rate is 2.98% above the effective tax rate or 0% over the current year's tax rate. This budget does not contain additional funds for the not-yet negotiated firefighters' union contract. Even though the 2001 C.O. Fund is not an operating budget, but rather a capital projects fund, part of this fund is included in this budget because it is funding 12 street construction employees who are working under the Streets Department on various street construction projects.

City of Brownsville
PO Box 911
Brownsville, Texas 78522

GENERAL FUND

The General Fund budget consists of \$59,302,689 in revenues and \$59,183,157 in expenditures or \$119,532 more in revenues than expenditures. These revenue and expenditure accounts include interfund cash transfers. The projected ending fund balance for fiscal year 2004 is \$5,821,751 or approximately 9.83% of budget expenditures. Our target should be 15%. Please note that this percent is based on a budget ending fund balance of \$5,702,219 at the end of fiscal year 2003. Because our actual fund balance at the end of fiscal year 2003 will be approximately \$7 million, instead of \$5.7 million, our estimated ending fund balance at the end of fiscal year 2004 will improve to a greater number once the actual fiscal year 2003 fund balance is known. The estimated ending fund balance is listed on pages 48 and 49.

This budget reflects a sales tax revenue increase of \$671,250 or 3.79% over fiscal year 2003. Through July 2003, we have experienced sales tax revenue gains of \$787,002 or 5.60% above the same period as last year. The City has enjoyed yearly sales tax revenue increases over the last three past fiscal years. For example, the yearly percentage increase for fiscal year 2000 was 14.51%; for fiscal year 2001, 11.30% and for fiscal year 2002, 4.75%. This budget also includes a \$2,300,000 cash transfer from the Bridge Fund. This cash transfer amount is identical to the one budgeted for fiscal year 2003. Because we were able to use some of the surplus funds in our Debt Service Fund to retire some of the fiscal year's 2004 debt service requirements, we were able to allocate more property taxes to the General Fund. As a result, the General Fund will receive approximately \$1,856,246 more in property taxes than it will recognize during fiscal year 2003 (page 34). The fiscal year 2004 ad valorem tax levy is based on an ad valorem tax rate of 68 cents or the same as fiscal year's 2003 ad valorem tax rate. The ad valorem tax rate distribution in the General Fund and Debt Service Fund allocations is listed on pages 31 through 34. Intergovernmental revenues decreased by \$730,710. As more grants are awarded to the City after the start of the fiscal year, grant revenues will increase, but so will grant expenditures. Because of the building permit rate increases that were recently approved by the City Commission, licenses and permits are expected to increase by approximately \$767,450 over fiscal year 2003. Fees and services are also expected to increase by \$639,470 over fiscal year 2003. This budget also includes a BPUB cash transfer of \$4 million. Pages 53 through 56 identify all the General Fund revenues.

Since the firefighters' collective bargaining contract has not yet been negotiated, this budget does not include the projected second-year additional firefighters' collective bargaining contract costs. Because regular (non-union) employees have not received a cost-of-living adjustment (COLA) for the past two fiscal years, (fiscal year 2002 and fiscal 2003) a 3.53% COLA is included in this budget. The 3.53% yearly average increase consists of a 2% adjustment in October 2003 and an additional increase of 3% in April 2004. The police and fire department collective bargaining employees received a 5% increase in fiscal year 2002 (2% in October and 3% in April). The police officers' union employees were awarded a 4% annual increase, plus seniority pay during fiscal year 2003; the first year of the three-year contract cost the City approximately \$811,000. Because of the "me too clause" the firefighters' union employees will also receive a 4%

annual increase during fiscal year 2003. The fire department requested six new positions for their fire/EMS operations division. These new positions are not funded. The proposed COLA for regular City employees equals the annual percentage increase granted to the police department's collective bargaining employees for fiscal year 2004. The total annual General Fund COLA for regular City employees during fiscal year 2004 is \$483,051; this compares to \$437,580 for the police union employees.

The only new positions that are included in the General Fund are eight new positions for the Southmost Branch Library. Most line-item expenditures, other than personnel expenditure accounts, were adjusted to match fiscal year 2003 budgeted amounts. Only \$162,500 was budgeted for the Beautification Committee, instead of the \$376,500 that the Committee has requested. No additional medical insurance premiums have been added to this budget. According to our records, the estimated medical insurance costs for fiscal year 2003 will be almost identical to the costs incurred during fiscal year 2002. Because the City received favorable medical insurance proposals, it is likely that no additional funds for medical insurance will be needed. A brief summary of all General Fund expenditures are listed on pages 59 through 72.

This budget does not include capital expenditures or special projects costs. The total capital expenditure and special project department requests were \$8,108,342 and \$10,917,125, respectively. Since there is no funding available for these expenditures, we recommend that we issue certificates of obligation to cover the cost of some of these expenditures.

CONVENTION & TOURISM FUND

This fund is balanced with a General Fund cash transfer of \$365,000. The COLA under this fund is \$8,482. The estimated ending fund balance for fiscal year 2004 is \$63,860. This budget reflects contributions to the following entities: Brownsville Convention & Visitors Bureau, \$623,900; Gladys Porter Zoo or Valley Zoological Gardens, \$300,000; Historic Brownsville Museum, \$36,125; Brownsville Historical Association, \$36,125; Camille Playhouse, \$21,250; CAF, \$21,250; and Brownsville Art Museum, \$21,250. This budget contains \$240,000 in event center rentals and \$459,733 in event center expenditures. Revenues and expenditures are listed on pages 89 through 91.

Community Development Fund

All funding is in place; all funding is from federal sources. The COLA under this fund is \$7,635. Revenues and expenditures are listed on pages 93 through 95.

Non- Bonded Debt Service Fund

The ending fund balance at the end of fiscal year 2004 is \$136,730. Revenues and expenditures are listed on pages 97 and 98.

General Bonded Debt Service Fund

This fund will have an ending fund balance of approximately \$1,040,477 at end of fiscal year 2004. The Debt Service Fund will pay the long-term note annual payment of \$417,856 due to the Brownsville Navigation District during fiscal year 2004. Revenues and expenditures are listed on pages 101 and 102.

Streetscape Project Fund

This fund will satisfy all its obligations during fiscal year 2004. The estimated ending fund balance at the end of fiscal year 2004 is \$789,404.

Landfill Tipping Fee Increase Fund

This fund has an ending fund balance for fiscal year 2004 of \$598,484. The COLA under this fund is \$51,708. The Debt Service Fund will pay the long-term note annual payment of \$417,856 due to the Brownsville Navigation District (BND) during fiscal year 2004. During the last two fiscal years, the Landfill Tipping Fee Increase Fund paid this BND note payment. This budget also includes \$50,000 for the beautification landscape architect; the same funding as last fiscal year. All capital expenditures under this fund will have to be financed through the issuance of certificates of obligation. Revenues and expenditures are listed on pages 133 through 135.

2001 C.O. Fund

This fund is paying for 12 street construction employees who will be working under the Streets Department on various street construction projects. The COLA under this fund is \$10,532. These personnel positions are listed on pages 137.

Airport Fund

This budget shows revenues of \$3,019,678 and expenses of \$2,763,580. One-time non-aeronautical revenues of \$675,000 and \$64,250 from the VF Image Ware settlement and sale of the Vermillion property respectively are included in this budget. This explains the \$281,913 positive variance between the revenue and expense accounts. The GBIC note payable payments have not been appropriated. These are the \$1,771,132 Neoplan USA Corp. and the \$442,674 Horace Small note payables. Proceeds from these two notes were used to rehabilitate these two buildings housing Neoplan and Horace Small. Since these two projects qualify as economic development projects, we will be asking the Greater Brownsville Incentives Corporation (GBIC) to convert these two notes to incentive packages. The Airport does not generate enough revenues to provide capital maintenance for its buildings. Because of the one-time revenues mentioned above, the Airport Fund will be self-supported during fiscal year 2004. For the past several years, the Airport Fund has received cash subsidies from the City's General Fund. The COLA under this fund is \$25,815. Two new positions were budgeted under this fund. The Airport Fund revenues and expenses are on pages 139 and 140 of this budget book.

Bridge Fund

This fund shows \$2,312,000 in net income and \$2,300,000 in cash transfers to the General Fund. Revenues and expenses for this fund are listed on page 143.

Motor Vehicle Parking System Fund

This fund has \$534,700 in revenues and \$510,693 in expenses. The COLA under this fund is \$10,323. Revenues and expenses for this fund are listed on pages 145 and 146.

Public Transit Fund

This fund shows an operating loss of \$3,396,624 (page 212). Please note that all public transit systems in the United States operate at a loss. This is the reason why the federal and state governments provide cash subsidies to transit systems. Some Cities receive their local share from a transit sales tax. The City tried to pass a transit tax in the late 80s, but the voters voted against the tax. The City can no longer pursue the transit tax because the City is already collecting the maximum sales tax of 2% allowed by the state. The FTA's grant for fiscal year 2004 is \$1,698,312. The state's grant is \$600,000. We currently have general fund contributing \$1,011,312 as part of the City's local share. The FTA's fiscal year 2004 operating assistance grant of \$1,698,312 is the largest grant that has been awarded to the City. This FTA contribution will cover 50% of the operating loss. The General Fund will also contribute \$51,033 and \$7,082 as the City's local share for capital and planning grants, respectively. The COLA under this fund is \$59,976. Revenues and expenses are listed on pages 149 and 150.

Brownsville Golf Center Fund

This fund is balanced by a General Fund cash subsidy of \$200,000. It includes \$611,900 in revenues and \$810,138 in expenses. The COLA under this fund is \$1,548. Revenues and expenses are listed on pages 155 through 157.

Acknowledgement

We would like to recognize the hard work of the finance department's staff in preparing this budget, as well as the difficult decisions made by the department heads to trim expenditures (expenses), and to thank the City Commission for their dedication to keep expenses low and services high for the citizens of Brownsville.

Sincerely,

Handwritten signature of Lanny S. Lambert in cursive script.

Lanny S. Lambert
City Manager

Handwritten signature of Pete Gonzalez in cursive script.

Pete Gonzalez
Finance Director