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Department of Budget & Management

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September 29, 2009

Honorable Commissioner's Court:

Juan de Dios "JD" Salinas, County Judge
Sylvia Handy, Commissioner Pct. 1
Hector "Tito" Palacios, Commissioner Pct. 2
Jose M. Flores, Commissioner Pct. 3
Oscar L. Garza, Commissioner Pct. 4

Attached, please find the Hidalgo County Adopted Budget for Calendar Year 2010. The Adopted Budget has been filed with the County Clerk and with the County Auditor as per Texas Local Government Code Section 111.066.

The 2010 Adopted Budget will be available for viewing by the general public at the Office of the County Clerk and on the internet at www.co.hidalgo.tx.us.

Budget Development Guidelines

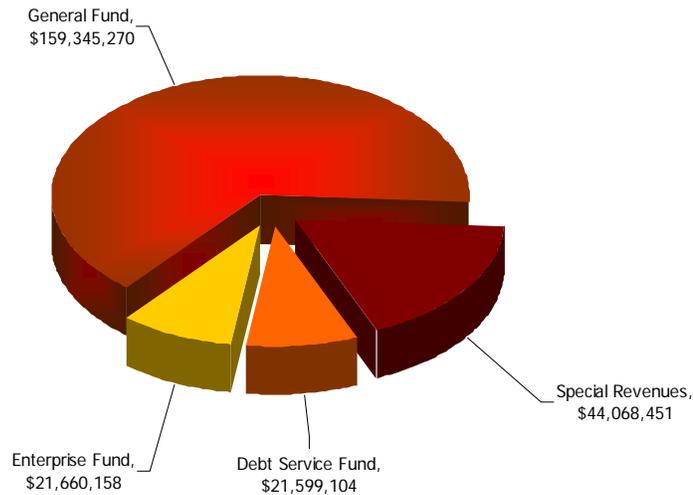
The 2010 Adopted Budget has been developed in accordance with direction from Commissioners' Court to achieve the following: (1) maintain the current property tax rate of 59 cents, (2) maintain the current level of services, (3) reduce operating expenditures and other costs to offset revenue decreases, (4) maintain sufficient reserves for unforeseen emergencies or natural disasters, and (5) maintain a strong financial position which will enable Hidalgo County to develop and implement capital projects to address drainage systems, road maintenance, and county buildings and other infrastructure needs to meet the growing needs of the county, its citizens and residents.

Total 2010 Adopted Budget

The overall Hidalgo County Adopted Budget totals **\$246.6** Million, which includes a General Fund Budget (Maintenance & Operations) of **\$159.3** Million. The General Fund is the county's major fund, and provides funding for most county departments, including the courts, law enforcement, and juvenile and adult detention and corrections.

Adopted 2010 budget levels for other funds include **\$44.0** Million for Special Revenue funded departments and functions, **\$21.5** Million for Debt Service (principal and interest) and **\$21.6** Million for internal Enterprise Funds, which include Health Benefits, Workers' Compensation, and the Jail Commissary.

2010 Adopted Budget



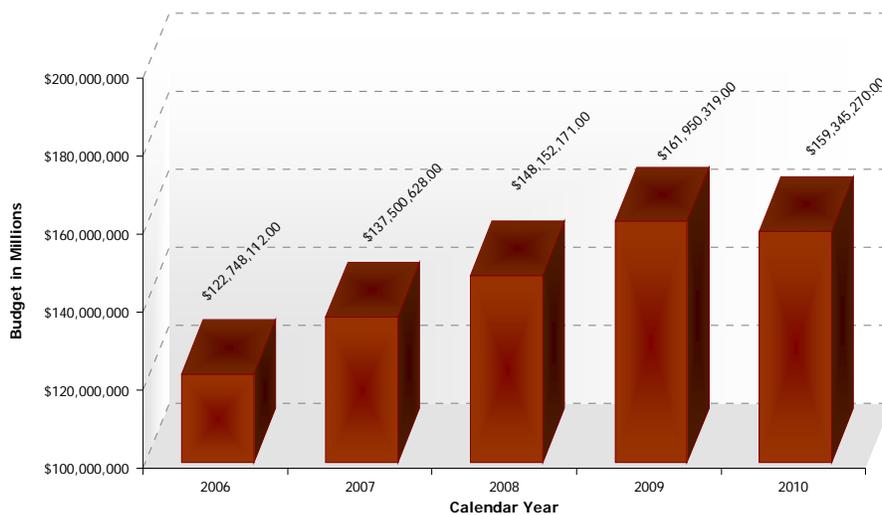
General Fund (Maintenance & Operations) 2010 Estimated Revenues and 2010 Adopted Budget

The estimated revenue for 2010 is less than the original estimate for 2009, which totaled \$162.0 million. The County Auditor revised his original estimate in August, 2009, and the new estimate for 2009 is \$160.5 million, a decrease of \$1.5 million.

The estimated revenue for 2010 is also less than the revised estimate for 2009, and totals \$157.5 million. This is a decrease of \$4.5 million from the original 2009 estimate.

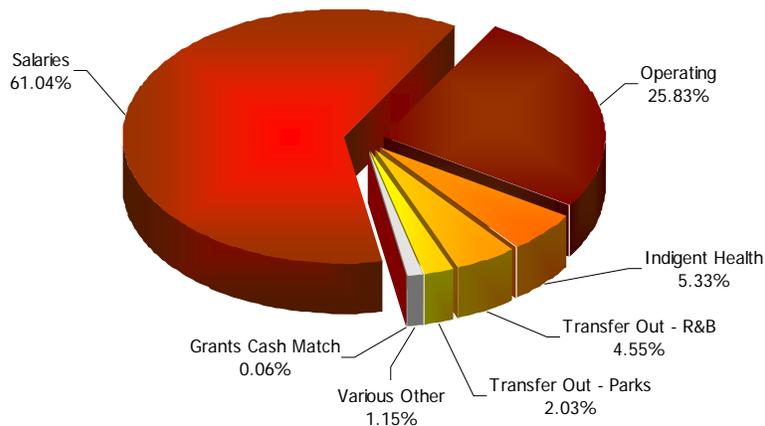
Estimated property tax revenue decreased by \$1.5 million and other revenues, such as investment income, fines, and fees for services, decreased by \$3.0 million from 2009 to 2010. This is mostly attributable to the current economic recession and partly attributable to decreased property values resulting from Hurricane Dolly.

The 2010 Adopted General Fund Budget is being financed by the 2010 estimated revenues of **\$157,479,935** and by appropriating **\$1,865,335** from the Fund Balance, for a total adopted General Fund (M & O) budget of **\$159,345,270**. The General Fund (M&O) Budget for the four (4) previous years and the Adopted 2010 Budget are as follows:



2006	- \$122,748,112	+ 10.32%
2007	- \$137,500,628	+ 12.02%
2008	- \$148,152,171	+ 7.75%
2009	- \$161,950,319	+ 9.31%
2010	- \$159,345,270	- (1.61%)

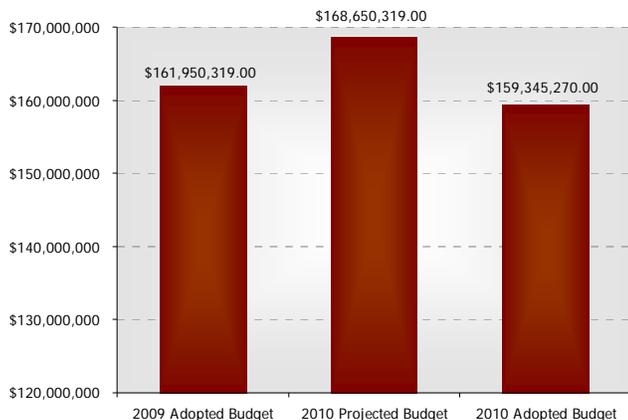
The adopted budget of \$159.3 million for 2010 includes \$97.26 million for salaries and salary related fringe benefits, \$41.16 million for operating costs, and \$20.92 in transfers – out for Road and Bridge (\$7.25M), Parks (\$3.24M), Indigent Health (\$8.50M), Grants cash match (\$0.10M) and various other (\$1.83M).



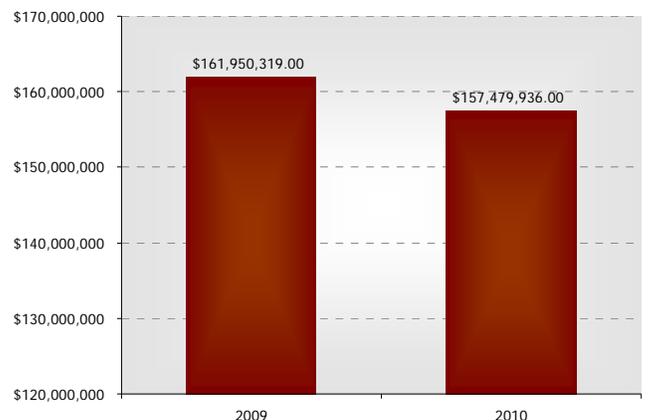
2010 Budget Development and Financing

The base budget for 2010 is the 2009 approved budget of \$161,950,319. This base budget represents current need and is impacted by increased costs and by increased or decreased revenues. For 2010 costs are projected to increase by \$6.7 million, requiring a budget level of \$168.7 million. However, revenues are estimated to only total \$157.5 million, leaving a revenue shortfall of \$11.2 million. In order to develop the 2010 General Fund Budget without increasing the tax rate, it is necessary to decrease expenditures by \$9.3 million (\$9,356,639) and to use Fund Balance reserves of \$1.9 million (\$1,865,335).

EXPENDITURES



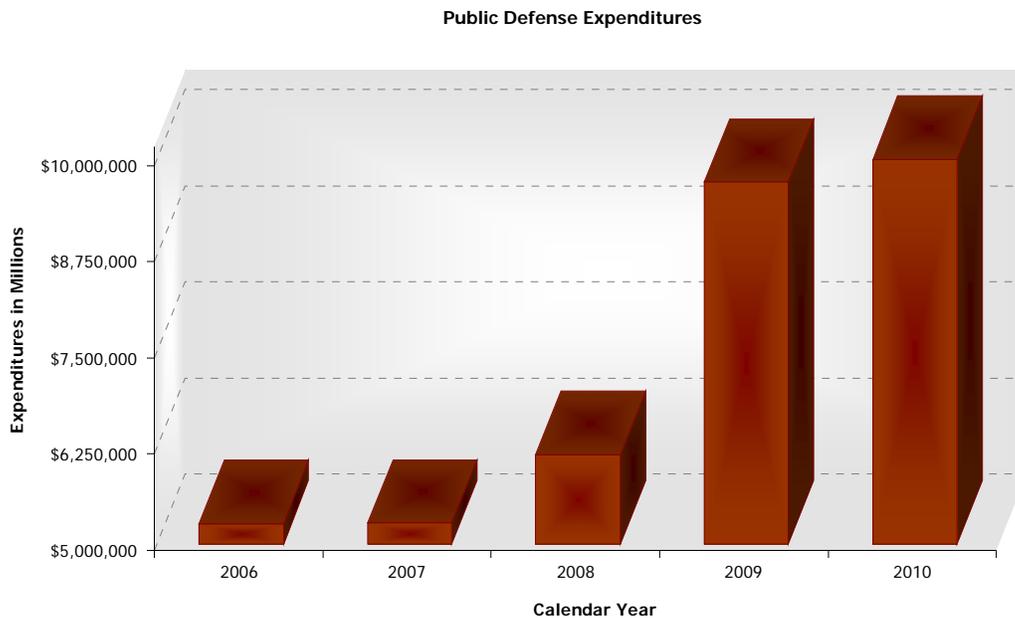
REVENUES



The \$9.3 million in expenditure reductions were targeted so that essential services would not be adversely impacted. Expenditure items that are reduced for 2010 include computer equipment, furniture, travel, registration fees, gasoline, and supplies. In addition, funding contributions to the Workers Compensation Program and the Self-Insured Employee Health Benefits Program were reduced as cost saving initiatives in those programs have resulted in more that sufficient reserves.

Other cost saving measures included the postponement of the Law Enforcement Step and Grade annual step increase for deputy sheriffs and deputy constables and the postponement of any Cost of Living Adjustment (COLA) for county employees. In addition, no new positions are adopted for 2010.

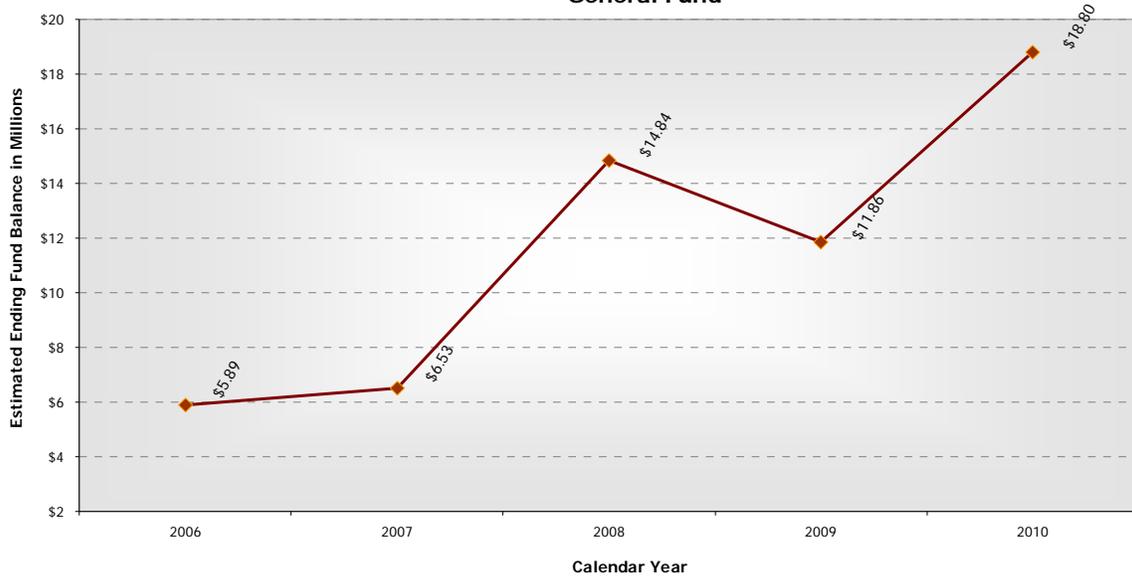
Financing Public Defense, which includes Indigent Defense, will continue to be a challenge. During 2008 \$6.5 million was expended, and the increased appointed attorney rates approved for 2009 could result in expenditures of \$9.6 million in 2009. \$5.0 million was originally budgeted for 2009.



For 2010 \$6.0 million is budgeted for this expense and another \$1.0 million will be appropriated when the County Auditor certifies revenues due in 2010 from the Drainage District No. 1, for a total budget in 2010 of \$7.0 million. Actual expenditures in 2010 may reach \$10.0 million, unless costs saving measures are implemented.

The appropriation of \$1.9 from the General Fund Unreserved Fund Balance will result in a projected fund balance of \$18.8 million at the end of 2010. Currently the County Auditor is projecting the fund balance to be at \$11.9 million at the end of 2009. However, this does not include expected FEMA reimbursements from Hurricane Dolly totaling \$8,781,342.

Hidalgo County, Texas Five Year Estimated Ending Fund Balance History General Fund



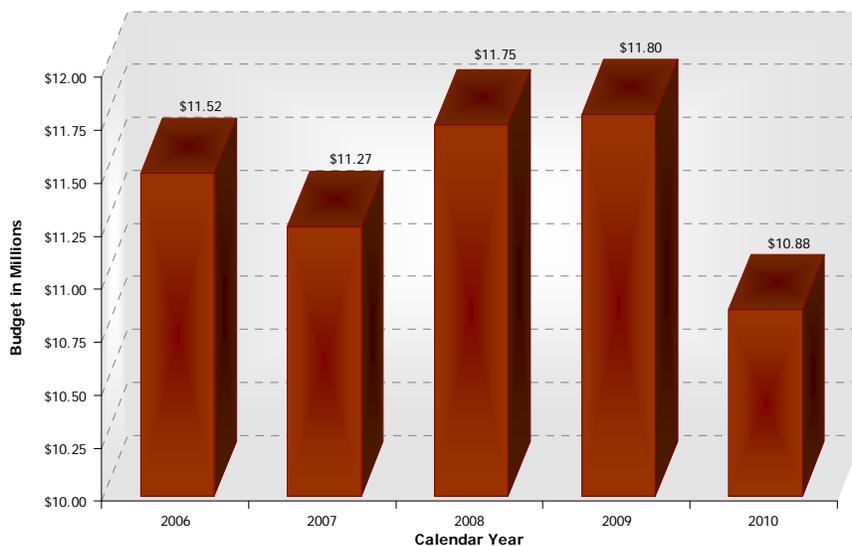
The 2010 projected fund balance represents 11.8% of the adopted budget and it is within the 10%-15% range required by County policy. It is also noted that \$1,650,000 has been appropriated for emergency purposes to be reimbursed from the proceeds of 2010 Certificates of Obligation issuance.

Road and Bridge 2010 Adopted Budget

The other important County Fund is the Road and Bridge Fund. Funding for the repair and maintenance of county roads comes from vehicle registration fees, from traffic fines, and from other fees.

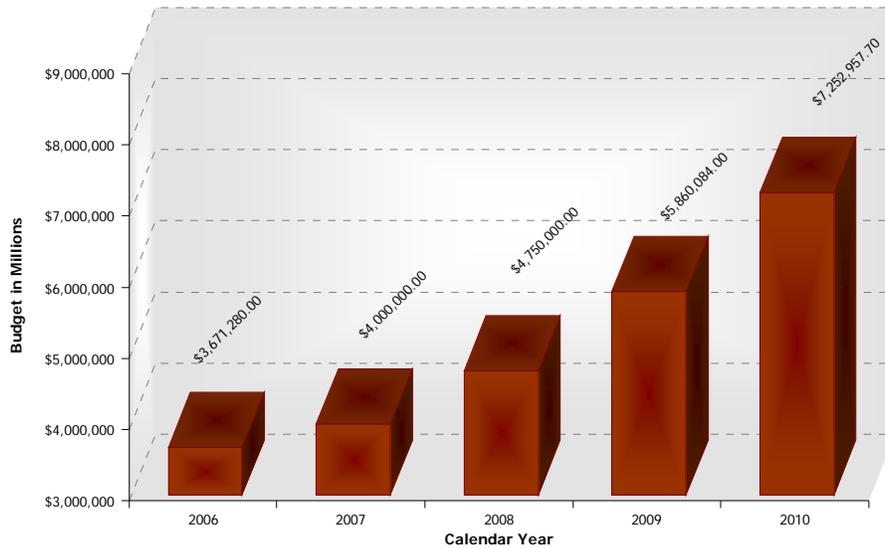
Estimated 2009 revenues for Road and Bridge totaled \$11,822,000. In 2010 the estimated revenues total \$10,887,000. Total available funding for the precincts, including scheduled transfers from the General Fund total \$13,513,492. Other available funding was also reduced and note payable expenses increased, resulting in a shortfall of \$1,949,043.

ROAD & BRIDGE REVENUES 5 YEAR HISTORY



The 2009 total budget for the four (4) Precincts is \$15,462,534, and the adopted budget for 2010 is \$14,906,365. The shortfall was addressed by transferring an additional \$1,392,873 from the general fund and by cost savings from the Workers' Compensation Program and the Self-Insured Employee Health Benefits Program, which totaled \$556,169

**ROAD & BRIDGE
GENERAL FUND TRANSFERS IN
5 YEAR HISTORY**



The Road and Bridge budget allocation to the Precincts for previous years and for 2009 is as follows:

2006 - \$13,600,000
2007 - \$13,472,568
2008 - \$15,452,501
2009 - \$15,462,534
2010 - \$14,906,365 + \$556,169 = \$15,462,534

Also attached, please find a table comparing the tax estimators for 2009 and 2010, which provide detailed data on valuations and property tax revenues.

Sincerely,

Raul Silguero, Jr.
Hidalgo County Budget Officer

HIDALGO COUNTY

Department of Budget and Management

Estimated Revenues at the listed Tax Rates

	2009 Tax Estimator			2010 Tax Estimator		
	TOTAL - ALL FUNDS	TOTAL MAINT. AND OPERATION	TOTAL DEBT SERVICE	TOTAL - ALL FUNDS	TOTAL MAINT. AND OPERATION	TOTAL DEBT SERVICE
Freeze Adjusted Taxable Value	24,806,860,954			25,762,573,203		
Railroad Rolling Stock Value	191,484			185,252		
Value of Properties under Protest	1,002,357,913			411,099,290		
Total Taxable Value	25,809,410,351	25,809,410,351	25,809,410,351	26,173,857,745	26,173,857,745	26,173,857,745
Proposed Tax Rate	0.5900	0.5191	0.0709	0.5900	0.5127	0.0773
Tax Levy on Freeze Adjusted Taxable Value	152,275,521	133,976,649	18,298,872	154,425,761	134,193,369	20,232,392
Plus: Estimated Freeze Ceiling - 065	6,143,902	5,405,592	738,310	6,769,572	5,882,643	886,929
Plus: Estimated Freeze Ceiling - DP	1,656,477	1,457,419	199,058	1,975,213	1,716,427	258,786
Less: TIRZ Payments	(1,876,391)	(1,650,906)	(225,485)	(1,952,438)	(1,696,636)	(255,802)
TOTAL TAX LEVY	158,199,509	139,188,754	19,010,755	161,218,108	140,095,803	21,122,305
Current Tax Collections (1)(2)	147,125,543	129,445,542	17,680,002	149,126,750	129,588,618	19,538,132
Penalty and Interest on Current Collections	3,006,000	2,644,771	361,229	2,741,000	2,381,883	359,117
Total Current Collections	150,131,543	132,090,313	18,041,231	151,867,750	131,970,501	19,897,249
Delinquent Tax Collections	6,998,000	6,183,000	815,000	6,000,000	5,295,000	705,000
Penalty and Interest on Delinquent Tax Collections	2,974,000	2,628,000	346,000	2,400,000	2,118,000	282,000
Total Delinquent Collections	9,972,000	8,811,000	1,161,000	8,400,000	7,413,000	987,000
Total Tax Collections	160,103,543	140,901,313	19,202,231	160,267,750	139,383,501	20,884,249
Beginning Fund Balance	29,834,107	25,666,375	4,167,732	15,783,765	11,865,335	3,918,430
Current Tax Collections	150,131,543	132,090,313	18,041,231	151,867,750	131,970,501	19,897,249
Delinquent Tax Collections	9,972,000	8,811,000	1,161,000	8,400,000	7,413,000	987,000
Other Revenues	21,547,263	21,049,007	498,256	18,744,449	18,096,435	648,014
Total Resources Available	211,484,913	187,616,695	23,868,219	194,795,964	169,345,271	25,450,693
Total Estimated Expenditures	(182,121,325)	(161,950,319)	(20,171,006)	(180,944,374)	(159,345,270)	(21,599,104)
Estimated Ending Fund Balance	29,363,588	25,666,376	3,697,213	13,851,590	10,000,001	3,851,589

Notes:
 (1) Scenario A = 93% Collection Rate
 (2) Scenario B = 92.5% Collection Rate

Tax Year	2007	% Increase	2008	% Increase	2009	% Increase
Fiscal Year	2008		2009		2010	
Total Market Value	30,566,363,427	15.33%	33,200,133,848	8.62%	35,620,219,999	7.29%
Net Taxable (Before Freeze)	24,153,115,572	13.98%	26,343,290,518	9.07%	27,491,085,119	4.36%
Freeze Adjusted Taxable	22,767,125,451	13.95%	24,806,860,954	8.96%	25,762,573,203	3.85%