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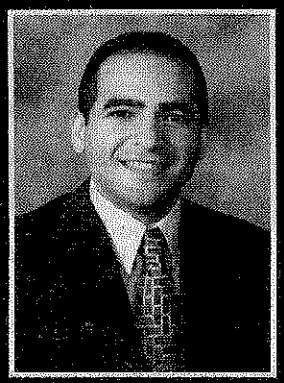
Pharr's budget turns in some good numbers


Juan Guerra

PHARR -- Bad news two years ago has turned into some good news today, according to Pharr Finance Director Juan Guerra.

"Pharr's reserve fund balance was a negative $6 million two years ago," he says. "But by the end of next September, it will be a plus $7.5 million. We took steps to cut back on expenses two years ago so we could replenish our reserve fund. And so, when tough economic times kicked in more recently, we were already set up to weather the storm."

Two years ago, when Guerra came on board, the city's bookkeeping was a mess. Financial audits never turned in on time. Financial reports turned in late without all the information needed to make sound financial decisions.

"It was hard to get a handle on exactly where we were in terms of city finances," says Guerra. "Plus, there was no money for a contingency fund (for so-called rainy-day emergencies). And it made us realize that without any sort of a contingency fund, the city was vulnerable to any sort of unexpected emergency."

State guidelines suggest cities have the equivalent of three months' worth of operating expenses in a reserve fund. In Pharr's case, that's approximately $7.5 million.

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City critics, however, even more vocal now that an election is set for next May, still insist the city's move to financial solvency was a smoke-and-mirrors play. In other words, with a stroke of a pen, the city's finance office simply wrote off $6 million on its books.

At the time, two years ago, on the city's balance sheet, the general fund owed several side city funds-- utility, bridge, hotel, etc. -- approximately $6 million.

Why? Because, prior to the commission makeover in '08, capital improvement projects were being okayed by the city commission with no revenue source to fund them. So, approximately $6 million was taken from the side funds to pay for things like golf course improvements, street pavings, etc.

After Guerra got on board as finance director, he started looking at the city's overall financial picture, and made suggestions to the city manager and city commission, part of which included a recommendation that the $6 million be written off. No new capital improvement projects okayed unless the money was on hand in the general fund to pay for them. And the focus instead shifted to replenishing the reserve fund.

"By next September, it should be at a healthy $7.5 million," Guerra says.

Now, that times are tougher on the economic front, compared to two years ago, going into the '09/'10 fiscal year budget, city departments were asked to cut some expenses as much as possible to make up for a shortfall in several areas.

"Pharr is going to collectect approximately $500,000 less in sales taxes this year if our projections come in as expected," according to Guerra. "And we factored into this new budget approximately $1.2 million less in bridge revenue transfer to the city's general fund, figuring we'd lose some traffic to the new bridges in McAllen and Donna once they open."en

In the case of the planning department, building permits are down approximately 66 percent. They were averaging approximately 30 per month.

But in August, for example, that number had dropped to nine.

So, in the planning department, expenses could be cut in staff.

Departmental cuts are offset, however, in some areas.

Traffic warrant collections are up 25 percent, according to Guerra.

"A federal grant is paying for warrant officer overtime," Guerra says. "And thanks to that, we'll pull in approximately $300,000 more than last year."

And there's more good news, according to Guerra.

"The city's property tax rate went from .68185 (per $100 valuation) to .68000."

This year, too, to help keep costs down, Pharr won't be taking on any new capital expenditures for things like new vehicles.

"We're going to get by with what we have," says Guerra.

Pharr Mayor "Polo" Palacios says the city's sound financial is evidence that everyone is working together to help get through a time of reduced city reveneues.

"Police, fire, all the city employees from the various city departments have shown an interest in working together to get through tough times," he says. "And I think it helps we brought this young man on board (Juan Guerra) who turns in city audits on time, and the city commission can work with real numbers for a change."

City Manager Fred Sandoval says, "I'd like to thank my department heads for working hard this budget season to whittle down expenses. The good news is, the quality of city services won't decline. Property taxes won't go up. And we're getting back to having a healthy fund balance. All good news for city residents."

City Commissioner Oscar Elizondo says he's elated that the city finances are in such great shape.

"I think this shows what can happen when a city staff and a city commission agree to disagree on some things, but in the end, we all pull together, and get back to running the city like a business, which is how it should be run."

-- by G. Romero Wendorf