BUDGET MESSAGE

September 13, 2004

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

Honorable Mayor & City Commissioners:

This budget was approved in accordance with the City Charter and budgetary laws State of Texas. Below is a brief summary of the City of Brownsville's budget for fiscal year 2005.

GENERAL FUND

The General Fund budget consists of $64,786,303 in revenues and $66,124,025 in expenditures or $1,337,722 more in expenditures than revenues. These revenue and expenditure accounts include cash transfers from the Veterans Bridge and BPUB of $2.5 million and $4.0 million, respectively. The projected ending fund balance for fiscal year 2005 is $7,390,752 or approximately 11.18% of budget expenditures. Our target should be 15%. Please note that this percent is based on a budget ending fund balance of $8,728,474 at the end of fiscal year 2004. Because our actual fund balance at the end of fiscal year 2004 will be approximately $10 million, instead of $8.7 million, our estimated ending fund balance at the end of fiscal year 2005 will improve to a greater number once the actual fiscal year 2004 fund balance is known. The estimated ending fund balance is listed on pages 42 and 43.

This budget reflects a sales tax revenue increase of $754,000 or 3.99% over the fiscal year 2004 budget. Through July 2004, we have experienced sales tax revenue gains of $1,178,587 or 8.03% above the same period as last year. The City has enjoyed yearly sales tax revenue increases over the past four fiscal years. For example, the yearly percentage increase for fiscal year 2000 was 14.51%; for fiscal year 2001, 11.30%; for

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fiscal year 2002, 4.75% and for fiscal year 2003, 5.37%. Because we were able to use some of the surplus funds in our Debt Service Fund to retire some of the fiscal year's 2005 debt service requirements, we were able to allocate more property taxes to the General Fund. As a result, the General Fund will receive approximately $700,331 more in property taxes than it will recognize during fiscal year 2004 (page 41). The fiscal year 2004 ad valorem tax levy is based on an ad valorem tax rate of 68 cents or the same rate as fiscal year 2004.

Below is a schedule comparing the budget revenues between fiscal year 2004 and 2005:

Revenues:	Amended FY 2004 BUDGET	FY 2005 BUDGET	OVER (UNDER) FY 2004
Property Taxes	$ 11,366,450	$ 12,066,781	$ 700,331
Sales Taxes	18,920,000	19,674,000	754,000
Non-Property Taxes	176,000	180,000	4,000
Fines & Forfeitures	2,966,250	3,270,150	303,900
Licenses & Permits	2,434,851	2,572,250	137,399
Fees & Services	13,099,070	14,183,389	1,084,319
Intergovernmental	1,343,775	692,302	(651,473)
Interest Income	272,000	255,000	(17,000)
Land Sale	60,000	0	(60,000)
Miscellaneous	1,566,237	1,716,001	149,764
Total	52,204,633	54,609,873	2,405,240
Utility Services From BPUB	3,184,930	3,276,430	91,500
Total Revenues	55,389,563	57,886,303	2,496,740
Interfund Transfers:			
Transfers From Landfill Tipping Fee	0	300,000	300,000
Transfers From MVPS	0	100,000	100,000
Transfers From Veterans Bridge	2,300,000	2,500,000	200,000
Transfers From BPUB	3,750,000	4,000,000	250,000
Total Interfund Transfers	6,050,000	6,900,000	850,000
Total Revenues Plus Interfund Transfers	$ 61,439,563	$ 64,786,303	$ 3,346,740

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Transfers From MVPS	0	100,000	100,000
Transfers From Veterans Bridge	2,300,000	2,500,000	200,000
Transfers From BPUB	3,750,000	4,000,000	250,000
Total Interfund Transfers	6,050,000	6,900,000	850,000
Total Revenues Plus Interfund Transfers	$ 61,439,563	$ 64,786,303	$ 3,346,740

All revenue accounts show gains over fiscal year 2004 except intergovernmental, interest income, and land sale. As more grants (intergovernmental) are awarded to the City after the start of the fiscal year, grant revenues will increase, but so will grant expenditures.

Below is a schedule comparing the budget expenditures between fiscal year 2004 and 2005:

Expenditures:	Amended FY 2004 Budget	FY 2005 Budget	Over (Under) FY 2004
General Government	$ 9,314,445	$ 9,562,845	$ 248,400
Public Safety	36,851,839	38,826,960	1,975,121
Public Works	7,246,068	6,422,803	(823,265)
Sanitation	489,107	468,069	(21,038)
Public Health	1,307,821	1,361,694	53,873
Culture & Recreation	5,394,599	6,273,739	879,140
Economic Development	4,000	4,000	0
Total Expenditures	60,607,879	62,920,110	2,312,231
Interfund Transfers:			
Transfer to Convention & Tourism Fund	365,000	350,000	(15,000)
Transfer to Non-Bonded Debt Service Fund	34,653	0	(34,653)
Transfer to Airport Fund	400000	1,596,915	1,196,915
Transfer to Public Transit Fund	1,069,427	1,142,000	72,573
Transfer to 2004 C.O. Fund	100,000	0	(100,000)
Transfer to Brownsville Golf Center Fund	300,000	115,000	(185,000)
Total Interfund Transfers	2,269,080	3,203,915	934,835
Total Expenditures Plus Interfund Transfers	$ 62,876,959	$ 66,124,025	$ 3,247,066

Expenditure functions with major increases over fiscal year 2004 are public safety, culture/recreation and interfund transfers of $1,975,121, $879,140 and $934,835, respectively. Public Works decreased $823,265 because $412,731 from the Greens Division was moved to the Landfill Tipping Fee Increase Fund, Street Maintenance was reduced by $440,089, and there were $29,555 in increases on various Public Works expenditure functions.

Public safety expenditures increased in the police and fire/EMS budget units by $2,365,155. The following page identifies this increase.

Dept. NO.	Department Name	Actual FY 2003	Amended Budget FY 2004	Budget FY 2005	Over (Under) FY 2004
	Police Department Budget Units:				
302	Southmost Network Center	$ 167,233	$ 164,416	$ 178,282	$ 13,866
303	Emergency Management	72,211	113,719	99,706	(14,013)
304	STATE - FY 00 Brownsville	56,689	0	0	0
306	STATE - Grant City	571,034	597,952	658,523	60,571
307	TSA - Supporting Host Agency	40,279	16,640	0	(16,640)
308	STEP Grant	0	30,000	30,000	0
310	Police Administration	2,252,477	2,551,970	2,660,782	108,812
311	Police Operations	13,905,993	15,208,805	16,924,130	1,715,325
312	Organized Crime Task Force	157,899	0	0	0
316	Municipal Jail	542,669	561,873	582,821	20,948
324	COPS MORE Grant	48,475	0	0	0
331	Weed & Seed	96,498	31,686	0	(31,686)
332	Abandoned Motor Vehicle	48,603	29,787	330	(29,457)
334	Underage Drinking Initiative	124,343	0	0	0
335	Underage Drinking Other Agencies	34,844	49,990	0	(49,990)
337	2000 LLEBG	8,465	0	0	0
338	COPS In School	266,755	247,023	282,980	35,957
339	Westside Community Center	291,659	351,659	345,074	(6,585)
340	2001 LLEBG	25,784	0	0	0
341	Click It or Ticket/STEP	0	12,359	0	(12,359)
342	2002 LLEBG	203,243	0	0	0
343	Underage Drinking Initiative	25,679	132,905	0	(132,905)
	Total Police Department Budget Units	18,940,832	20,100,784	21,762,628	1,661,844
	Fire Department Budget Units:				
320	Fire Administration	756,978	996,189	835,746	(160,443)
321	Fire Operations	8,230,491	9,016,713	9,699,144	682,431
321	Fire Operations - Airport Fund	1,004,147	940,881	1,026,080	85,199
325	LEOSE Training Allocation	12,621	0	0	0
536	Fire/EMS	3,097,354	3,442,189	3,623,512	181,323
	Total Fire Department Budget Units	13,101,591	14,395,972	15,184,482	788,510
	Less Fire Operations-Airport Fund	(1,004,147)	(940,881)	(1,026,080)	(85,199)
	Total General Fund Fire Dept. Exp	12,097,444	13,455,091	14,158,402	703,311
	Total Police and Fire Budget Units in The General Fund	$ 31,038,276	$ 33,555,875	$ 35,921,030	$ 2,365,155

$895,098 of the $879,140 budget increase in the culture and recreation expenditure function was associated with the opening of the Southmost Library Branch.

Because of the airport's decrease in rental property receipts caused by the departure of companies such as Neoplan, Levi's and Horace Small, the General Fund budget cash transfer to the Airport Fund increased $1,196,915.

This budget does not include cost-of-living adjustments for regular city employees; it only includes cost-of-living adjustments for collective bargaining employees. The police fire/EMS collective bargaining employees will receive a 3% increase in October 2004 and another 3% increase in April 2005.

A total of $2,330,340 in new and part-time positions was requested by various departments in the General Fund; only 8 full-time and 26 part-time positions for the Library Southmost Branch are included in this budget. Most line-item expenditures, other than personnel expenditure accounts, were adjusted to match fiscal year 2004 budgeted amounts. Only $180,000 was budgeted for the Beautification Committee. No additional medical insurance costs have been budgeted. The same medical insurance rates budgeted during fiscal year 2004 were used for fiscal year 2005. According to our records, the estimated medical insurance costs for fiscal year 2005 will be almost identical to the costs incurred during fiscal year 2004. A brief summary of all General Fund expenditures are listed on pages 55 through 59.

This budget does not include capital expenditures or special projects costs. The total capital expenditure and special project department requests were $11,841,839 and $13,693,485, 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 $350,000. The estimated ending fund balance for fiscal year 2004 is $17,356. This budget reflects contributions to the following entities: Brownsville Convention & Visitors Bureau, $700,000; 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 $250,000 in event center rentals and $482,697 in event center expenditures. The event center requested $33,288 in new and part-time positions; none of these requests are included in this budget. Revenues and expenditures are listed on pages 85 through 87.

Community Development Fund

All funding is in place; all funding is from federal sources. Revenues and expenditures are listed on pages 89 through 91.

Non- Bonded Debt Service Fund

The ending fund balance at the end of fiscal year 2005 is $47,924. Revenues and expenditures are listed on pages 95 and 96.

General Bonded Debt Service Fund

This fund will have an ending fund balance of approximately $1,178,102 at end of fiscal year 2005. The long-term note annual payment of $417,560 due the Brownsville Navigation District will be paid by the Debt Service Fund during fiscal year 2005. Because of the $14,740,000 new debt that was issued during fiscal year 2004, the debt service requirements in this fund will increase by $2,194,997 during fiscal year 2005. Revenues and expenditures are listed on pages 99 through 101.

Landfill Tipping Fee Increase Fund

This fund has an ending fund balance for fiscal year 2005 of $722,086. The long-term note annual payment of $417,560 due the Brownsville Navigation District (BND) will be paid by the Debt Service during fiscal year 2005. During fiscal years 2002 and 2003, this BND note payment was paid by the Landfill Tipping Fee Increase Fund. This budget also includes $38,400 for the beautification landscape architect; the same funding as last fiscal year. A total of $206,254 of new personnel positions was requesting under this fund; no new positions are included in this budget. 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 127 and 129.

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. These personnel expenditures are listed on pages 131 and 132.

Airport Fund

This budget shows revenues of $1,342,439 and expenses of $2,939,354. The revenue shortfall of $1,596,915 is being funded by the General Fund. The Airport Fund revenues and expenses are found on pages 135 and 136 of this budget book.

Bridge Fund

This fund shows $2,512,000 in net income and $2,500,000 in cash transfers to the General Fund. Revenues and expenses are found on page 139.

Motor Vehicle Parking System Fund

The budget under this fund shows $595,400 in revenues and $513,793 in expenses. Revenues and expenses for this fund are listed on pages 141 and 142.

Public Transit Fund

This fund shows an operating loss of $3,499,430 (page 145). 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 2005 is $1,749,715. The state's grant is $600,000. The General Fund is contributing $1,064,215 as part of the City's local share. The FTA's fiscal year 2005 operating assistance grant of $1,749,715 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 $67,000 and $10,785 as the City's local share for capital and planning grants, respectively. This fund requested $96,881 in new and part-time personnel positions; none of these positions are being funded. Revenues and expenses are listed on pages 145 and 146.

Brownsville Golf Center Fund

This fund is balanced by a General Fund cash subsidy of $115,000. It includes $550,000 in revenues and $661,077 in expenses. Revenues and expenses are listed on pages 149 through 152.

Summary

This budget includes an ad valorem tax rate of 68 cents per $100 property valuation, or the same tax rate as fiscal year 2004 (page 33). This tax rate, based on a 93% collection ratio, will generate $11,358,781 for the General Fund and $13,180,693 for the Debt Service Fund (page 34). The City's debt service requirement increased $2,194,997 between fiscal year 2004 and 2005 because of the $14,740,000 in additional debt that was issued during fiscal year 2004.

The total revenue and expenditure (expense) budget for all funds is $96,179,914 and $98,051,132, respectively. These revenue and expenditure (expense) totals are listed on pages 29 and 30. As mentioned earlier, this budget does not include capital expenditures or special projects costs. The total capital expenditure and special project department requests were $11,841,839 and $13,693,485, respectively. This budget only includes cost-of-living increases for all collective bargaining employees; they will receive a 3% increase in October 2004 and another 3% in April 2005.

The General Fund budget was balanced with estimated reserves of approximately $8,728,474. Even though the General Fund budget fund balance shows an ending fund balance of $8,728,474 (pages 42 and 43) at the end of fiscal year 2004, it is estimated that the actual fund balance at the end of fiscal year 2004 will be approximately $10 million.

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 directors 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.

Respectfully Yours,

Charlie Cabler
City Manager

Pete Gonzalez
Finance Director/
Chief Financial Officer