

Area News

# Pharr draws up budget plan to overcome \$500k shortfall

**Editor's note:** Sorry for the mistake last week in not publishing this story in its entirety. So, let's see if we can do it right this week:

**PHARR** — As more and more cities these days face declining tax revenues, the question is — how do you make up the shortfall?

"There is always a way," said the city of Pharr's finance director, Juan Guerra. "It just

takes some looking."

In Pharr's case, the city is facing a budget shortfall of approximately \$533,000 for fiscal year 08/09, thanks to a property tax decline of approximately \$356,000 and a two percent drop in sales tax revenue worth \$167,000.

"So what the city has done to help make up the shortfall," said Guerra, "is drop the retirees' automatic retirement

renewal from 14 percent to 11 percent. That saves the city approximately \$300,000 per year."

Until now, the city has automatically paid retirees a cost of living increase.

Now, says Guerra, the retirement payments are fixed based on a formula of what the employee was earning at the date of their retirement with no annual cost of living added to the mix.

"The city commission can always choose to pay in a cost of living increase every now and then as it so chooses," said Guerra. "But it's not an automatic thing every year."

On top of that, the city is saving \$30,000 by forcing city retirees over the age of 65 to go on Medicare instead of staying on the city's health insurance provider.

The city's also changed up something else — before, if you worked for the city of Pharr for only a month, you had health insurance for life.

"It wasn't a good plan," said Guerra.

But now, an employee has to work for Pharr for 10 years before they're fully vested, and 20 years in total municipal government before they can earn full retirement benefits from the state's municipal retirement fund.

"Now, the city's saving money by saying that a retiree must go on Medicare when they reach the age of 65, and we'll pick up the cost for the

Medicare supplemental," said Guerra. "And you have to work for the city a lot longer than a month to qualify."

Add to that, an additional savings of \$180,000 for fuel and electricity, and the \$533,000 budget shortfall begins to look manageable.

"Fuel," for example, said Guerra, "we had budgeted at close to \$5 per gallon. Now, it's closer to \$2/gallon. Add the decreased cost of electricity, and the total savings in that area equals approximately \$180,000."

The city will also take \$500,000 from the hotel/motel fund to reimburse what it's spent over the past two years for maintenance and upkeep at the Pharr Convention Center. But it's a juggling act that takes time and effort, said Guerra.

"For example, our sales tax dropped 5.3 percent in December, after making amendments for an anomaly (the state reimbursed a business that wasn't supposed to be paying sales tax), but in January, Pharr was up 3.3 percent."

Meaning, if you're a city finance director or city manager these days, your hair is turning grey fast just trying to keep up.

"But it also makes things very interesting," said Guerra. "Bottom line, Pharr's in good financial shape overall. Consider this, when I came on board here a year and a half ago, the city had a minus \$6 million unreserved fund balance. Now, Pharr's at a positive \$4 million."

The unreserved fund balance is the so-called rainy day fund that cities should have on hand for unforeseen emergencies — hurricanes, big water breaks, etc.

Two to three months of operating expenses is considered adequate. In Pharr's case, two months would be equal to \$6 million, according to Guerra.

"So, we're almost there." The turnaround took some work though.

"Essentially, the unreserved fund balance has seen a \$10 million turnaround through what I'd call sound fiscal management on the part of the city," said Guerra.

"The city wrote off some \$5 million in what it determined to be bad debt — golf course improvements, street projects. It also managed to budget an additional \$2 million from its general fund. It also added \$1 million cash by selling a piece of land to the hotel/motel fund adjacent to the Convention Center that was going to be used for expansion. We did some research and determined those monies could be used for that."

According to Guerra, there's always a silver line in every cloud.

"For one thing, I think this economy is forcing everyone, people as well as government entities, to practice more fiscal restraint, and to prioritize the things we do. And that's actually a very positive thing."

—by G. Romero Wendorf